

CONFORMED COPY

CREDIT NUMBER 4349-IND

Financing Agreement

**(Better Education Through Reformed Management
and Universal Teacher Upgrading Project)**

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 7, 2007

CREDIT NUMBER 4349-IND

FINANCING AGREEMENT

AGREEMENT dated November 7, 2007, entered into between REPUBLIC OF INDONESIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The IDA General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II – FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to forty million three hundred thirty thousand Special Drawing Rights (SDR 40,330,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 1 and September 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III – PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Ministry of National Education in accordance with the provisions of Article IV of the IDA General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Project Operation Manual, acceptable to the Association, has been adopted by the Recipient.
 - (b) The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05(b) of the IDA General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Minister of Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance
c/o Directorate General of Debt Management
Jalan Lapangan Banteng Timur 2-4
P. O. Box 1139
Jakarta 10710
Indonesia

Cable address:	Telex:	Facsimile:
FINMINISTRY Jakarta	45799 DJMLN-IA 44319 DEPKEU-IA	(21) 381 2859

5.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Jakarta, Republic of Indonesia, as of the day and year first above written.

REPUBLIC OF INDONESIA

By: /s/ Rahmat Waluyanto
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Joachim von Amsberg
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to contribute to the improvement of the overall quality and performance of the teachers in the Republic of Indonesia through enhancing such teachers' knowledge of subject matter and pedagogical skills in the classroom.

The Project consists of the following parts:

Part 1: Reforming University-Based Teacher Education Reform

1.1. Provision of technical assistance to BAN-PT to facilitate the development of accreditation instruments and a strategic plan for the accreditation process; and provision of training, workshops and support for incremental operating costs associated with the accreditation of teacher training providers.

1.2. Grants and Scholarships: (a) Provision of Accreditation Incentive Grants to selected public and private universities and teacher training institutions to improve curriculum and teacher preparation programs in line with international best practice and teacher accreditation standards.

(b) Development by the Open University of teaching and learning modules and materials for pre-service and upgrading of teachers, including provision of technical assistance, training, workshops and incremental operating costs to the Open University.

(c) Provision of Distance Learning Development Grants to selected public and private universities and teacher training institutions which offer distance education to develop teaching and learning materials for distance learning courses for pre-service and upgrading of teachers.

(d) Provision to selected teacher training institution staff of: (i) international post-graduate degree scholarships; and (ii) three-month international non-degree training.

Part 2: Strengthening Structures for Teacher Improvement at the Local Level

2.1. Provision of technical assistance to the Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK) and the Directorate General for Higher Education (DIKTI) for the development and establishment of mechanisms for the recognition of the prior learning of teachers, including eligibility examinations.

2.2. Provision of technical assistance, training, workshops, and support for incremental operating costs to the Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK), the Institute for Educational Quality

Assurance (LPMP) and the Center for Development and Empowerment of Teacher and Education Personnel (P4TK) for:

(a) development of subject-based and management-based learning modules for elementary and junior secondary teachers, principals and supervisors to be made available to teacher training institutions (Institutes for Educational Quality Assurance (LPMPs) and the Center for Development and Empowerment of Teacher and Education Personnel (P4TK)) to strengthen capacity to support learning activities of teachers at the school cluster level; and

(b) (i) the conduct of financial and management training for school cluster coordinators and local members of the Principals' Working Groups (KKKS/MKKS) and Supervisors' Working Groups (KKPS/MKPS) at the local level; (ii) the conduct of subject and pedagogy-based courses and methodologies to train core teachers and subject specialists from the Teachers' Working Groups (KKG/MGMP) in the use of the centrally developed modules; and (iii) the conduct of Teachers' Working Groups (KKG/MGMP), Principals' Working Groups (KKKS/MKKS) and Supervisors' Working Groups (KKPS/MKPS) forums and training at the district level.

2.3. Provision of Working Group Grants to Teachers' Working Groups (KKG/MGMP) for teacher training activities.

2.4. Provision of Working Group Grants to Principals' Working Groups (KKKS/MKKS) and Supervisors' Working Groups (KKPS/MKPS) for: (a) implementation of teacher induction programs; and (b) training in the practice of classroom teacher performance assessment.

2.5. Provision of technical assistance, training, workshops and support for incremental operating costs, through the Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK), to establish school-based teacher induction programs for beginning teachers and a performance assessment reporting process by the principal at the end of the teachers' probationary year.

Part 3: Reforming Teacher Accountability and Incentives Systems for Performance Appraisal and Career Advancement

Provision of technical assistance to carry out studies and workshops to: (a) review and, to the extent possible, reform existing policies, procedures and instruments relating to performance appraisal for progression and promotion; (b) link incentives to performance and career advancement; and (c) improve lines of accountability between managers (principals/supervisors) and teachers; including provision of training, workshops and support for incremental operating costs financing to Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK).

Part 4: Improving Project Coordination, Monitoring and Evaluation

4.1. Establishment of a monitoring system for the certification of teachers and the implementation of the Grants programs under Parts 1 and 2 of the Project, improvement of the existing teacher monitoring system, and development of a monitoring system for time-on-task and teaching methods applied in classrooms.

4.2. Carrying out of evaluation studies to measure the effect of the Project-financed activities on teacher feedback regarding the process of teacher certification and Project implementation.

4.3 Support for Project management, coordination and monitoring including: (a) technical assistance for the Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK) and Institutes for Educational Quality Assurance (LPMPs) to assist districts in facilitating and ensuring the quality of Working Group programs; (b) technical assistance to strengthen the PCU's and the implementing units' capacity in procurement and financial management; and (c) workshop, training and support incremental operating costs of the Project management, coordination and monitoring activities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient, through the Ministry of National Education, shall establish by October 1, 2007 and maintain until completion of the Project, the Project Steering Committee, chaired by the Deputy Minister for Human Resources and Cultural Affairs of Bappenas and including representatives from the Ministry of National Education (Secretariat General, Directorate General for Higher Education (DIKTI), Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK), Directorate General for Management of Primary and Secondary Education, and Balitbang), Ministry of Religious Affairs, Bappenas, Ministry of Finance, Ministry of Home Affairs, National Civil Service Agency and State Ministry of Administrative Reform. The Project Steering Committee shall facilitate coordination among the Recipient's education-related agencies. The PCU shall act as the secretariat to the Project Steering Committee.
2. The Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK) of the Ministry of National Education shall be the executing agency for the Project.
3. The Directorate General for Higher Education (DIKTI) shall be responsible for overseeing the implementation of Parts 1.2 and 2.1 of the Project, including the policy and guidelines for improvement of teacher training institutions (LPTKs), and the implementation of Accreditation Incentive Grants and Distance Learning Development Grants.
4. The Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK) shall be responsible for overseeing the implementation of Parts 2, 3 and 4.3 of the Project, including the policy and guidelines for teachers quality improvements and Working Group Grants to Teachers' Working Groups, Principals' Working Groups and Supervisors' Working Groups, the LPMP and P4TK.
5. Balitbang shall be responsible for overseeing the implementation of Parts 1.1, 4.1 and 4.2 of the Project, monitoring and evaluation activities, funding of BAN-PT operational costs and support for stakeholder involvement.
6. (a) The Recipient shall maintain until completion of the Project, the PCU in the Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK), chaired by its Director General, under

terms of reference in accordance with the Project Operation Manual. The Recipient shall provide the PCU at all times with adequate funds and other resources, and shall ensure that the PCU is staffed by qualified and experienced personnel in adequate numbers, as shall be necessary to accomplish its functions, responsibilities and objectives, in accordance with the Project Operation Manual.

- (b) The Recipient shall have recruited: (i) a financial management consultant; and (ii) two consultants to support the Recipient with procurement for the Project, in each case under terms of reference acceptable to the Association no later than November 1, 2007.

B. Safeguards.

- 1. The Recipient shall ensure that the Project is carried out in accordance with the Isolated Vulnerable Peoples' Framework, to ensure that both teachers and communities who or which are Isolated Vulnerable Peoples will benefit from the Project, including developing screening and implementation criteria for Grants and a grievance mechanism in accordance with the Isolated Vulnerable Peoples' Framework.

C. Project Implementation.

- 1. The Recipient shall:
 - (a) adopt a Project Operation Manual, acceptable to the Association, which shall include: (i) Project implementation arrangements, organizational structure and specifications for modules; (ii) financial management, reporting and auditing procedures meeting the requirements of Section II of this Schedule 2; (iii) the Isolated Vulnerable Peoples Framework; (iv) procurement procedures for the Project including the Procurement Procedures set forth in Section III of this Schedule 2 and the Procurement Plan; (v) the Anti-Corruption Action Plan; and (vi) procedures for monitoring and reporting the Project's progress;
 - (b) adopt each of the Accreditation Incentive Grants Implementation Manual, the Distance Learning Development Grants Implementation Manual and the Working Group Grants Implementation Manual;
 - (c) carry out the Project in accordance with the Project Operation Manual; each of the Accreditation Incentive Grants Implementation Manual, the Distance Learning Development Grants Implementation Manual and the Working Group Grants Implementation Manual; the Anti-Corruption Action Plan; and the Procurement Procedures and Procurement Plan, in each case in a manner acceptable to the Association; and

- (d) not amend, abrogate, suspend or waive any provision of the Project Operation Manual, the Anti-Corruption Action Plan, the Accreditation Incentive Grants Implementation Manual, the Distance Learning Development Grants Implementation Manual, the Working Group Grants Implementation Manual or the Procurement Plan without the prior consent of the Association.
- 2. The Recipient shall carry out Part 1.2(a) of the Project in accordance with the provisions of the Accreditation Incentive Grants Implementation Manual and, except as the Association shall otherwise agree, the following provisions:
 - (a) Accreditation Incentive Grants shall only be awarded to private and public universities and training institutions providing teacher education programs, and shall be subject to the restrictions on maximum amount, disbursement conditions and matching contributions set out in the Accreditation Incentive Grants Implementation Manual; and
 - (b) for each Accreditation Incentive Grant, a contract shall be entered into between the Beneficiary Institution and the Recipient's Directorate General for Higher Education (DIKTI) setting forth the terms of such Grant prior to disbursement of such Grant.
- 3. The Recipient shall carry out Part 1.2(c) of the Project in accordance with the provisions of the Distance Learning Development Grants Implementation Manual and, except as the Association shall otherwise agree, the following provisions:
 - (a) Distance Learning Development Grants shall only be awarded to selected universities offering distance learning programs for teachers, and shall be subject to the restrictions on maximum amount and disbursement conditions set out in the Distance Learning Development Grants Implementation Manual; and
 - (b) for each Distance Learning Development Grant, a contract shall be entered into between the Beneficiary Institution and the Recipient's Directorate General for Higher Education (DIKTI) setting forth the terms of such Grant prior to disbursement of such Grant.
- 4. The Recipient shall carry out Part 2.3 of the Project in accordance with the provisions of the Working Group Grants Implementation Manual and, except as the Association shall otherwise agree, the following provisions:
 - (a) Working Group Grants shall only be awarded to: (i) Teachers' Working Groups (KKG/MGMP); (ii) Principals' Working Groups

(KKKS/MKKS) to provide support for Teachers' Working Groups having received Working Group Grants; and (iii) Supervisors' Working Groups (KKPS/MKPS) to provide support for Principals' Working Groups having received Working Group Grants, and shall be subject to the restrictions on maximum amount and disbursement conditions set out in the Working Group Grants Implementation Manual; and

- (b) for each Working Group Grant, a contract shall be entered into between the Teachers' Working Group, Principals' Working Group or Supervisor's Working Group, as applicable, and the Recipient's Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK) setting forth the terms of such Grant prior to disbursement of such Grant.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports.

- 1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the IDA General Conditions and on the basis of indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar year, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) Increase in number of teachers meeting the academic qualification mandated by the Teacher Law.
 - (ii) Increase in number of primary and junior secondary teachers using classroom instruction with specific subject and age appropriate pedagogy in districts in which Project activities are conducted.
 - (iii) Reduction of absenteeism of teachers in districts in which Project activities are conducted.

B. Financial Management, Financial Reports and Audits.

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the IDA General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the IDA General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General.

1. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Consultants’ Services.

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method:</u>
(a) Selection Based on Consultants’ Qualifications.
(b) Single Source Selection.
(c) Individual Consultants.

C. Review by the Association of Procurement Decisions.

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

D. Additional Procurement Procedures.

1. Without limitation on the other provisions of this Schedule 2, of the Consultant Guidelines, and of the Anti-Corruption Action Plan, the following provisions shall apply in respect of consultants' services to be procured under the Project.
2. The Recipient shall make publicly available on the website www.sekjen.depdiknas.go.id, or any successor website thereto and promptly upon request by a member of the public (subject to payment of a reasonable fee to cover the cost of printing and delivery) the Procurement Plan, including all updates thereto, and each opportunity for procurement thereunder, including all requests for expressions of interest. The Recipient shall continue to make available each such request for expression of interest until one (1) year after completion of the contract entered into for the services in question.
3. The Recipient shall make publicly available on the website www.sekjen.depdiknas.go.id, or any successor website thereto, and promptly upon request by a member of the public (subject to payment of a reasonable fee to cover the cost of printing and delivery), upon completion of each consultant selection process, the names of the consultants on the long list, shortlist and the awardee (as applicable), the contract amount, and the purpose of such contract.
4. The Recipient shall establish, maintain and publish on the website www.sekjen.depdiknas.go.id, or any successor website thereto a complaints handling system satisfactory to the Association, the results of the performance of consultants and reports on any corrupt or fraudulent practices.
5. The procurement documentation shall require each prospective consultant to submit as part of the expression of interest/proposal a disclosure of any members of their board of directors/commissionaires and their immediate family members that have any business relations with: (a) members of the respective procurement committee; or (b) Echelon I-IV of the Ministry of National Education.
6. The Recipient shall ensure that the award of each consultant contract shall be within the validity period of the expression of interest/proposal for such contract.

Section IV. Withdrawal of the Proceeds of the Financing

A. General.

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the IDA General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing under this Agreement and the Loan under the Loan Agreement, respectively (“Category”), the allocations of the amounts of the Credit and the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Accreditation Incentive Grants.	3,890,000	880,000	100% of Grant amount disbursed
(2) Distance Learning Development Grants.	1,555,000	1,240,000	100% of Grant amount disbursed
(3) Training, workshops and Incremental Operating Costs under Part 2.2(b) of the Project.	8,360,000	4,880,000	100%
(4) Working Group Grants.	16,760,000	11,100,000	100% of Grant amount disbursed
(5) Consultants’ Services.	330,000	200,000	100%
(6) Training, workshops, fellowships and Incremental Operating Costs other than under Part 2.2(b) of the Project.	9,055,000	5,480,000	100%

<u>Category</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(7) Unallocated.	380,000	720,000	
(8) Front End Fee.	n.a.	0	Amount due under Section 2.04 of the Loan Agreement
TOTAL AMOUNT	<u>40,330,000</u>	<u>24,500,000</u>	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement; or
 - (b) under Category (1) for Accreditation Incentive Grants until the Recipient has adopted the Accreditation Incentive Grants Implementation Manual acceptable to the Association; or
 - (c) under Category (2) for Distance Learning Development Grants until the Recipient has adopted the Distance Learning Development Grants Implementation Manual acceptable to the Association; or
 - (d) under Category (4) for Working Group Grants until the Recipient has adopted the Working Group Grants Manual acceptable to the Association.
2.
 - (a) The Recipient and the Association intend, to the extent practicable, that the proceeds of the Credit be disbursed on account of expenditures for the Project before disbursement of the proceeds of the Loan.
 - (b) No withdrawal may be made under this Agreement for any Grant or for any expenditure if a withdrawal is made for such Grant or expenditure under the Co-Financing Agreement, and any Grant or expenditure that is financed under the Co-Financing Agreement shall not be an Eligible Expenditure under this Agreement.
3. The Closing Date is December 31, 2013.

SCHEDULE 3**Repayment Schedule**

<u>Date Payment Due</u>	Principal Amount of the Credit repayable (<u>expressed as a percentage</u>)*
On each March 1 and September 1:	
commencing September 1, 2017 to and including March 1, 2027	1.25%
commencing September 1, 2027 to and including March 1, 2042	2.5%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the IDA General Conditions.

APPENDIX

Section I. Definitions

1. “Accreditation Incentive Grant” means a Grant under Part 1.2(a) of the Project and to be financed out of the proceeds of the Credit, and “Accreditation Incentive Grants” refers to more than one Accreditation Incentive Grant.
2. “Accreditation Incentive Grants Implementation Manual” means the manual, acceptable to the Association, setting out the procedures applicable to the Accreditation Incentive Grants, including the terms and conditions of the contract to be entered into by each Beneficiary Institution, as such manual may be amended from time to time with the prior agreement of the Association.
3. “Anti-Corruption Action Plan” means the Anti-Corruption Action Plan included in and adopted by the Recipient as part of the Project Operation Manual.
4. “Balitbang” means *Badan Penelitian dan Pengembangan*, the Office of Research and Development of the Recipient’s Ministry of National Education, and any successor thereto.
5. “BAN-PT” means *Badan Akreditasi Nasional Perguruan Tinggi*, the Recipient’s National Board of Accreditation for Higher Education and any successor thereto.
6. “Bappenas” means *Badan Perencanaan Pembangunan Nasional*, the Recipient’s National Development Planning Agency, and any successor thereto.
7. “Beneficiary Institution” means the recipient of an Accreditation Incentive Grant or a Distance Learning Development Grant as set out in the Grants Implementation Manual, and “Beneficiary Institutions” refers to more than one Beneficiary Institution.
8. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
9. “Center for Development and Empowerment of Teacher and Education Personnel (P4TK)” means *Pusat Pengembangan dan Pemberdayaan Pendidik dan Tenaga Kependidikan*, the Recipients’ Center for Development and Empowerment of Teacher and Education Personnel (in-service), and any successor thereto.
10. “Co-financier” means the Netherlands, referred to in paragraph 10 of the Appendix to the IDA General Conditions.

11. “Co-financing” means an amount of approximately fifty two million Dollars (\$52,000,000), to be provided by the Co-financier to the Association and to be granted by the Association to the Recipient pursuant to the Co-Financing Agreement to assist in financing the Project.
12. “Co-financing Agreement” means the grant agreement to be entered into between the Recipient and the Association providing for the Co-financing.
13. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Association in May 2004.
14. “Directorate General for Higher Education (DIKTI)” means *Direktorat Jenderal Pendidikan Tinggi*, the Recipient’s Directorate General for Higher Education, and any successor thereto.
15. “Directorate General for Management of Primary and Secondary Education” means *Direktorat Jenderal Manajemen Pendidikan Dasar dan Menengah*, the Recipient’s Directorate General for Management of Primary and Secondary Education, and any successor thereto.
16. “Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK)” means *Direktorat Jenderal Peningkatan Mutu Pendidik dan Tenaga Kependidikan*, the Recipient’s Directorate General for Quality Improvement of Teacher and Education Personnel, and any successor thereto.
17. “Distance Learning Development Grant” means a Grant under Part 1.2(c) of the Project and to be financed out of the proceeds of the Credit, and “Distance Learning Development Grants” refers to more than one Distance Learning Development Grant.
18. “Distance Learning Development Grants Implementation Manual” means the manual, acceptable to the Association, setting out the procedures applicable to the Distance Learning Development Grants, including the terms and conditions of the contracts to be entered into by each Beneficiary Institution, as such manual may be amended from time to time with the prior agreement of the Association.
19. “Grant” means an Accreditation Incentive Grant, a Distance Learning Development Grant, or a Working Group Grant, and “Grants” refers to more than one Grant.
20. “Grants Implementation Manuals” means, collectively, the Accreditation Incentive Grants Implementation Manual, the Distance Learning Development Grants Implementation Manual and the Working Group Grants Implementation Manual.

21. “IDA General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
22. “IBRD General Conditions” means the International Bank for Reconstruction and Development General Conditions for Loans, dated July 1, 2005.
23. “Incremental Operating Costs” means the reasonable costs of incremental expenses incurred by the Open University, BAN-PT, the Directorate General for Higher Education (DIKTI), the Directorate General for Quality Improvement of Teacher and Education Personnel (PMPTK), Balitbang, the Institute for Educational Quality Assurance (LPMP), and the Center for Development and Empowerment of Teacher and Education Personnel (P4TK) in the carrying out of the Project (which expenditures would not have been incurred absent the Project), including training and workshop materials, fees for module development, travel allowance and operational cost for the project management team and for consultants but in all cases excluding Recipient staff salaries.
24. “Institute for Educational Quality Assurance (LPMP)” means *Lembaga Penjaminan Mutu Pendidikan*, the Recipient’s Institute for Educational Quality Assurance, and any successor thereto.
25. “Isolated Vulnerable Peoples” means those social groups in Indonesia that have a distinct social and cultural identity, and that are susceptible to being disadvantaged in the development process induced by the Project or any part thereof.
26. “Isolated Vulnerable Peoples Framework” means the Isolated Vulnerable Peoples Framework issued by the Recipient on April 17, 2007, setting out the program of actions and policies designed to facilitate a process of free, prior and informed consultation involving Isolated Vulnerable Peoples, including teachers and communities, on the design and implementation of the Project, including the Grants, and to ensure that such Isolated Vulnerable Peoples derive benefits from the Project which are socially, economically and culturally appropriate, and gender and inter-generationally inclusive.
27. “KKG/MGMP” means *Kelompok Kerja Guru/Musyawarah Guru Mata Pelajaran*, a teachers working group at a primary/junior secondary level established in accordance with the Working Group Grants Implementation Manual and having the legal capacity to enter into a grant contract.
28. “KKKS/MKKS” means *Kelompok Kerja Kepala Sekolah/Musyawarah Kerja Kepala Sekolah*, a principals’ working group at the primary/junior secondary level established in accordance with the Working Group Grants Implementation Manual and having the legal capacity to enter into a grant contract.

29. “KKPS/MKPS” means *Kelompok Kerja Pengawas Sekolah/Musyawarah Kerja Pengawas Sekolah*, a supervisors working group at the primary/junior secondary level established in accordance with the Working Group Grants Implementation Manual and having the legal capacity to enter into a grant contract.
30. “Loan” means the loan in the amount of USD24,500,000 provided for in the Loan Agreement.
31. “Loan Agreement” means the loan agreement for the Project between the Recipient and the International Bank for Reconstruction and Development, dated the same date as this Agreement, as such loan agreement may be amended from time to time. “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.
32. “LPTK” means *Lembaga Pendidikan Tenaga Kependidikan*, a teacher’s training institution established by the Recipient.
33. “Ministry of Finance” means *Departemen Keuangan*, the Recipient’s Ministry of Finance, and any successor thereto.
34. “Ministry of Home Affairs” means *Departemen Dalam Negeri*, the Recipient’s Ministry of Home Affairs, and any successor thereto.
35. “Ministry of National Education” means *Departemen Pendidikan Nasional*, the Recipient’s Ministry of National Education, and any successor thereto.
36. “Ministry of Religious Affairs” means *Departemen Agama*, the Recipient’s Ministry of Religious Affairs, and any successor thereto.
37. “National Civil Service Agency” means *Badan Kepegawaian Negara*, the Recipient’s National Civil Service Agency, and any successor thereto.
38. “Open University” means the Recipient’s *Universitas Terbuka*, or any successor thereto.
39. “Part” refers to each of Part 1, Part 2, Part 3 or Part 4 of the Project, and “Parts” refers to more than one Part.
40. “PCU” means the Project Coordination Unit as referred to in sub-section A.6 of Section I of Schedule 2 to this Agreement.
41. “Principals’ Working Group” means a KKKS/MKKS, and “Principals’ Working Groups” refers to more than one Principals’ Working Group.

42. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 14, 2007 and referred to in paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
43. “Project Operation Manual” means the manual to assist the Recipient in the implementation of the Project and referred to in sub-section C.1(a) of Section I of Schedule 2 to this Agreement, as such Project Operation Manual may be amended from time to time with the prior agreement of the Association.
44. “Secretariat General” means *Sekretariat Jenderal*, the Recipient’s Secretariat General of Ministry of National Education, and any successor thereto.
45. “State Ministry of Administrative Reform” means *Kementerian Negara Pendayagunaan Aparatur Negara*, the Recipient’s State Ministry of Administrative Reform, and any successor thereto.
46. “Supervisors’ Working Group” means a KKPS/MKPS, and “Supervisors’ Working Groups” refers to more than one Supervisors’ Working Group.
47. “Teacher Law” means the Recipient’s Teachers and Lecturers Law No.14/2005 dated December 2005.
48. “Teachers’ Working Group” means a KKG/MGMP, and “Teachers’ Working Groups” refers to more than one Teachers’ Working Group.
49. “Working Group” refers to a Teachers’ Working Group, a Principals’ Working Group or a Supervisors’ Working Group” and “Working Groups” refers to more than one Working Group.
50. “Working Group Grant” means a Grant under Part 2.3 of the Project for a Teachers’ Working Group or Part 2.4 of the Project for a Principals’ Working Group or Supervisors’ Working Group to be financed out of the proceeds of the Credit, and “Working Group Grants” refers to more than one Working Group Grant.
51. “Working Group Grants Implementation Manual” means the manual, acceptable to the Association, setting out the procedures applicable to the Working Group Grants, including the terms and conditions of the contracts to be entered into by each of the Working Group Grant recipients, as such manual may be amended from time to time with the prior agreement of the Association.