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**LOAN NUMBER 7631-ID**

# **Loan Agreement**

**(Project for Indonesian Tax Administration Reform)**

**between**

**REPUBLIC OF INDONESIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated February 9, 2009**

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## **LOAN AGREEMENT**

Agreement dated February 9, 2009, between REPUBLIC OF INDONESIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

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

### **ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred ten million United States Dollars (\$110,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are April 1 and October 1 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of

the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III — PROJECT**

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

### **ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Borrower shall have adopted the Project Operations Manual in accordance with the terms of Section I.B.I of Schedule 2 to this Agreement.
  - (b) The Borrower shall have established the PIU as a formal entity, in accordance with the terms of Section I.A.3 of Schedule 2 to this Agreement, and shall have appointed the Project Director (Echelon two level).
  - (c) The Borrower shall have selected the chairperson and the members of the Procurement Committee for Part 1 of the Project in accordance with Section I.A.4 of Schedule 2 to this Agreement, in each case with terms of reference acceptable to the Bank. The Borrower shall have finalized the procurement documents for Part 1 and submitted them to the Bank for no objection.

- 4.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

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

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

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

- 5.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

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

REPUBLIC OF INDONESIA

By: /s/ Rahmat Waluyanto

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Joachim von Amsberg

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to: (i) increase taxpayer compliance with tax legislation by increasing the efficiency and effectiveness of DGT; and (ii) improve good governance in tax administration by strengthening transparency and accountability mechanisms.

The Project consists of the following parts:

#### Part 1. Increasing the Efficiency of Taxpayer Data Collection and Management

- (a) Taxpayer Registration. Strengthening of the taxpayer identification number (TIN) system, including, but not limited to: simplification of registration procedures; and improvement of registration validation.
- (b) Tax Returns Processing. Improvement in returns processing, including, but not limited to: linking of input in document processing centers with accounts processing and audit; improvement of automated front-end error checking of returns; improvement of stop-filer detection and follow-up; and support for the preparation of accurate and timely statistics for managing the efficiency of tax returns processing.
- (c) Taxpayer Accounts Management. Strengthening of the centralized taxpayer accounts and ledger sub-systems, including, but not limited to: improvement of data integrity and quality of the existing master file and taxpayer accounts; development of application software to support account management and document management, including automated decision support facilities; provision of tools for data matching; development of a comprehensive management information database and analytical tools for risk assessment; improvement of system security; and introduction of online access to taxpayer accounts.
- (d) Document Management. Improvement of taxpayer document management, including, but not limited to: creation of system-generated notices; introduction of automated case file construction; and creation of automated arrears notices.
- (e) Tax System Architecture. Improvement of the computing architecture, including, but not limited to: integration of all automated systems in a workflow scheme; increase in security; and enhancement of backup facilities.

#### Part 2. Human Resource Management in DGT

- (a) Policies. Review of human resource policies, including, but not limited to: job classification and remuneration; recruitment policies; staff rotation program and outplacement policies and practices.
- (b) Training. Enhancement of training capacity including, but not limited to: development and implementation of a train-the-trainers program and enhancement of an e-learning system; development of technical training programs targeted at functional specialists; and development of induction and managerial training programs.

- (c) Strengthening Accountability and Integrity, including, but not limited to: strengthening of DGT's risk assessment capacity, internal control functions, auditing and sanctions regimes; review and dissemination of DGT code of conduct; and development of anti-corruption training modules.

Part 3. Strengthening Compliance Management Operations in DGT

- (a) Tax Audit. Including, but not limited to: introducing risk-based audit selection; reforming business processes for desk and field audits; computerizing processes supporting the tax audit function; and improvement of the audit planning and monitoring process.
- (b) Tax Collection. Strengthening of arrears collection, including, but not limited to: enhancing the arrears monitoring system; reform of business processes for arrears collection; and enhancement of the collection enforcement ICT system.

Part 4. Project and Change Management in DGT

Supporting the management of the Project and DGT's the Borrower's change management processes, through technical assistance, including, but not limited to: improvement of internal and external communications and feedback surveys; transition training; establishment of the PIU and engagement of the Owner's Agent and provision of change management services.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. The Borrower shall establish by the date which is thirty days after the Effective Date, and thereafter maintain until completion of the Project, a Steering Committee, chaired by the Minister of Finance and responsible for managing issues that affect other directorates in the Ministry of Finance (Customs, Treasury and the Fiscal Policy Office). The Borrower shall ensure that the Steering Committee will meet at least twice each year.
2. The Borrower shall ensure that the Executive Board of DGT shall be maintained until completion of the Project and shall be responsible for providing policy guidance, coordinating Project implementation and resolving conflicts. The Borrower shall designate a subset of the Executive Board to be responsible for the Project, and such subset will meet monthly.
3.
  - (a) The Borrower shall ensure that the Directorate of Transformation of Business Processes in DGT shall be responsible for overall Project implementation and change management and for coordinating implementation with other transformation directorates in DGT, including the Directorate of Internal Compliance and Resources Transformation and the Directorate of ICT Transformation.
  - (b) The Borrower shall ensure that a PIU in the Directorate of Transformation of Business Processes in DGT is established, with staffing and terms of reference acceptable to the Bank, and shall be maintained until completion of the Project. The PIU shall manage the day-to-day functions of the Project in accordance with the Project Operations Manual. The PIU shall be headed by a DGT official (Project Director) at Echelon 2 level and staffed with full time DGT staff. The PIU shall have a sub-directorate headed by an individual at Echelon 3 level and with Echelon 4 level staff responsible for coordinating and managing: (i) configuration management, (ii) quality assurance, (iii) Project monitoring and control, (iv) implementation management and procurement support, and (v) data administration management, in each case in accordance with the Project Operations Manual. The PIU shall include procurement and financial management units comprised of staff from the existing DGT secretariat acceptable to the Borrower and the Bank.
  - (c) The Borrower shall ensure that the PIU shall be responsible for managing contracts with external providers and shall provide procurement support to each Procurement Committee.
  - (d) The PIU shall be assisted throughout Project implementation by the Owner's Agent, under terms of reference acceptable to the Borrower and the Bank, to provide to the PIU implementation support, validation and verification services and the services of a project management specialist, human resources



management training specialist, change management specialist and a procurement specialist. The Borrower shall have selected the Owner's Agent, and shall have submitted the proposed Owner's Agent contract for Prior Review by the Bank by no later than the date which is thirty (30) days after the Effectiveness Date.

4. (a) The Borrower shall establish a Procurement Committee for ICT procurement under Parts 1 and 3 of the Project prior to the commencement of any procurement activities under said Parts.
  - (b) The Borrower shall establish a Procurement Committee for procurement of consultants services under Parts 2 and 4 of the Project prior to commencement of any procurement activities under said Parts.
  - (c) The Borrower shall retain each Procurement Committee until completion of the Project. Except as may be otherwise agreed between the Bank and the Borrower, the Borrower shall ensure that each Procurement Committee is comprised of at least three appropriately qualified staff with qualifications acceptable to the Bank from the general services unit of DGT and at least two appropriately qualified staff from the relevant technical area with qualifications acceptable to the Bank. Each Procurement Committee shall report to the Director General of DGT and provide procurement services to the Project Director in accordance with the Project Operations Manual.
5. The Borrower shall ensure that each of the PIU and each Procurement Committee is provided at all times with adequate funds and other resources and staffed by qualified and experienced personnel in adequate numbers as shall be necessary to accomplish its objectives.

## **B. Implementation Obligations**

1. The Borrower shall:
  - (a) adopt and, thereafter ensure that the Project is implemented in accordance with, the Project Operations Manual, acceptable to the Bank, which shall include the description of: (i) implementation arrangements set forth in Section I of this Schedule 2; (ii) the procurement procedures set forth in Section III of this Schedule 2 and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures as set forth in Section II of this Schedule 2; (iv) disclosure standards and procedures, including procedures required for the publication of procurement opportunities, bidding documents and requests for proposals, short lists, contracts awarded and summaries of evaluation of bids and proposals; (v) the GAAP; (vi) the terms of reference for the Owner's Agent consultants; and (vii) the Project Performance Indicators;
  - (b) not amend, suspend, abrogate, repeal or waive any provisions of the Project Operations Manual except with prior agreement between the Borrower and the Bank; and

- (c) ensure that the Project Operations Manual is made available, at all times until completion of the Project, to the Bank and to each person or entity which receives, is responsible for deposit or transfer of, or takes or influences decisions regarding the use of proceeds of the Loan, including each member of the PIU and each contractor and consultant.
- 2. The Borrower shall at all times during Project implementation and thereafter ensure that provision is made in its annual budget for sufficient funds for the operation and maintenance costs of the equipment funded by the proceeds of the Loan.
- 3.
  - (a) The Borrower shall, prior to the issuance of any bidding document for the Project other than bidding documents for the Owner's Agent contract, engage the Owner's Agent in accordance with the Procurement Plan and the provisions of Section III of Schedule 2 to this Agreement, under terms of reference acceptable to the Borrower and the Bank, to assist the Borrower with project implementation support, validation and verification services, procurement and complaints handling, including: (i) a project management specialist; (ii) a human resources management specialist; and (iii) a procurement specialist.
  - (b) Except as the Borrower and the Bank shall otherwise agree, the Borrower shall: (i) retain the services of the Owner's Agent until completion of the Project; and (ii) take all such steps as are necessary to ensure that the Owner's Agent is able to provide services in accordance with its contractual terms of reference.
- 4. The Borrower shall ensure that the PIU shall establish in a timely manner working groups comprised of technical experts and stakeholders meeting the criteria set out in the Project Operations Manual to review, inspect and report on technical completeness and accuracy of work done by contractors. Such working groups shall be formed by a decree issued by the Director General of DGT, where appropriate, and in any event prior to the time of delivery of goods and services under the Project.
- 5. The Borrower shall ensure that the PIU shall develop and implement a public communications strategy in accordance with the Project Operations Manual, including: (a) operation of the Project Website by no later than the date which is 30 days after the Effectiveness Date; (b) publication, in accordance with the requirements of the Project Operations Manual, of an Annual Progress Report, reviewing progress made in carrying out the Project in the preceding year, to be posted on the Project Website promptly after issuance of each such report; (c) publication of the report of the mid-term review of the Project carried out pursuant to Section II.A.2 of Schedule 2 to this Agreement promptly after issuance of such report; (d) development and publication of a complaints handling system; (e) publication of procurement activities in accordance with Section III.E of, and Annex 2 to, this Schedule promptly after completion of such activities including: advertisements for procurement funded by the Project, the Procurement Plan and any updates thereto, and contract award information (name, amount and services) after award; and (f) publication of final audit reports promptly after issuance.
- 6. The Borrower shall ensure that the PIU shall: (a) within one month of the Effective Date, and (b) thereafter within one month of the publication of the Annual Progress Report each year during Project implementation, hold a press conference. The Borrower shall

ensure that the PIU shall provide notice of each such meeting on the Project Website and through press releases.

**C. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

**Section II. Project Monitoring Reporting and Evaluation**

**A. Project Reports**

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in Annex 1 to this Schedule. Each Project Report shall cover the period of six months, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.
2. (a) The Borrower shall prepare, under terms of reference agreed between the Borrower and the Bank, and furnish to the Bank by December 31, 2010, or such later date as the Bank may otherwise agree, a midterm review report of the progress made in carrying out the Project during the period preceding the date of such 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. The Borrower shall provide the Bank with the opportunity to participate in the mid-term review.
- (b) The Borrower shall review with the Bank the report referred to in paragraph 2 (a) of this Section II.A, within thirty (30) days of the submission by the Borrower of such report, 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 such report. The Borrower shall make the mid-term review report publicly available on a schedule acceptable to the Bank.

**B. Financial Management, Financial Reports and Audits**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

### **Section III. Procurement**

#### **A. General**

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

#### **B. Particular Methods of Procurement of Goods**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
National Competitive Bidding, subject to the additional provisions set forth in Annex 2 to this Schedule 2.

#### **C. Particular Methods of Procurement of Consultants' Services**

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

<b>Procurement Method</b>
(a) Selection based on Consultants Qualifications
(b) Single-source Selection
(c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(d) Sole Source Procedures for the Selection of Individual Consultants

**D. Review by the Bank of Procurement Decisions**

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

**E. Additional Procurement Procedures**

1. The Borrower shall ensure that each Procurement Committee, established in accordance with Section I.A.4 of Schedule 2 to this Agreement, shall operate at all times in accordance with the terms of reference set out in the Project Operations Manual.
2. The Borrower shall ensure that for each procurement exercise, (a) the bid evaluation of the relevant Procurement Committee shall be submitted to the Project Director and the Minister of Finance; and (b) the report of the Independent Bid Evaluation Consultant in reviewing the bid evaluation shall also be submitted to the Project Director and the Minister of Finance.
3. The Borrower shall make public, on the schedule set out in the Project Operations Manual, those procurement documents set out in the Project Operations Manual as requiring publication.
4. The Borrower shall ensure that the PIU shall make available to any member of the public:
  - (a) all bidding documents and requests for proposals subject to payment of a reasonable fee to cover the cost of printing and delivery. In the case of requests for proposals, the relevant documents will only be made available after notification of award to the successful firm;
  - (b) at no cost, any short lists of consultants and, in cases of pre-qualification, lists of pre-qualified contractors and suppliers;
  - (c) at no cost, a list of all contracts awarded to date in the project in respect of the project, including the name of the contractor/consultant, the contract amount, the number of bidders/makers of proposals, the procurement method followed and the purpose of the contract; and
  - (d) subject to payment of a reasonable fee to cover the cost of printing and delivery, summaries of the evaluation of all bids and proposals for such proposed contracts. Information in these summaries will be limited to a list of bidders/consultants, all bid prices and financial proposals as read out at public openings for bids and financial proposals, bids and proposals declared non-

responsive (together with reasons for such declarations), the name of winning bidder/consultant and the contract price.

#### **Section IV. Withdrawal of Loan Proceeds**

##### **A. General**

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

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, consultants’ services and training* under Part 1 of the Project	97,500,000	100%
(2) Goods, consultants’ services and training under Part 2 of the Project	750,000	15%
(3) Goods, consultants’ services, training and workshops under Part 3 of the Project	2,650,000	15%
(4) Goods, consultants’ services and training under Part 4 of the Project	8,625,000	100%
(5) Premium for Interest Rate Cap or Interest Rate Collar	0	Amount payable pursuant to Section 2.07(c) of this Agreement Section 4.05(c) of the General Conditions
(6) Unallocated	200,000	
(7) Front-end Fee	275,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
<b>TOTAL AMOUNT</b>	<b><u>110,000,000</u></b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2015.

**ANNEX 1 TO SCHEDULE 2  
PERFORMANCE INDICATORS**

<b>Project Development Objective</b>	<b>Project Outcome Indicators</b>
<p>1. To increase taxpayer compliance by increasing the efficiency and effectiveness of the DGT</p> <p>2. To improve good governance in tax administration especially transparency and accountability</p>	<p><b>Tax compliance</b></p> <ul style="list-style-type: none"> <li>• Number of registered active taxpayers</li> <li>• Number of tax declarations received on time / total number of tax declarations filed</li> </ul> <p><b>Efficiency and effectiveness</b></p> <ul style="list-style-type: none"> <li>• Additional tax liability assessed through tax audits / Total combined tax liability declared by the taxpayers audited, and</li> <li>• Number of audits resulting in additional tax assessed (and actually collected) / Total number of tax audits</li> <li>• Amount of arrears at year end compared to amount of arrears at end of previous year. The Project will increase the number of arrears in the first couple of years and then reduce them. The base line will be set mid-Project</li> </ul> <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>• Public perception of integrity of DGT, measured through periodic surveys</li> <li>• Number of e-returns and e-registrations</li> </ul>
<b>Intermediate Outcomes</b>	<b>Intermediate Outcome Indicators</b>
Part 1: Increasing the efficiency of taxpayer data collection and management	<ul style="list-style-type: none"> <li>• Reduction of the percentage of inactive taxpayers in the tax registry</li> </ul>
Part 2: Human resources management	<ul style="list-style-type: none"> <li>• Numbers of DGT officials trained under technical training programs developed or upgraded to improve skills in core tax functions; numbers of DGT managers training under managerial training programs</li> </ul>
Part 3: Strengthening compliance management operations	<ul style="list-style-type: none"> <li>• Percentage of taxes actually collected compared to additional taxes assessed through tax audits</li> <li>• Percentage of tax arrears older than 12 months</li> </ul>
Part 4: Project management	<ul style="list-style-type: none"> <li>• Quality assurance and change management activities are implemented according to schedule in the Project Operations Manual</li> <li>• Procurement carried out in timely manner and according to Procurement Guidelines and Consultant Guidelines</li> <li>• GAAP implemented</li> </ul>



**ANNEX 2 to SCHEDULE 2**  
**Clarifications Relating to National Competitive Bidding Procedures**

1. General

The procedures to be followed for NCB shall be those set forth in Presidential Decree No. 80/2003 of the Republic of Indonesia with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the “Guidelines for Procurement under IBRD Loans and IDA Credits” dated May 2004 and revised in October 2006 (the Guidelines).

2. Registration

- (a) Bidding shall not be restricted to pre-registered firms and shall not be a condition for participation in the bidding process.
- (b) Where registration is required prior to award of contract, bidders (i) shall be allowed a reasonable time to complete the registration process, and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

3. Pre-qualification

- (a) Pre-qualification shall not be used for simple goods. Normally, post-qualification shall be used. When pre-qualification shall be required:
- (b) eligible bidders (both national and foreign) shall not be denied pre-qualification, and
- (c) invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications.

4. Joint Ventures

A bidder declared the lowest evaluated responsive bidder shall not be required to form a joint venture or to sub-contract part of work or part of the supply of goods as a condition of award of the contract.

5. Preferences

- (a) No preference of any kind shall be given to national bidders.
- (b) Regulations issued by a sectoral ministry, provincial regulations and local regulations, which restrict national competitive bidding procedures to a class of contractors or a class of suppliers shall not be applicable to procurement procedures under the Loan.

6. Advertising

- (a) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to twenty-four (24) hours prior the deadline for the submission of bids.
- (b) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- (c) Bidders domiciled outside the area/district/province of the unit responsible for procurement shall be allowed to participate regardless of the estimated value of the contract.
- (d) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm declared the lowest evaluated bidder shall be given a reasonable opportunity for registering.

7. Bid Security

Bid security, at the bidder's option, shall be in the form of a letter of credit or bank guarantee from a reputable bank.

8. Bid Opening and Bid Evaluation

- (a) Bids shall be opened in public, immediately after the deadline for submission of bids, and if bids are invited in two (2) envelopes, both envelopes (technical and price) shall be opened at the same time.
- (b) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated bidder.
- (c) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (d) No bidder shall be rejected merely on the basis of a comparison with the owner's estimate and budget ceiling without the Bank's prior concurrence.

9. Rejection of Bids

- (a) All bids shall not be rejected and new bids solicited without the Bank's prior concurrence.
- (b) When the number of responsive bids is less than three (3), re-bidding shall not be carried out without the Bank's prior concurrence.

**SCHEDULE 3****Amortization Schedule**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
April 1, 2018	2.17
October 1, 2018	2.22
April 1, 2019	2.28
October 1, 2019	2.34
April 1, 2020	2.40
October 1, 2020	2.46
April 1, 2021	2.52
October 1, 2021	2.58
April 1, 2022	2.64
October 1, 2022	2.71
April 1, 2023	2.78
October 1, 2023	2.85
April 1, 2024	2.92
October 1, 2024	2.99
April 1, 2025	3.07
October 1, 2025	3.14
April 1, 2026	3.22
October 1, 2026	3.30
April 1, 2027	3.38
October 1, 2027	3.47
April 1, 2028	3.56
October 1, 2028	3.65
April 1, 2029	3.74
October 1, 2029	3.83
April 1, 2030	3.93
October 1, 2030	4.02
April 1, 2031	4.12
October 1, 2031	4.23
April 1, 2032	4.33
October 1, 2032	4.44
April 1, 2033	4.71

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
  - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3.
  - (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
  - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

**APPENDIX****Definitions**

1. “Annual Progress Report” means the annual report to be published by the Borrower pursuant to paragraph 2 of Section II.A of Schedule 2 to this Agreement meeting the requirements set out in the Project Operations Manual.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “DGT” means the Borrower’s Directorate General of Taxes (*Direktorat Jenderal Pajak*) in the Ministry of Finance, and any successor thereto.
6. “Directorate of ICT Transformation” means the Directorate of ICT Transformation in DGT, and any successor thereto.
7. “Directorate of Internal Compliance and Resources Transformation” means the Directorate of Internal Compliance and Resources Transformation in DGT, and any successor thereto.
8. “Directorate of Transformation of Business Processes” means the Directorate of Transformation of Business Processes in DGT, and any successor thereto.
9. “Echelon” refers to an echelon, or level, in the civil service of the Borrower as in effect on the date of this Agreement.
10. “Executive Board” means the Executive Board of DGT operating in accordance with paragraph 2 of Section I.A of Schedule 2 to this Agreement, and any successor entity thereto.
11. “GAAP” means the Borrower’s Governance and Accountability Action Plan, setting forth the actions to be taken by the Borrower under the Project to promote good governance and accountability and included in the Project Operations Manual.
12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
13. “ICT” means information communications technology.

14. “Independent Bid Evaluation Consultant” means the independent procurement evaluation consultant procured by the Borrower to be financed by the Multi-Donor Trust Fund to Support Public Financial Management and Revenue Administration (TF070661) to provide an independent bid evaluation of each procurement activity under the Project.
15. “Ministry of Finance” means the Borrower’s Ministry of Finance, and any successor thereto.
16. “Owner’s Agent” means the consultants for implementation support, validation and verification services, to be engaged by and reporting to the PIU pursuant to Section I.B.3 of Schedule 2 to this Agreement, and under terms of reference acceptable to the Bank.
17. “PIU” means the Project implementation unit established in the Directorate of Transformation of Business Process in DGT in accordance with paragraph 3 of Section I.A of Schedule 2 to this Agreement.
18. “Part” means a part of the Project as described in Schedule 1 to this Agreement, and “Parts” refers to more than one Part.
19. “Prior Review” means prior review under the Procurement Guidelines, or Consultant Guidelines, as the case may be.
20. “Procurement Committee” means each of the two procurement committees for the Project established and operating in accordance with paragraph 4 of Section I.A of Schedule 2 to this Agreement.
21. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
22. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated November 27, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
23. “Project Director” means the head of the PIU and of the Project.
24. “Project Operations Manual” means the Project Operations Manual referred to in paragraph 1 of Section I.B of Schedule 2 to this Agreement, as such Project Operations Manual may be amended from time to time with the prior agreement of the Bank.
25. “Project Performance Indicators” means the indicators set forth in Annex 1 to Schedule 2 to this Agreement.
26. “Project Website” means the website to be established and maintained for the Project to provide public communications and disclosure as required by the Project Operations Manual.

27. “Steering Committee” means the high-level steering committee established and operating in accordance with paragraph 1 of Section I.A of Schedule 2 to this Agreement, and any successor thereto.
28. “TIN” means a taxpayer identification number.