

CONFORMED COPY

LOAN NUMBER 4378 IND

Loan Agreement

(Early Child Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated August 14, 1998

LOAN NUMBER 4378 IND

LOAN AGREEMENT

AGREEMENT, dated August 14, 1998, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, as amended through December 2, 1997 (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following

meanings:

(a) "Affected Person" means a person who, on account of the execution of Part A.4 (a) and (b) of the Project, has or would have his or her: (i) standard of living adversely affected; (ii) right, title or interest in any house, land (including premises, agricultural land and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work, or place of residence or habitat adversely affected;

(b) "BAPPEDA Tk. I" means the Development Planning Agency established and operating within a Province;

(c) "BAPPEDA Tk. II" means the Development Planning Agency established and operating within a District;

(d) "Bina Keluarga Balita" or "BKB" means the Borrower's parent-child education program;

(e) "BKKBN" means the Borrower's National Family Planning Coordinating Board;

(f) "Community Participation Manual" means the technical manual to assist LKMDs in the implementation of Part A.4 (a) and (b) of the Project through the description of, inter alia, the criteria for the selection of Project Villages, procurement procedures and standard documentation, reporting requirements, the relevant Project Performance Indicators, Guidelines for Compensation and Resettlement, environmental criteria applicable to the design of ECD centers and TKs, and maintenance provisions for works to be carried out under Part A.4 (a) and (b) of the Project, as such Community Participation Manual may be amended from time to time with the agreement of the Bank;

(g) "Coordination Committees" means the committees maintained at the Provincial and District levels in accordance with paragraphs 3 (a) and 4 (a) of Schedule 5 to this Agreement;

(h) "DINAS Kesehatan" means the Provincial and District health offices;

(i) "DINAS P dan K" means DINAS Pendidikan dan Kebudayaan, the Provincial and District offices for education and culture;

(j) "District" means a Kabupaten or a Kotamadya;

(k) "ECD" means Early Child Development;

(l) "Fiscal Year" and "FY" mean the fiscal year of the Borrower commencing April 1 and ending March 31;

(m) "Guidelines for Compensation and Resettlement" means the guidelines prepared by the Borrower, in agreement with the Bank, for the provision of compensation to Affected Persons as set forth in paragraph 8 (c) of Schedule 5 to this Agreement and in the Community Participation Manual, and as such Guidelines may be amended from time to time in agreement with the Bank;

(n) "Implementation Agreement" means the agreement prepared by the Borrower for Project implementation, set out in the Joint Decree of the Director-General of Out-of-School Education, Youth and Sports, Ministry of Education and Culture, No. 45/E/MS/1998; Director-General of Primary and Secondary Education, Ministry of Education and Culture, No. 246/C/KEP/DS/1998; Director-General for Regional Development, Ministry of Home Affairs, No. 050-104/SK/BANGDA/1998; Director-General for Community Development, Ministry of Home Affairs, No. 55-VI/TAHUN/1998; Director-General of Community Health, Ministry of Health, No. 758/BM/DJ/SKB/VI/1998; Director-General for Social Welfare, Ministry of Social Affairs, No. 191/DIR/BKS/VI/1998; Director-General of Religious Affairs, Ministry of Religious Affairs, No. E/181/1998; and Deputy for Family Welfare, BKKBN, No. 105/HK104/E5/1998;

(o) "Implementation Guidelines" means the guidelines prepared by the Borrower for Project implementation, including the description of: selection criteria for the

location of ECD centers and TKs; teacher training; employment of contract teachers; awarding of fellowships; procurement procedures; disbursement procedures; accounting; auditing; and monitoring and evaluation;

(p) "KANDEP Agama" means the District office of the Borrower's Ministry of Religious Affairs;

(q) "KANDEP Dikbud" means the District office of the Borrower's Ministry of Education and Culture;

(r) "Kantor PMD" means the District office of the Directorate General of Community Development of the Borrower's Ministry of Home Affairs;

(s) "LKMD" means a village community resilience council;

(t) "Management and Implementation Units" means the units maintained at the Provincial and District level in accordance with paragraphs 3 (b) and 4 (b) of Schedule 5 to this Agreement;

(u) "Pimbagpro" means a Project sub-manager at the District level;

(v) "Pimpro" means a Project manager at the Central and Provincial level;

(w) "Posyandu" means an integrated health service delivery post;

(x) "Project District" means a District selected by the Borrower, in consultation with the Bank, for participation in the Project;

(y) "Project Provinces" means the Borrower's provinces of Bali, South Sulawesi and West Java;

(z) "Project Village" means a village within a Project Province selected for participation in Part A.4 (a) and (b) of the Project;

(aa) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(bb) "Steering Committee" means the committee maintained at the Central level in accordance with paragraph 1 of Schedule 5 to this Agreement; and

(cc) "Taman Kanak-Kanak" or "TK" means the Borrower's kindergarten programs.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to twenty one million five hundred thousand dollars (\$21,500,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in Bank Indonesia, or in a state commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including, in the case of a state commercial bank, appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 2005 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate

of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.06. Interest and other charges shall be payable in arrears on June 15 and December 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, education, engineering, financial, health and nutrition practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

FINMINISTRY  
Jakarta

Telex:

45799 DJMLN-IA  
44319 DEPKEU-IA

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

INTBAFRAD  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF INDONESIA

By /s/ Dorodjatun Kuntjoro-Jakti, Ambassador  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Michel Severino  
Regional Vice President  
East Asia and Pacific Region

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Community civil works:		100%
(a) under Part A.4 (a) (i) and (b) (i) of the Project	700,000	
(b) under Part A.4 (a) (ii) and (b) (ii) of the Project	4,500,000	
(2) Goods	1,100,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Food, including distribution costs, under Part A.5 of the Project		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local
(a) FY 1998/1999	2,100,000	

	(b) FY 1999/2000	5,300,000	expenditures for other items procured locally
	(c) FY 2000/2001	3,200,000	
(4)	Fellowships and training	1,700,000	100%
(5)	Services of contract teachers	200,000	100%
(6)	Project management	400,000	100%
(7)	Consultants' services and studies	1,300,000	100%
(8)	Unallocated	1,000,000	
	TOTAL	21,500,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "Project management" means honoraria, office equipment and materials required for the Project Coordination Committees, and Management and Implementation Units in the management of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement; and

(b) payments under Category (1) until the Implementation Guidelines and the Community Participation Manual, acceptable to the Bank, have been issued by the Borrower.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for:

(i) civil works and goods under contracts costing less than \$200,000 equivalent each;

(ii) fellowships and training;

(iii) services of contract teachers;

(iv) Project management;

(v) studies; and

(vi) contracts for the employment of consulting firms valued at less than \$100,000 equivalent each and contracts for the employment of individual consultants valued at less than \$50,000 equivalent each; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## Description of the Project

The objective of the Project is to assist the Borrower in (i) protecting children between the ages of six months and two years against the effects of malnutrition and enhancing such children's growth and development; and (ii) improving the access to and the quality and utilization of the Borrower's Early Child Development programs in the Borrower's provinces of Bali, South Sulawesi and West Java.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

### Part A: Early Child Development Program Support

1. Strengthening the Borrower's policy framework for Early Child Development programs through the review and revision of Early Child Development policies in light of experience, including the provision of consultants' services.

2. Improving the quality of the Borrower's Early Child Development programs through:

(a) the review and simplification of the BKB modules of program activities, and testing of the proposed changes;

(b) the design and implementation of an integrated training program for Posyandu and BKB volunteers;

(c) the development and implementation of in-service training programs for TK teachers;

(d) the review and evaluation of the TK curriculum; and

(e) the design and evaluation of assessment tests.

3. Increasing the demand for Early Child Development programs through:

(a) the development of an information, education and communication (IEC) program including IEC strategies, plans and messages;

(b) the production and distribution of IEC materials and prototypes for local adaptation; and

(c) the implementation, monitoring and evaluation of IEC campaigns and activities.

4. Expanding access to Early Child Development programs through:

(a) the construction of: (i) about 340 Early Child Development centers for Posyandu and BKB; and (ii) about 230 TKs adapted to rural or urban contexts;

(b) the rehabilitation of: (i) about 50 existing Early Child Development facilities; and (ii) about 110 existing TKs;

(c) the provision of educational materials, toys and equipment;

(d) the carrying out of a program of employment of about 460 contract teachers for TKs; and

(e) the provision of training to volunteers and teachers, including the upgrading of the skills of about 1255 TK teachers to the D-II level.

5. Implementation of a program of emergency food assistance to enhance the growth and development of children between the ages of six months and two years by providing complementary food to prevent malnutrition.



Part B: Early Child Development Management and Capacity-Building

1. Strengthening Early Child Development management at the Provincial and District levels through:

(a) the assessment and the strengthening of the capacity at the Central, Provincial and District levels to implement the Project, including: (i) the provision of fellowships and training to key Project staff in identified skill needs, including developmental psychology, early child education, education planning, statistics, community health, nutrition and Project management; and (ii) the provision of consultants' services;

(b) the conduct of annual planning and budget workshops involving the District offices of the Ministry of Education and Culture, the Ministry of Health, the Ministry of Home Affairs, the Ministry of Religious Affairs, and BKKBN under the coordination of BAPPEDA Tk. I and BAPPEDA Tk. II, including the provision of consultants' services;

(c) the carrying out of an impact evaluation study of TK education and of Posyandu and BKB interventions;

(d) the carrying out of studies of program initiatives to address Early Child Development needs; and

(e) the provision of office equipment and materials to BKKBN, DINAS P danK, KANDEP Dikbud, DINAS Kesehatan, KANDEP Agama and Kantor PMD at the District level.

2. Strengthening the capacity for Project management through:

(a) the preparation and carrying out of a program for the periodic reporting, monitoring and evaluation of the six-year and annual technical and budgetary plans;

(b) the carrying out of technical audits; and

(c) the provision of office equipment, furniture, and materials to Project Coordination Committees, and Management and Implementation Units.

\* \* \*

The Project is expected to be completed by September 30, 2004.

SCHEDULE 3

Interest and Principal Repayment Provisions

A. General Definitions

For purposes of this Schedule, the following terms have the following meanings:

(a) "Disbursed Amount" means, in respect of each Interest Period, the aggregate principal amount of the Loan withdrawn from the Loan Account in such Interest Period.

(b) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment date to, but excluding, the next following Interest Payment Date.

(c) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(d) "Rate Fixing Date" means, for each Disbursed Amount, the first day of the Interest Period next following the Interest Period in which such Disbursed Amount is withdrawn.

B. Interest

1. The principal amount of the Loan shall be divided into Disbursed Amounts. Interest shall accrue on each Disbursed Amount outstanding from time to time at a rate based on a floating rate index prior to its Rate Fixing Date and at a fixed rate from its Rate Fixing Date, as described in paragraph 2 of this Part B.

2. (a) From the date of withdrawal of each amount of each Disbursed Amount withdrawn and outstanding, to but not including the Rate Fixing Date for such Disbursed Amount, interest on each such amount shall accrue, at a rate equal to the applicable:

(i) LIBOR Base Rate; plus

(ii) LIBOR Total Spread.

(b) From the Rate Fixing Date for each Disbursed Amount until final repayment thereof, interest on such Disbursed Amount shall accrue, at a rate equal to the applicable:

(i) Fixed Base Rate; plus

(ii) Fixed Total Spread.

3. For purposes of paragraph 2 of this Part B, the following terms have the following meanings:

(a) "LIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount is withdrawn, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the day occurring on the Interest Payment Date preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(b) "LIBOR Total Spread" means, for the Interest Period in which each Disbursed Amount is withdrawn:

(i) one half of one percent (1/2 of 1%);

(ii) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include such Disbursed Amount for such Interest Period; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) "Fixed Base Rate" means, for each Disbursed Amount, the equivalent of the London interbank offered rate for six-month deposits in Dollars for value on the Rate Fixing Date for such Disbursed Amount, expressed as a single fixed interest rate based on the fixed interest rates corresponding to the repayment installments of such Disbursed Amount, as reasonably determined by the Bank and expressed as a percentage per annum.

(d) "Fixed Total Spread" means, for each Disbursed Amount:

(i) one-half of one percent (1/2 of 1%);

(ii) minus (or plus) the cost margin, applicable on the Rate Fixing Date for such Disbursed Amount, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated to fund single currency loans or portions thereof made by it that include such Disbursed Amount; plus

(iii) the Bank's risk spread applicable on the Rate Fixing Date for such Disbursed Amount; as reasonably determined by the Bank and expressed as a percentage per annum.

4. The Bank shall notify the Borrower of LIBOR Base Rate, LIBOR Total Spread, Fixed Base Rate and Fixed Total Spread applicable to each Disbursed Amount, promptly upon the determination thereof.

5. Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Schedule, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in this Schedule, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

C. Repayment

1. Subject to the provisions of paragraph 2 of this Part C, the Borrower shall repay each Disbursed Amount of the Loan in semiannual installments payable on each June 15 and December 15, the first such installment to be payable on the seventh (7th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount and the last such installment to be payable on the eighteenth (18th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount. Each installment shall be one-twelfth (1/12) of such Disbursed Amount.

2. Notwithstanding the provisions of paragraph 1 of this Part C, if any installment of principal of each Disbursed Amount would, pursuant to the provisions of said paragraph 1, be payable after June 15, 2014, the Borrower shall also pay on said date the aggregate amount of all such installments.

3. After each Disbursed Amount shall have been withdrawn, the Bank shall promptly notify the Borrower of the amortization schedule for such Disbursed Amount.

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Educational materials which are of a proprietary nature or must be procured from a particular supplier may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Community Participation

Works shall be procured in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to (i) each contract for goods estimated to cost the equivalent of \$200,000 or more and (ii) the first contract for goods or works, estimated to cost less than the equivalent of \$200,000, in each Fiscal Year in a District, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods procured under direct contracting and estimated to cost less than the equivalent of \$200,000, the following procedures shall apply:

(i) prior to the execution of any such contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and

(ii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

2. Service Delivery Contractors

Services to be provided by contract teachers under Part A.4 (d) of the Project shall be procured in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

1. The Borrower shall maintain at the Central level until completion of the Project a Central ECD Steering Committee, responsible for overall guidance in the implementation of the Project, with membership and terms of reference acceptable to the Bank.

2. The Borrower shall maintain at the Central level until completion of the Project a Central ECD Project Management Unit, responsible for overall coordination of inter-sectoral activities at the Central level, with terms of reference acceptable to the Bank and with adequate resources and competent staff in adequate numbers, including a Pimpro.

3. The Borrower shall, not later than November 30, 1998, establish at the Provincial level, in each of the Project Provinces, and, thereafter, maintain until completion of the Project:

(a) a Provincial Coordination Committee, responsible for the coordination of Project activities at the Provincial level, with membership and terms of reference acceptable to the Bank; and

(b) a Provincial Project Management and Implementation Unit, responsible for the management and implementation of Project activities at the Provincial level, with terms of reference acceptable to the Bank and with adequate resources and competent staff in adequate numbers, including a Pimbagpro.

4. The Borrower shall, not later than November 30, 1998, establish at the District level, in each of the Project Districts, and, thereafter, maintain until completion of the Project:

(a) a District Coordination Committee, responsible for coordinating Project activities in the Project District, with membership and terms of reference acceptable to the Bank; and

(b) District Project Management and Implementation Units at DINAS Kesehatan and DINAS P dan K, responsible for management and implementation of Project activities in the Project District, with terms of reference acceptable to the Bank and with adequate resources and competent staff in adequate numbers, including Pimbagpro.

5. The Borrower shall carry out the Project in accordance with the Implementation Agreement and the Implementation Guidelines, as such Agreement and Guidelines may be amended from time to time in consultation with the Bank.

6. The Borrower shall:

(a) by October 31 in each year, commencing October 31, 1999, prepare and furnish to the Bank for review and comment, an annual Early Child Development work program for Project activities at the Central level and in each of the Project Provinces for the next Fiscal Year; and

(b) thereafter, carry out said program taking into account the Bank's views thereon.

7. In carrying out Part A.1 of the Project the Borrower shall:

(a) not later than January 31, 2002, furnish the recommendations of the studies to the Bank for comments; and

(b) not later than July 31, 2002, prepare an action plan for the implementation of policy revisions, acceptable to the Bank, and promptly thereafter carry out such action plan.

8. In carrying out Parts A.4 (a) and (b) of the Project, the Borrower shall:

(a) except as the Bank shall otherwise agree, select Project Villages in accordance with the provisions of the Community Participation Manual;

(b) cause LKMDs to carry out the works in accordance with paragraph 9 of this Schedule and in accordance with the Community Participation Manual;

(c) ensure that, until completion of the Project, the Community Participation Manual is made available to the LKMDs and applied in the carrying out of works, and is periodically updated, if needed, in agreement with the Bank;

(d) select locations for the construction of TKs and other Early Child Development facilities in accordance with criteria acceptable to the Bank, and take measures to avoid or minimize the acquisition of land or assets of villagers and to avoid the displacement of said villagers;

(e) where the acquisition of land or assets or the displacement of villagers is unavoidable, before carrying out the works which would result in such acquisition or displacement, make available to such villagers compensation in accordance with the Guidelines for Compensation and Resettlement agreed between the Borrower and the Bank; and

(f) in the event that two hundred or more villagers are adversely affected by such works, the Borrower shall:

(i) prepare a resettlement plan in accordance with the Guidelines for Compensation and Resettlement and furnish such plan to the Bank for approval; and

(ii) prior to the carrying out of the works, ensure that all Affected Persons shall have been compensated in accordance with the provisions of said plan.

9. In carrying out Parts A.4 (a) and (b) of the Project the Borrower shall, through the relevant Pimpro, ensure that, prior to the carrying out of works the District construction engineer shall have completed a technical review of such works and shall have confirmed the following:

(a) appropriate engineering and environmental standards and practices that would minimize any acquisition of land and avoid involuntary resettlement of Affected Persons have been considered in the design in accordance with the Community Participation Manual;

(b) the Guidelines for Compensation and Resettlement have been complied with, and, if applicable, appropriate compensation arrangements have been completed and are satisfactory to the Affected Persons as set forth under the Guidelines for Compensation and Resettlement and paragraph 8 (c) of this Schedule; and

(c) an agreement and an implementation plan for the works have been prepared in accordance with the provisions of the Community Participation Manual. 10. In carrying out Part A.4 (d) of the Project, the Borrower shall employ contract teachers in accordance with criteria acceptable to the Bank. 11. In carrying out Parts A.4 (e) and B.1 (a) of the Project, the Borrower shall select candidates for fellowships in accordance with criteria acceptable to the Bank.

12. The Borrower shall employ consultants in accordance with Section II of Schedule 4 to this Agreement:

(a) in carrying out Part A.1 of the Project, not later than July 1, 2001; and

(b) in carrying out the Project (other than Part A.1 of the Project), not later than April 1, 1999.

13. The Borrower shall carry out the training under the Project in accordance with training programs acceptable to the Bank.

14. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about September 1, 2000 and September 1, 2002, reports integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the

Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by November 1, 2000 and November 1, 2002, or such later dates as the Bank shall request, the reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank views on the matter.

#### SCHEDULE 6

##### Project Performance Indicators

###### A. Early Child Development Program Support

1. By the end of the Project, scores in standardized achievement tests of students in Project TKs and BKBs have increased significantly.
2. By the end of the Project, there is at least a 80% utilization of functioning ECD facilities in Project Villages.
3. By the end of the fourth year of Project implementation, at least 75% of the target number of TK teacher support clusters are meeting on a regular basis.
4. By the end of the fourth year of Project implementation, there is at least a 60% improvement from the baseline in the participation rate at BKB/Posyandu meetings.
5. By the end of Fiscal Year 2001/2002 80% of children receiving complementary feeding under the Project have improved the weight for their age as indicated on the growth monitoring chart (Kartu Menuju Sehat/KMS).
6. By the end of the third year of Project implementation, a satisfactory level of community participation has been reached as evidenced by the signing of at least 70% of targeted annual contracts with the LKMD for the construction of ECD facilities in Districts included in the first phase, and at least 70% by the end of the fourth year of Project implementation in Districts included in the second phase.

###### B. Early Child Development Management Capacity Building

1. By the end of the third year of Project implementation, at least 85% of fellowships have been awarded.
2. By the end of each year of Project implementation, at least 85% of ECD work plans (as measured in terms of agreed targets and budgeted expenditures) have been implemented.

#### SCHEDULE 7

##### Special Account

###### 1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$2,150,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,100,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant



to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$4,300,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to para graph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

