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**Loan Number 4308 IND**

# **Loan Agreement**

**(West Java Basic Education Project)**

**REPUBLIC OF INDONESIA**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated May 1st, 1998**

**LOAN NUMBER 4308 IND**

## **LOAN AGREEMENT**

AGREEMENT, dated May 1st, 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) "BAPPEDA" means the Development Planning Agency established and operating within the Province and within each District;

(b) "BP3" means Badan Pembantu Penyelenggara Pendidikan, a parent-teacher association;

(c) "Bupati" means the Head of a Kabupaten;

(d) "DINAS P dan K" means DINAS Pendidikan dan Kebudayaan, the provincial and District office for education and culture;

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

(f) "Fiscal Year" means the fiscal year of the Borrower commencing April 1 and ending March 31;

(g) "Implementation Guidelines" means the Borrower's Guidelines of Basic Education Project Implementation set out in the Joint Decree of the Director General of Primary and Secondary Education, Ministry of Education and Culture, the Director General of Regional Development, Ministry of Home Affairs, and the Director General of Islamic Institutional Development, Ministry of Religious Affairs, No. 34/C/Kep/TU/98, No. 421.2/545/Bangda and No. E/49/98, dated March 4, 1998;

(h) "Junior secondary schools" means the Borrower's public and private Sekolah Lanjutan Tingkat Pertama and Madrasah Tsanawiyah;

(i) "Kandepag" means the District office of MORA;

(j) "Kandep Dikbud" means the District office of MOEC;

(k) "Kanin Dikbud" means the District Inspection Office of MOEC

- (l) "Kanwil Depdikbud" means the provincial office of MOEC;
- (m) "Kecamatan" means an administrative sub-district within a District;
- (n) "LKMD" means a village community resilience council headed by the Kepala Desa;
- (o) "MOEC" means the Borrower's Ministry of Education and Culture;
- (p) "MOHA" means the Borrower's Ministry of Home Affairs;
- (q) "MORA" means the Borrower's Ministry of Religious Affairs;
- (r) "Pimbagpro" means a Project sub-manager at the District level;
- (s) "Pimpro" means a Project manager at the central, provincial and District level;
- (t) "Primary schools" means the Borrower's public and private Sekolah Dasar and Madrasah Ibtidaiyah;
- (u) "Project Performance Indicators" means those indicators designed to measure the Borrower's performance in achieving Project objectives as set forth in Schedule 6 to this Agreement;
- (v) "Rupiah" or "Rp" means the currency of the Borrower;
- (w) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and
- (x) "Walikota" means the Head of a Kotamadya.

## **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 one hundred three million five hundred thousand dollars (\$103,500,000).

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 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 December 31, 2004, 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 April 15 and October 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, educational, engineering, environmental, and financial 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 Project's objectives; 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 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:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this 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:

Telex:

FINMINISTRY                      45799 DJMLN-IA  
Jakarta                                      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                              248423 (MCI) or  
Washington, D.C.                              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 Kumjozo

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

BY /s/ Javad Khalilzadeh-Shirazi

Regional Vice President  
East Asia and Pacific

**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:

	<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1)	Civil works under Part A.2 (a) of the Project	19,500,000	80%
(2)	Equipment and furniture (except Part A.1 (a) of the Project), excluding vehicles	7,400,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3)	Goods, works and services under Part A. 1 (a) of the Project	13,400,000	80%
(4)	Educational materials	6,000,000	80%
(5)	Scholarships	11,100,000	100%

(6)	Training	23,700,000	70%
(7)	Services of contract teachers	2,300,000	100%
(8)	Project management	3,700,000	80%
(9)	Fellowships	2,600,000	100%
(10)	Consultants' services and studies	8,200,000	100%
(11)	Unallocated	5,600,000	
	<b>TOTAL</b>	<b><u>103,500,000</u></b>	

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;

(c) the term "Project management" means travel, per diem, office equipment and materials required for the Project coordination 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 payments made for expenditures prior to the date of this Agreement.

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) scholarships; (iii) training; (iv) services of contract teachers; (v) Project management; (vi) studies and fellowships; and (vii) contracts for the employment of consulting firms valued at less than \$100,000 equivalent each and contracts for the employment of individuals valued at less than \$50,000 equivalent each; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**



The objective of the Project is to assist the Borrower in: (i) improving the quality of basic education and expanding the access to junior secondary education at the District level; and (ii) improving educational planning and management at the central, provincial and District levels and developing institutional and inter-agency capacity at the provincial and District levels for the delivery of the nine-year basic education program.

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: Improving Basic Education in the District

1. Improving the quality of primary education through:

(a) the rehabilitation of primary schools, including provision of water supply, appropriate toilets, correctly sized desks and chairs, and blackboards;

(b) the strengthening of the maintenance at schools rehabilitated under the Project, including the preparation of maintenance handbooks, development and implementation of preventive maintenance programs, and training of staff in preventive maintenance;

(c) the preparation of maps showing the primary school pupil/teacher ratios by school as a basis for the deployment of primary school teachers;

(d) the carrying out of (i) training for trainers (including tutors and facilitators) in the support, coaching, supervision and evaluation of teachers and librarians, (ii) practical training in improved teaching approaches and methodologies for teachers and librarians, (iii) administrative training for heads of school and supervisors, (iv) training of community leaders, including heads of private school foundations; and (v) provision of technical assistance;

(e) the provision to primary schools of books for supplementary reading, teacher guides, teaching aids and kits and equipment for demonstration activities; and

(f) the provision of scholarships to poor students in grades 5 and 6 and of fellowships to teachers for upgrading of qualification.

2. Expanding the access to, and improving the quality of, junior secondary education through:

(a) the construction of about 300 junior secondary schools, equivalent to about 1,800 classrooms, including water supply and appropriate toilets, provision of school furniture and preparation of programs for preventive maintenance;

(b) the carrying out of a program of employment of about 1,000 contract teachers for junior secondary schools constructed under the Project;

(c) the carrying out of (i) training for trainers, teachers, heads of schools and supervisors in subject content, teaching methods, selection and use of textbooks, design and development of instructional materials, lesson planning, classroom and time management, and

testing and evaluation of student performance; (ii) administrative training of heads of schools and supervisors, (iii) training of librarians in effective school library practices; (iv) training of community leaders, including heads of private school foundations; and (v) provision of technical assistance;

(d) the provision to junior secondary schools of books for supplementary reading, teaching aids and kits and equipment for demonstration activities; and the provision of scholarships to poor students and fellowships to teacher for upgrading of qualification.

## **Part B: Management Capacity-Building at District and Provincial Levels**

1. Strengthening education management at the District and provincial levels through:

(a) the preparation of location maps of primary and junior secondary schools in each Kecamatan, including staffing of schools and consolidation plans for public primary schools;

(b) the preparation of a five-year plan and annual technical and budgetary plans integrating and coordinating the activities of MOEC, MORA, BAPPEDA and DINAS P dan K in the field of basic education, covering: (i) school location, consolidation, construction, rehabilitation and maintenance; (ii) teacher training, support and supervision; (iii) provision of equipment and materials; and (iv) promotion of community participation in school affairs; including provision of technical assistance;

(c) the carrying out of organizational, staffing, and other assessments of the capability and capacity of MOEC, MORA, BAPPEDA, DINAS P dan K and other relevant provincial and District level agencies;

(d) the strengthening of the institutional capacity of the provincial and District agencies of MOEC, MORA, BAPPEDA, DIVAS P dan K, and other relevant provincial and District level agencies through: (i) the development and carrying out of training, (ii) carrying out of student assessments, Project impact evaluation, and policy studies, (iii) the provision of fellowships in the areas of educational policy, planning, budgeting, management, teacher training, school construction, information-handling, school and student assessment, and monitoring and evaluation; and (iv) provision of office equipment.

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 five-year and annual technical and budgetary plans;

(b) carrying out of technical audits; and

(c) the provision of office equipment, furniture, vehicles, and materials to Project units.

The Project is expected to be completed by June 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 April 15 and October 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 twelfth (12th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount. Each installment shall be one-sixth (1/6) 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 October 15, 2013, 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

(a) Except as otherwise provided in this Part, goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$4,200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Except as otherwise provided in this Part, works shall 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 \$8,100,000 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. Community Participation

Goods, works and services required for Part A.1 (a) of the Project shall be procured in accordance with procedures acceptable to the Bank.

4. 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.

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 I 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

With respect to (i) each contract for goods and works estimated to cost the equivalent of \$200,000 or more, and (ii) the first contract for civil works and goods in each Fiscal Year in a District, the procedures set forth in paragraphs 2 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 Project coordination and implementation under Part B.2 (a) of the Project 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.2 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 (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 sub-paragraph 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 Project Steering Committee and a Central Project Coordination Unit, with members and terms of reference acceptable to the Bank.

2. The Borrower shall maintain at the provincial level until completion of the Project:

(a) a Provincial Coordinating Committee, with members and terms of reference acceptable to the Bank; and

(b) a Provincial Project Coordination Unit, with terms of reference acceptable to the Bank and with competent staff in adequate numbers, including a Pimpro.

3. The Borrower shall maintain at the District level until completion of the Project:

(a) a District Project Implementation Committee, with members and terms of reference acceptable to the Bank; and

(b) Project Implementation Units at DINAS P dan K Tk. II, Kandep/Kanin Dikbud, and Kandepag, with terms of reference acceptable to the Bank and with competent staff in adequate numbers, including Pimpros and Pimbagros.

4. The Borrower shall carry out the Project in accordance with the Implementation



Guidelines, as such Guidelines may be amended from time to time in consultation with the Bank.

5. In carrying out Parts A.1 (a), (b) and (c), A.2 (a), and B.1 (a), the Borrower shall:

(a) maintain DINAS P dan K Tk. II with competent staff in adequate numbers; and

(b) not later than May 31, 1999, carry out a review of the terms of reference of DINAS P dan K Tk. II staff and, thereafter, revise such terms of reference as necessary to ensure satisfactory implementation of the Project.

6. In carrying out Part A.1 (b) of the Project, the Borrower shall:

(a) by December 31, 1998, prepare a proposal for the funding of operation and maintenance at primary schools and furnish such proposal to the Bank for comments; and, thereafter, prepare and carry out an action plan on operation and maintenance funding, acceptable to the Bank; and

(b) until the action plan referred to in paragraph (a) above is finalized, ensure that each consolidated school is provided with an annual operation and maintenance budget at least equal to the aggregate amount of the prior year's annual operation and maintenance budget of the individual schools consolidated into such school.

7. In carrying out Part A.1 (c) of the Project, the Borrower shall, not later than December 31, 1998, prepare guidelines for the deployment of primary school teachers, acceptable to the Bank.

8. In carrying out Part A.1 (f) and A.2 (e) of the Project, the Borrower shall provide scholarships in accordance with selection criteria acceptable to the Bank.

9. In carrying out Part A.2 (a) of the Project, the Borrower shall:

(a) select locations for the construction of schools in accordance with criteria acceptable to the Bank; and

(b) acquire the land required for the construction of junior secondary schools in accordance with procedures acceptable to the Bank.

10. In carrying out Part A.2 (b) of the Project, the Borrower shall employ contract teachers in accordance with criteria acceptable to the Bank.

11. In carrying out Part B.1 (a) of the Project, the Borrower shall:

(a) not later than December 31, 1998, finalize the consolidation plan for primary schools in at least twelve Districts;

(b) not later than December 31, 1999, finalize the consolidation plan for primary schools in the remaining Districts;

(c) by not later than March 31, 1999, prepare plans, under terms of reference acceptable to the Bank, for the training and deployment as teachers or administrators of heads of

schools declared redundant due to school consolidation under paragraph (a) above and, promptly thereafter, carry out such plans;

(d) by not later than March 31, 2000, prepare plans, under terms of reference acceptable to the Bank, for the training and deployment as teachers or administrators of heads of schools declared redundant due to school consolidation under paragraph (b) above and, promptly thereafter, carry out such plans.

12. 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 two reports, under terms of reference satisfactory to the Bank, and furnish such reports to the Bank, on or about May 31, 2000, and May 31, 2002, respectively, each report to integrate 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 to set 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 July 31, 2000, and July 31, 2002, or such later date 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 reports and the Bank's views on the matter.

13. The Borrower shall, not later than June 30, 1999, employ the consultants required for the carrying out of the Project.

14. The Borrower shall provide the vehicles required under Part B.2 of the Project in accordance with a schedule acceptable to the Bank.

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

## **SCHEDULE 6.**

### **Project Performance Indicators**

#### ***A. Raising the quality of primary education and expanding access to junior secondary education at the district level***

1. By the end of the Project, scores in achievement tests in core subjects of students in Project schools are significantly increased in national examinations (Ebtanas) or in Project-developed standardized tests.

2. Beginning with the third year of Project implementation, a satisfactory level of

community participation is achieved as evidenced by signing 50% of targeted annual contracts with BP3 or LKMD for the rehabilitation of primary schools within 30 days. of the planned date of signing.

3. By the end of the Project, the junior secondary schools built by the Project in rural or remote locations during the first four years of implementation are utilized to 75% of total capacity.

4. Within two months of the start of the school year, 75% of programmed Project scholarships for poor students are awarded.

5. By the end of the fourth. year of Project implementation, 75% of the target number of teacher support clusters are meeting regularly.

6. By the end of the second year of Project implementation, educational materials are being used by teachers in 75% of the schools supported by the Project in 12 Districts, and by the fourth year of Project implementation, educational materials are being used by teachers in 75% of schools supported by the Project in all Districts.

B. *Improving management of basic education at the District and provincial levels*

7. By the end of the fourth year of Project implementation, 75% of integrated annual plans for the District for the next Fiscal Year are signed by the Bupati or Walikota on or before December 31.

8. On or about their corresponding due dates, 50% of District plans for school mapping and school consolidation are received by the Provincial Coordination Unit.

9. By the end of the fourth year of Project implementation, 50% of District capacity assessments are completed, with proposals for staff redeployment and training, and accepted by the Provincial Coordination Unit.

10. On an annual basis during the Project, the District integrated work program, measured in terms of agreed targets and budgeted expenditures, is implemented to within 75% of plan.

- (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 paragraph 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

## **SCHEDULE 7**

### **Special Account**

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (10) set forth in the table in paragraph 1 of Schedule I to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods 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 \$6,000,000 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 \$3,000,000 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 \$12,000,000.

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.

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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 the 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.

