



ROYAL NORWEGIAN EMBASSY

CONTRIBUTION AGREEMENT

BETWEEN

THE MINISTRY OF FOREIGN AFFAIRS OF THE KINGDOM OF NORWAY

AND

THE INDONESIAN ENVIRONMENT FUND

REGARDING

**INS-22/0006, RESULTS-BASED CONTRIBUTIONS FOR EMISSIONS
REDUCTIONS UNDER THE MEMORANDUM OF UNDERSTANDING ON
“PARTNERSHIP IN SUPPORT OF INDONESIA’S EFFORTS TO REDUCE
GREENHOUSE GAS EMISSIONS FROM FORESTRY AND
OTHER LAND USE”**

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THIS AGREEMENT (the Agreement) is entered into between the NORWEGIAN MINISTRY OF FOREIGN AFFAIRS (MFA) and the INDONESIAN ENVIRONMENT FUND (IEF), on behalf of THE MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA (MOF) (jointly referred to as the Parties).

WHEREAS the Government of the Republic of Indonesia through the Ministry of Environment and Forestry and the Government of the Kingdom of Norway through the Ministry of Climate and Environment on 12 September 2022 have entered into a Memorandum of Understanding regarding **“Partnership in support of Indonesia’s efforts to reduce greenhouse gas emissions from forestry and other land use”** (the MoU);

WHEREAS the Parties have agreed on the objective of the partnership as contributing to continued reductions in greenhouse gas emissions from forestry and land use, in support of the Government of Indonesia’s achievement of its Nationally Determined Contribution (NDC) to the Paris Agreement and its Forestry and Other Land Use (FOLU) Net Sink 2030 ambition;

PREVAILING to the laws and regulations of both Parties; NOW THEREFORE the Parties have agreed as follows:

1 SCOPE AND OBJECTIVES

- 1.1 This Agreement, including annexes and addenda, set forth the terms and procedures for MFA’s financial contribution to support the Indonesian Environment Fund (IEF) to fund, under its REDD+ program, within the framework of the implementation of the MoU, the implementation of activities to support Indonesia’s priorities as outlined in the “FOLU Net Sink 2030 Operational Plan”.
- 1.2 The Parties expect the contributions pursuant to Clause 4.1 to finance activities as described above within the Agreement Duration as described in Clause 19.
- 1.3 The activities funded under this Agreement support IEF’s implementation of FOLU Net Sink 2030 Operational Plan in accordance with paragraph 1 of the MoU.
- 1.4 The IEF will develop an investment plan and, in accordance with Clause 6 of this Agreement, report on how the results from the implementation of the activities supports the priorities outlined in Paragraph 2 a) through e) of the MoU.

2 REPRESENTATION AND COMMUNICATION

- 2.1 The Royal Norwegian Embassy in Jakarta is competent to act on behalf of MFA, and for the purpose of this Agreement all its actions should be understood to be on behalf of the MFA. All communication to MFA regarding this Agreement shall be directed to:

Royal Norwegian Embassy in Jakarta

Menara Rajawali Building 20th Floor Jl. Anak Agung Gde Agung
Kawasan Mega Kuningan Jakarta 12950 Indonesia emb.jakarta@mfa.no

- 2.2 Badan Pengelola Dana Lingkungan Hidup (BPDLH)/the Indonesian Environment Fund (IEF) is competent to act on behalf of the MOF, and for the purpose of this Agreement all its actions should be understood to be on behalf of MOF. All communication to the IEF regarding this Agreement shall be directed to:

Badan Pengelola Dana Lingkungan Hidup (BPDLH)/ Indonesian Environment Fund (IEF)

Jalan Merdeka Selatan, Wisma Antara Building 14th Floor, Jakarta,
Indonesia bpdlh@kemenkeu.go.id

- 2.3 The Parties are obliged to give written notice should there be any change to any information above.

3 IMPLEMENTATION

- 3.1 The IEF has the overall competence for planning, implementing, reporting and monitoring the implementation of the activities funded by the Contribution in accordance with Paragraph 3.c.i of the MoU, according its own corresponding policy and investment plan, and shall:
- a) contribute to the implementation of the "Indonesia's FOLU Net Sink 2030 Operational Plan";
 - b) exercise the necessary diligence, efficiency and transparency in line with best practise principles;
 - c) ensure sound financial management of the Contribution, including ensuring that the Contribution under this Agreement is satisfactorily accounted for and properly reflected in the plans, budgets and accounting of IEF;

- d) ensure the proper functioning of the IEF by providing sufficient personnel and resources that may be required in order to implement the activities funded by the Contribution.
- 3.2 The Parties shall communicate and cooperate fully in order to arrange for the successful implementation of the activities funded by the Contribution, including information regarding major organizational changes of the Parties. To this end, the Parties shall immediately inform each other of any circumstances likely to hamper or delay the successful implementation of the activities funded by the Contribution.
- 3.3 The IEF shall continuously identify, assess and mitigate any relevant risks associated with the implementation of the activities funded by the Contribution, in line with the relevant laws and regulations of Indonesia applicable to the IEF and the IEF Environmental Social Safeguards Framework and System, taking into account relevant aspects covered there, including good governance, anti-corruption, climate and environment, social consequences and vulnerable groups based on Indonesia's domestic regulations. The IEF shall implement measures related to the prevention, detection and response against sexual exploitation, abuse and harassment (SEAH) in accordance with Indonesia's laws and regulations.

4 THE FINANCIAL CONTRIBUTION

- 4.1 As mutually agreed by the Partners to the MoU regarding results-based contributions (the Contribution) under this Agreement:
- a) The Parties recognize, through the MoU, Norway's intention to support Indonesia's results and prioritized activities through results-based contributions for verified emission reductions consistent with the Paris Agreement and decisions under UNFCCC, including Decisions 9-15/CP.19 on the Framework for REDD+;
 - b) MFA contributes USD 56 million as the first results-based contribution for the already verified emissions reductions from forests and land use of 11.2 million tonnes CO₂ for the forest year 2016/17, based on the existing MRV protocol, agreed by the Partners of the MoU with reference to the exchange of note and third-party verification;
 - c) Results-based contributions for a portion of national level and third-party verified emissions reductions from forests and land use for the years 2017/18 through 2019/20 will be based on the existing MRV protocol;
 - d) Results-based contributions for a portion of national-level and third-party verified emissions reductions and removals from forests and land

use for the years 2020/21 onwards, will be based on an updated MRV protocol to be agreed by the Partners to the MoU.

- 4.2 Upcoming contributions pursuant to Clauses 4.1(c) and 4.1(d) will be specified in separate addenda to this Agreement and will be subject to (i) approved allocations by the Norwegian Parliament for the relevant budget year, (ii) a verification report as per the MRV Protocol specified in Clause 4.1 c) and d), and (iii) a submission to UNFCCC of Indonesia's summary of information on safeguards covering the relevant result/forest year.
- 4.3 In accordance with the prevailing laws and regulations regarding service fee, any contribution under this Agreement shall include 5% of IEF's service fee.
- 4.4 Any contribution under this Agreement, including accrued interest, but excluding IEF's service fee as agreed in Clause 4.3 above, shall be used exclusively to finance the implementation and the operational needs of any activities under this Agreement.

5 DISBURSEMENTS

- 5.1 The contribution pursuant to Clause 4.1(b) shall be disbursed no later than 10 working days after signing of this Agreement, which is then immediately followed by written notice by the MFA to the IEF.
- 5.2 All disbursements shall be made in NOK based on the exchange rate on the date of transfer to the following separate bank account with the Indonesian Ministry of Finance:
- | | |
|------------------------------|---|
| Name of the account | : BPD LH QQ RBC FOLU NORWAY-INA |
| Account number | : 1501843445 |
| IBAN number | : - |
| Name and address of the bank | : PT. Bank Negara Indonesia (Persero) Tbk.
Jl. Jend. Sudirman kav.1, Jakarta Pusat |
| Swift/BIC code | : BNINIDJA |
| Currency of the account | : USD |
- 5.3 The IEF shall immediately acknowledge receipt of the funds in writing. The amount received shall be stated as well as the date of receipt and the exchange rate applied. The IEF shall ensure that the use of the Contribution under this Agreement for the implementation of the activities as specified in Clause 1 are enabled effectively in line with the Investment Plan.

6 ANNUAL REPORT ON RESULTS AND FINANCES

- 6.1 An Annual Report on contributions under this Agreement covering the period from January to December shall be made public on the IEF's website by the following year after audit completion. Such Annual Report on contributions under this Agreement, including financial report, shall be based on the IEF's own templates, addressing the results of implementation of investment plan.
- 6.2 The financial reports pursuant to Clause 6.1 shall follow the Annual Report Template in line with the prevailing relevant laws and regulations and IEF guidelines.

7 AUDIT

- 7.1 The annual financial statements described in Clause 6.2 above shall be audited, and the audit report shall be submitted to MFA within July of the following year, as per the domestic audit schedule. In case of any delays, the IEF will notify the MFA.
- 7.2 If applicable, any other document from the auditor significant to the implementation of this Agreement, as well as the IEF's comments thereto, shall be submitted to MFA within the same deadline.
- 7.3 The audit shall be carried out by an independent chartered/certified public accountant (auditor), who is registered and acknowledged by the Indonesian Supreme Audit Agency (Badan Pemeriksa Keuangan), a member of the International Organization of Supreme Audit Institutions (INTOSAI). The independent chartered/certified public accountant appointed by the IEF will apply international audit standards such as International Standards of Auditing (ISA), or equivalent.
- 7.4 The costs of the audit described in 7.1 shall be covered by the IEF as a part of the contribution.
- 7.5 The MFA may request additional explanation regarding the audit report and any other documents as stated in Clause 7.2. Such request shall be made through the contact point stated in Clause 2.

8 ANNUAL MEETINGS

- 8.1 The Parties shall hold an Annual Contribution Meeting (hereinafter "the Annual Meeting") once per year. The meetings shall be called and chaired by the IEF. The official minutes of the Annual Meeting shall be presented to the Co-Chairs of the Joint Consultation Group under the MoU.

- 8.2 The Parties shall discuss the Annual Report as stated in Clause 6.1 and 6.2. The IEF shall inform the Annual Meeting about the investment plan and budget for the upcoming year. The Parties shall discuss any possible significant changes which might affect the goals of the activities funded by the contribution.

9 REVIEWS

- 9.1 Reviews of activities under this Agreement carried out by IEF shall be based on the IEF systems as described in the IEF Regulations. The report of such reviews of activities shall be forwarded to the Parties.

10 PROCUREMENT

- 10.1 All procurement under the Agreement shall be undertaken by the IEF and be completed in accordance with any statutory requirements applicable in the jurisdiction of Indonesia by taking into account the principles as outlined in Annex A (Procurement Provisions).

11 SPECIAL PROVISIONS

- 11.1 All use of funds from the Contribution shall be assessed, implemented and evaluated under IEF Environmental and Social Safeguards Framework, which builds on the Indonesia REDD+ Safeguards Information System (SIS) and the IEF's Environment and Social Framework. The use of the Contribution for the REDD+-related activities shall be assessed, implemented, and evaluated under the Indonesia REDD+ Safeguards Information System (SIS REDD) whilst other activities shall refer to the IEF E&S Safeguard Management Framework (ESSMF). The IEF shall only fund activities consistent with the abovementioned environmental and social safeguards framework.

12 ASSETS

- 12.1 The IEF shall have full ownership to all equipment, consumables and intellectual property rights procured or developed by use of the contribution under this Agreement. The IEF shall also bear a responsibility to ensure that accounting and record keeping, management, transfer and disposal of assets are in accordance with national legislation. With the exception of assets procured or developed by the use of the service fee described in Clause 4.4, any income from a transfer, sale or disposal of assets shall accrue to the implementation of activities outlined in section 1.1.

12.2 Ownership of any equipment, consumables and/or intellectual property rights acquired under the Agreement may not be transferred to an employee of the IEF or beneficiaries or implementing partners, or anyone related to or connected with an employee, if there is valid reason for IEF to believe that such a relation could lead to a conflict of interest as described in Clause 13.2.

12.3 In the event if the IEF legally cease to exist after the end of the implementation of the activities under this Agreement, MOF shall inform MFA about the remaining equipment and goods that have been purchased by use of the Contribution under this Agreement and which have not been transferred to beneficiaries or implementing partners. This Clause does not apply to equipment and goods that have been purchased by the use of the service fee described in Clause 4.4.

12.4 The contribution may not be used to purchase or construct real property (land or buildings) unless specifically agreed upon between the Parties in writing.

13 CONFLICT OF INTEREST

13.1 The Parties shall take all necessary precautions to avoid any conflicts of interest in all matters related to the implementation of the Contribution.

13.2 Conflict of interest refers to any situation where the impartial and objective exercise of the functions of anyone acting on behalf of the Parties is, or may be, compromised for reasons involving family, personal life, political or national affinity, economic interest or any other connection or shared interest with another person.

13.3 If a conflict of interest occurs, the affected Party shall, without delay, take all necessary measures to resolve the conflict.

13.4 If the conflict of interest cannot be resolved and if it relates to a decision or transaction of significance to the contribution, the affected Party shall immediately notify the other Party. The Parties shall discuss in order to reach an understanding on the appropriate measures to be taken.

14 FINANCIAL IRREGULARITIES

14.1 The Parties shall practice zero tolerance towards any financial irregularities within and related to the implementation of the Agreement and the relevant activities of the IEF. The zero tolerance policy applies to all staff members, consultants and other non-staff personnel, contractors, implementing partners and beneficiaries related to the implementation of the Agreement.

14.2 Financial irregularities refers to any use of the contribution not in accordance with the Agreement and/or relevant Indonesia's laws and regulations applicable to the IEF.

14.3 The Parties are firmly committed to prevent, detect and manage financial irregularities. The Parties shall therefore take all appropriate and necessary measure to organize their operations and internal control systems to prevent, detect, and handle financial irregularities.

14.4 The Parties shall immediately inform each other of any indication of financial irregularities and of the measures initiated to handle the situation and cooperate fully in the investigations of such events.

15 TRANSPARENCY

15.1 The IEF shall ensure transparency in all relevant aspects of disbursement and operations of IEF, such as criteria for distribution of funds, all relevant information on calls for proposals, investment programs and activities, finances and results.

15.2 The following documents will be available on IEF's webpage: information on call for proposals, eligibility criteria for intermediaries and beneficiaries, criteria for selection of projects, list of approved projects including amount and period, FOLU Net Sink 2030 Operational Plan and its related detailed plans when available, Summary of the Annual Meeting meetings related to the Agreement, Annual Report under this Agreement, and any other documents that may be published upon request and in accordance with the prevailing guidelines and regulations of the IEF.

15.3 Upon request, the Parties shall make documents and all agreed reports relevant to the activities of the IEF funded by the contribution available to the public, subject to approval based on their respective national legislation.

16 COMPLIANCE ASSURANCE

16.1 In accordance with the relevant Indonesian laws and regulations, the IEF is responsible for monitoring and evaluating all operations funded by this contribution, including compliance assurance, follow-up and other control measures.

16.2 Any documents and/or information held by the IEF correlating to activities funded by this contribution, including the results of the monitoring and evaluation carried out by the IEF, can be accessed by the MFA preceded

by dialogue between Partners upon formal written request of such documents and/or information to the IEF.

17 OTHER PROVISIONS

17.1 IEF is responsible for ensuring the handling and follow-up of all forms of financial irregularities, and material breach of either the Indonesian laws and regulations and/or this agreement by fund recipients, in accordance with the prevailing Indonesian laws and regulations.

17.2 The IEF Internal Audit and Supervisory Board is responsible for ensuring the handling and follow-up of all forms of financial irregularities, and material breach of either the Indonesian laws and regulations and/or this agreement by the IEF, in accordance with the prevailing Indonesian laws and regulations.

17.3 Both Partners shall inform each other at the earliest opportunity about any financial irregularities and/or material breach of either the Indonesian laws and regulations and/or this agreement by fund recipients or the IEF, in accordance with prevailing Indonesian laws and regulations, including the progress of any subsequent actions, including legal actions, correlated to such breach.

18 LIABILITY

18.1 Neither of the Parties shall be held liable for damage, injury or loss of income sustained by the other Party or its agencies, staff or property as a direct or indirect consequence of the activities under the Agreement. No claim for compensation or increases in payment in connection with such damage, injury or loss of income shall be accepted.

19 DURATION, AMENDMENT AND TERMINATION

19.1 The Agreement shall enter into force on the date of the last signature, and shall remain in force in accordance with the duration of the MoU, which may be extended by mutual written consent of the Partners.

19.2 The Agreement may be amended. Any such amendment must be agreed upon in writing between the Parties and shall become an integral part of the Agreement.

19.3 Each Party may terminate the Agreement at any time upon three months written notice prior to the intended termination date. The Parties shall – through the Joint Consultations Group under the MOU – conclude jointly on whether all outstanding obligations are fulfilled.

20 UNSPENT FUNDS

20.1 In the event of termination of this Agreement, the Parties shall agree on finding an alternative use of any unspent funds from the Contribution remaining in the IEF so that the use of those funds is still in line with the MoU and in support of the FOLU Net Sink 2030 Operational Plan and towards Indonesia's enhanced NDC targets.

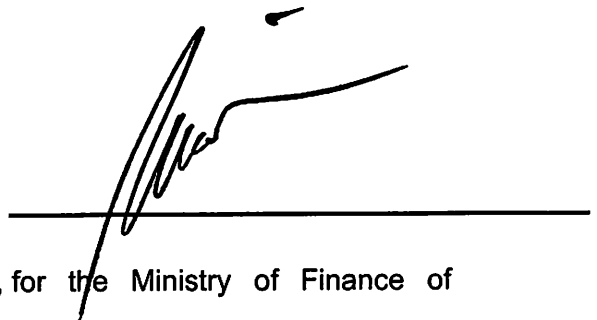
21 DISPUTE RESOLUTION

21.1 Any dispute concerning this Agreement shall be settled by consultations between the Parties.

IN WITNESS WHEREOF the undersigned, acting on behalf of their respective Party, have signed the Agreement in 2 (two) originals in the English language and 2 (two) originals in the Bahasa Indonesia language, whereof the Parties keep one of each language. In the event of any discrepancies between this English language version, Bahasa Indonesia and/or any later translations, the English language version shall prevail.

Place: Jakarta

Date: 19 October 2022



for the Norwegian Ministry of Foreign Affairs, for the Ministry of Finance of
Indonesia

Rut Giverin

Djoko Hendratto

Ambassador

Executive Director

Royal Norwegian Embassy of Jakarta

Indonesian Environment Fund

Attachment:

Annex A: Procurement Provisions

ANNEX A: PROCUREMENT IN THE CONTEXT OF PROJECTS FINANCED BY THE NORWEGIAN MINISTRY OF FOREIGN AFFAIRS

The Partner applies its own procurement rules if they offer guarantees equivalent to internationally accepted standards. If the rules do not offer equivalent guarantees, or in specific cases, the MFA and the Partner will agree on the use of other procurement procedures offering such guarantees. In this case, the rules to be followed are set forth in the Contribution Agreement.

Notwithstanding the above, all procurements carried out by the Partner in the context of the Project shall comply with the principles and provisions set forth in this Annex A.

1 INTRODUCTION

- 1.1 This Annex A sets out procurement rules and principles which shall be applied by the Partner when procuring goods, services or works to Projects financed by the Ministry of Foreign Affairs (MFA). Stricter rules may supplement the compulsory minimum rules set forth in this Annex A.
- 1.2 The MFA may carry out ex post checks on the Partner's compliance with the rules set forth in this Annex A.
- 1.3 Failure to comply with the rules set forth in this Annex A shall render the Project expenditure ineligible for MFA funding and may lead to withholding funds or claim for repayment in accordance with article 20 of the Grant Agreement.
- 1.4 Contracts shall not be split artificially to circumvent the procurement thresholds. All monetary amounts referred to in this Annex A are amounts excluding value-added tax (VAT).
- 1.5 The procurement provisions shall also apply to any procurements to be carried out by the Partner's cooperation partners or others. The Partner shall be responsible for compliance regardless of whether the procurement is carried out by the Partner itself or its cooperation partners or others.

2 BASIC PRINCIPLES

- 2.1 If a Project requires procurement by the Partner, the contract must be awarded following a tender procedure to the most economically advantageous tender (i.e. to the tenderer obtaining the best score based on price and quality), or, as appropriate, to the tenderer offering the lowest price. In doing so, the Partner shall avoid any conflict of interests and respect the following basic principles:
 - a) **Competition:** The procedures applied and the award of contracts shall be based on fair competition.

- b) **Equal treatment and non-discrimination:** Participation in tender procedures shall be open on equal terms to all natural and legal persons. During the entire procurement and the award of contracts, the Partner shall not discriminate against candidates/tenderers or groups of candidates/tenderers.
- c) **Transparency and ex-ante publicity:** As a general rule, tender procedures shall be based on prior publication. Where the Partner does not launch an open tender procedure, it shall justify the choice of tenderers that are invited to submit an offer.
- d) **Objective criteria:** The Partner shall evaluate the offers received against objective criteria, which enable the Partner to measure the quality of the offers and shall take into account the price (the offer with the lowest price shall be awarded the highest score for the price criterion). The criteria shall be set out beforehand and shall be relevant to the contract in question.
- e) **Notoriety:** The Partner shall keep sufficient and appropriate records and documentation with regard to the procedure, its evaluation and award.

3 ELIGIBLE TENDERERS

3.1 Tenderers must provide information on their legal form and ownership structure.

3.2 Tenderers shall be excluded from participation in a procurement procedure if:

- a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations. However, tenderers in this situation may be eligible to participate insofar as the Partner is able to purchase supplies on particularly advantageous terms from either a supplier which is definitively winding up its business activities, or the receivers or liquidators of a bankruptcy, through an arrangement with creditors, or through a similar procedure under national law;
- b) they or persons having powers of representation, decision-making or control over them have been convicted of an offence concerning their professional conduct by a final judgment;
- c) they have been guilty of grave professional misconduct; proven by any means which the Partner can justify;
- d) they have not fulfilled obligations relating to the payment of social security contributions or taxes in accordance with the legal provisions of the country in which they are established, or with those of the country of the Partner or those of the country where the contract is to be performed;

- e) they or persons having powers of representation, decision-making or control over them have been convicted for fraud, corruption, involvement in a criminal organisation or money laundering by a final judgment;
 - f) they make use of child labour or forced labour and/or practise discrimination, and/or do not respect the right to freedom of association and the right to organise and engage in collective bargaining pursuant to the core conventions of the International Labour Organization (ILO).
- 3.3 Tenderers shall confirm in writing that they are not in any of the situations listed above. Even if such confirmation is given by a tenderer, the Partner shall investigate any of the situations listed above if it has reasonable grounds to doubt the contents of such confirmation.
- 3.4 Contracts shall not be awarded to tenderers which, during the procurement procedure:
- a) are subject to a conflict of interests;
 - b) are guilty of misrepresentation in supplying the information required by the Partner as a condition of participation in the tender procedure, or fail to supply this information.

4 GENERAL PROCUREMENT RULES

- 4.1 The tender documents shall be drafted in accordance with best international practice. The Partner may voluntarily use the models published in the Practical Guide on the EuropeAid (EU) website.
- 4.2 The Partner shall take into account universal design and the potential environmental impact of any planned procurements.
- 4.3 All invitations to submit tenders shall state that offers will be rejected if any illegal or corrupt practises have taken place in connection with the award. All contracts concluded under the Project shall state that the Partner may terminate the contract if it finds that illegal or corrupt practises have taken place in connection with the contract award or execution.
- 4.4 The time-limits for receipt of tenders and requests to participate must be sufficient to allow interested parties a reasonable and appropriate period to prepare and submit their tenders.
- 4.5 An evaluation committee must be set up to evaluate applications and/or tenders of a value of NOK 500 000 or more on the basis of the exclusion, selection and award criteria. This committee must have an odd number of members, at least three, with all the technical and administrative capacities necessary to give an informed opinion on the tenders.

- 4.6 For contracts with a value exceeding NOK 100 000, the Partner shall compile a written record with documentation of all assessments and decisions during all steps of the procurement process from the planning stage until the signing of the contract. Upon request by the MFA, the Partner shall deliver its written record to the MFA and grant the MFA access to all relevant information and documentation related to the procurement procedure and practices applied.