

**CONFORMED COPY**

**CREDIT NUMBER 3884-IND**

# **Development Credit Agreement**

**(Land Management and Policy Development Project)**

**between**

**REPUBLIC OF INDONESIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated June 2, 2004**

**CREDIT NUMBER 3884-IND**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated June 2, 2004, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is making a loan to the Borrower in the amount of thirty-two million eight hundred thousand Dollars (\$32,800,000) (the Loan); and

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan provided for in the Loan Agreement are made; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit 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 Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Accountability and Transparency Strategy” means the strategy for (i) ensuring appropriate accountability and transparency in the Borrower’s implementation of the Project, and (ii) strengthening the overall transparency and accountability of BPN’s operations and improving its service delivery, adopted by BPN on March 3, 2004, as such Strategy may be amended from time to time with the prior agreement of the Association.

(b) “BAPPENAS” means the Borrower’s National Development Planning Agency, and any successor thereto.

(c) “BPN” means the Borrower’s National Land Agency, and any successor thereto.

(d) “Eligible Categories” means Categories 1 through 7 set forth in the table in Part A.1 of Schedule 1 to this Agreement.

(e) “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement.

(f) “Eligible Kabupaten” means a Kabupaten or a Kota selected for participation in any of Parts C.2, D.3, E.2 or E.3 of the Project in accordance with the terms of paragraph 11 of Schedule 4 to this Agreement.

(g) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement.

(h) “Fiscal Year” and “FY” mean the Borrower’s fiscal year commencing January 1 and ending December 31.

(i) “Isolated Vulnerable Persons” (masyarakat asli yang terpinggirkan) means those social groups in Indonesia that have a distinct social and cultural identity, and that are susceptible to being disadvantaged in the development process induced by the Project or any part thereof.

(j) “Kabupaten” means a district, an administrative division of the Borrower.

(k) “Keppres 34” means Presidential Decree 34/2003 on the clarification of responsibilities on land affairs between the national-level government and regional-level governments.

(l) “Kota” means a municipality, an administrative division of the Borrower.

(m) “LIS” means a land information system to be developed under Part D of the Project.

(n) “LMPDP Coordinating Committee” means the inter-agency committee established by Kep-27/M.EKON/06/2001, responsible for overall guidance and coordination of Project activities.

(o) “Loan Agreement” means the agreement of even date herewith between the Borrower and the Association for the Project, as such agreement may be amended from time to time; and such term includes the “General Conditions applicable to Loan and Guarantee Agreements” of the Bank, dated May 30, 1995 (as amended through October 6, 1999), as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement.

(p) “MOHA” means the Borrower’s Ministry of Home Affairs, and any successor thereto.

(q) “Project Management Manual” means the manual adopted by the Borrower pursuant to the provisions of Section 6.01 (b) and paragraph 2 of Schedule 4 to this Agreement, as such Project Management Manual may be amended from time to time with the prior agreement of the Association.

(r) “PIUs” means the project implementation units established within BAPPENAS, BPN and MOHA, and maintained in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement, each responsible for carrying out those Project implementation activities assigned to such ministry and agencies in accordance with the provisions of Section 3.01 to this Agreement and of the Project Management Manual.

(s) “PMU” means the project management unit established within BPN, and maintained in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement, responsible for overall management of the Project.

(t) “Social, Environmental and Participation Guidelines” means the guidelines adopted by the Borrower on March 3, 2004, setting forth the measures to be

taken (i) to eliminate or offset adverse social and environmental impacts during the implementation of the Project or to reduce such impacts to acceptable levels, and setting forth the actions needed to implement such measures, and (ii) to ensure the informed involvement of stakeholders in the design and implementation of the Project, including the participation of Isolated Vulnerable People with respect to Parts A.2 and 3 of the Project, and the setting out of the role of non-governmental organizations and community members and leaders in systematic land titling, and the role of stakeholders in monitoring the service standards of BPN land offices; as such Guidelines may be amended from time to time with the prior agreement of the Association.

(u) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-one million nine hundred forty thousand Special Drawing Rights (SDR 21,940,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association 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 Credit.

Section 2.03. The Closing Date shall be December 31, 2009, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates

as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing August 15, 2014 and ending February 15, 2039. Each installment to and including the installment payable on February 15, 2024 shall be one and one-fourth percent ( $1-1/4\%$ ) of such principal amount, and each installment thereafter shall be two and one-half percent ( $2-1/2\%$ ) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that

the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### **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 Part A of the Project through BAPPENAS, Parts B,C and D of the Project through BPN, and Part E of the Project through MOHA, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental and land management practices, and social and environmental standards acceptable to the Association, 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 Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association 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 Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association 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 Association, a plan designed to ensure the continued achievement of the Project's objectives; and

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

#### **ARTICLE IV**

##### **Financial Covenants**

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and



- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 14 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of

such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

Section 4.03. The Borrower shall make publicly available, and agrees that the Association may also make publicly available, each final audit report referred to in Section 4.01 of this Agreement, promptly after its issuance by the independent auditors referred to therein.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified namely that Keppres 34/2003 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely that the event specified in Section 5.01 of this Agreement shall occur.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) that the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled;

(b) the Project Management Manual, acceptable to the Association, has been adopted in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement; and

(c) the final evaluation report with respect to the engagement of a consulting firm for Project financial management services under Part B.5 of the Project (the contract

for which services are included in the plan for the selection of consultants referred to in Section II, Part D.1 of Schedule 3 to this Agreement) has been submitted to the Association.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely that the Social, Environmental and Participation Framework has been adopted by the Borrower and is legally binding upon the Borrower in accordance with the laws of the Republic of Indonesia.

Section 6.03. 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 VII**

### **Representative of the Borrower; Addresses**

Section 7.01. 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 7.02. 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:

Facsimile:

FINMINISTRY  
Jakarta

45799 DJMLN-IA  
44319 DEPKEU-IA

(21) 381 2859

For the Association:

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

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

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

REPUBLIC OF INDONESIA

By /s/ Achmad Rochjadi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Andrew Steer

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Credit

#### Part A. General

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works	490,000	240,000	70%
(2) Goods	860,000	1,200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Consultants' services and studies	2,300,000	3,550,000	100%
(4) Contract Services for Mapping and Cadastral Surveys	6,470,000	11,650,000	80%
(5) Training and Workshops	1,480,000	2,480,000	100%
(6) Land Registration Costs	7,615,000	10,650,000	70%
(7) Incremental Operating Costs	2,725,000	550,000	100% until December 31, 2006 and 50% thereafter

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Loan Allocated (Expressed (in dollars))</u>	<u>% of Expenditures to be Financed</u>
(8) Front –end Fee	--	328,000	Amount due under Section 2.04 of the Loan Agreement
(9) Unallocated		2,152,000	
TOTAL	<u>21,940,000</u>	<u>32,800,000</u>	

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 “Incremental Operating Costs” means reasonable expenditures incurred by the PMU and the PIUs (which expenditures would not have been incurred should text in Parenthesis read as stated? absent the Project) for audit costs, rental of office space, utilities, communications, consumables, staff travel (including per diem), costs of contractual support staff, but excluding salaries, salary supplements, allowances and honoraria of the Borrower’s civil service;

(d) the terms “training” and “workshops” mean reasonable expenditures incurred by the Borrower in connection with the holding of training or workshops, as the case may be, under the Project, including the travel costs and per diem of (i) the trainers and trainees, in the case of training, and of (ii) the organizers and participants, in the case of workshops, and the rental of facilities and the acquisition of training or workshop materials, as the case may be;

(e) the term “mapping and cadastral surveys costs” means reasonable expenditures incurred in the development of geodetic ground control points, aerial photography and orthophoto maps, and cadastral survey maps; and

(f) the term “Land Registration Costs” means expenditures incurred by the land registration teams retained by BPN in the review and issuance of land titles, including expenditures for: per diem and travel, costs of contract staff (but excluding salaries, salary supplements, allowances and honoraria of the Borrower’s civil service), materials and supplies for adjudication teams, and community organization and awareness work, including community volunteer per diems, and the production and distribution of flyers and other public information material.

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 Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) contracts for goods costing up to \$100,000 equivalent and works costing up to \$200,000 equivalent; (ii) contracts for the employment of consulting firms costing up to \$100,000 equivalent; (iii) contracts for the employment of individuals costing up to \$50,000 equivalent; (iv) training and workshops; (v) land registration costs; and (vi) incremental operating costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

#### Part B. Special Account

1. The Borrower may, for the purposes of the Project open and maintain in Dollars a special deposit account in Bank Indonesia or in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including, in the case of a commercial bank, appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of paragraph 2 of Part B of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in paragraph 5 of Part A of this Schedule adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, 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 Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of paragraph 2 of Part B of this Schedule if, at any time, the Association 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 Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

**ANNEX A**

**to**

**SCHEDULE 1**

**Operation of Special Account**

**When Withdrawals Are Not**

**Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$6,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$10,000,000.

2. 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 in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 3 of Part B of this Schedule 1 for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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.

**ANNEX B**

**to**

**SCHEDULE 1**

**Operation of Special Account**

**When Withdrawals Are**

**Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of this Schedule. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of:

(a) the amount so requested; and

(b) the amount which the Association has determined, based on the reports referred to in paragraph 5 of Part A of Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower in reducing poverty and stimulating economic growth through: (i) improving land tenure security, and enhancing the efficiency and transparency of delivery of land titling and registration services; and (ii) strengthening local government capacity to undertake land management functions efficiently and transparently.

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

#### Part A. Development of Land Policies

1. Development of government capacity at the national level to formulate land policy by strengthening the capacity of the Borrower to formulate land policies and propose revisions of laws and regulations, through, inter alia, the establishment of a land policy secretariat within BAPPENAS to undertake policy analysis and studies, coordinate public consultations, propose policy recommendations to the LMPDP Coordinating Committee.
2. Formulation and socialization of a national land policy, including carrying out a process of consultations with relevant stakeholders and the dissemination of information.
3. Development of national policies for land administration and management, including the carrying out of policy reviews and studies.

#### Part B. BPN Institutional Development, Capacity Building and Training

1. The development and subsequent implementation of a long-term strategic plan for BPN, including: (a) the development, implementation and monitoring of uniform service standards for transparent and efficient service delivery and programs for monitoring of land office performance and responsiveness; (b) the development and implementation of a human resources management strategy for BPN; (c) the introduction of a modular training program; and (d) the development of uniform procedures for records management and increased levels of computerization to improve efficiency and transparency.

2. Streamlining access to the services of selected BPN land offices to encourage and facilitate land registration by: (a) developing and carrying out a program for applying improved operational procedures to meet the revised service standards (developed under Part A.1 of the Project) and monitoring community satisfaction with service delivery; and (b) developing and supporting the carrying out of activities to encourage community participation in land registration.
3. Strengthening the institutional capacity of the legal department of BPN to develop policy and draft laws and regulations.
4. Developing the capacity of local academic institutions to provide quality programs in land administration through formal courses of study and short courses.
5. Strengthening the institutional capacity of BPN to carry out its management responsibilities under the Project, including monitoring and evaluation.

Part C. Implementation of an Accelerated Land Titling Program

1. Strengthening community awareness and participation in systematic and sporadic titling programs, and land transaction registration, by developing and carrying out a program of (a) information dissemination (including the use of media, workshops and focus group meetings), and (b) collecting community land profiles for areas to be covered by systematic land titling outside the island of Java, to describe land tenure profiles and the existence of any customary land tenure arrangements, and to identify any pre-existing land disputes.
2. Carrying out a program for the issuance of about 2.5 million land title certificates by systematic registration in selected land office jurisdictions (including community education and participation through, inter alia, the recruitment of community members into systematic adjudication teams).
3. Streamlining sporadic land registration operations (titling on demand), including: (a) the carrying out of a study for rationalizing fee structures on the basis of cost recovery and the use of the private sector to undertake cadastral surveys; (b) a review of service standards and community perceptions to encourage application for first title registration and the registration of subsequent property transactions; and (c) the carrying out of a study to review derivative registrations to gauge community understanding of the benefit of titles, and to identify barriers for subsequent transactions, including perception, cost (both formal and informal), access to land office, and time taken.

4. Developing the capacity of the private sector to provide land surveying services, inter alia, by carrying out a study on existing and required survey capacity, reviewing relevant land surveying courses established in academic institutions to assess their quality, reviewing existing legislation for licensing of surveyors, developing where appropriate new regulations to govern industry practice, and taking measures to promote the formation of viable industry association.

#### Part D. Developing a Land Information System

1. Developing a national land information strategy on data sharing and data standards among relevant agencies of the Borrower.

2. Establishing an LIS infrastructure, including the development of technical standards (including data standards, a regime of data administration covering all relevant agencies of the Borrower, data dictionaries/feature catalogues, metadata and a corporate LIS data model) and the formulation of LIS policies required for the development of a national LIS as identified in Part D.1 of the Project (including data sharing and data maintenance arrangements involving all relevant government agencies; LIS training needs; fees and charges; public access to land information; and data privacy).

3. Carrying out an LIS pilot in a selected kabupaten for the development and testing of a range of potential integrated land information products and services, including a prototype inventory of all land assets managed by different levels of government, potential land management e-government services and inter-agency data maintenance linkages.

#### Part E. Capacity Building for Local Government in Land Management

1. Carrying out an in-depth assessment of the capacity of local government entities to perform their land management functions under Keppres 34, and the development of policy and operational procedures recommendations for the appropriate carrying out of such functions by such entities.

2. Developing capacity on a pilot basis within about five selected local government entities for the appropriate performance of such functions as participatory land use planning and Ijin Lokasi (location permit), community mapping and dispute settlement resolution.

3. Preparing a strategic plan to expand the program of capacity-building carried out under Part E.2 of the Project to other local government entities.
4. Strengthening the institutional capacity of MOHA to carry out its responsibilities to support local governments in undertaking land management pursuant to Keppres 34 and its management responsibilities for Part E of the Project, including monitoring and evaluation.

\* \* \*

The Project is expected to be completed by June 30, 2009.



## **SCHEDULE 3**

### **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, September 1997 and January 1999 (the Guidelines), the provisions of Annex A to this Schedule 3 and the following provisions of Section I of this Schedule 3.

##### 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

Works (including works for cadastral surveys, mapping and data conversion) and goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate

amount for contracts for works and goods not to exceed \$33,200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and in accordance with the provisions of Annex B to this Schedule 3.

2. National Shopping

Office equipment estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$1,700,000 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.

Part D: Review by the Association 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 Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Such plan shall be updated every 12 months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for: (i) goods estimated to cost the equivalent of \$100,000 or more; (ii) works estimated to cost the equivalent of \$200,000 or more and contracts for cadastral surveys estimated to cost the equivalent of US\$100,000 or more; and (iii) the first contract for goods or works estimated to cost less than the equivalent of \$100,000 or \$200,000, as the case may be, to be procured by each PIU on the basis of national competitive bidding procedures in accordance with the provisions of paragraph 1 of Section 1, Part C of this Schedule 3, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract for goods to be procured on the basis of national shopping procedures in accordance with the procedures referred to in paragraph 2 of Section 1, Part C of this Schedule 3, the following procedures shall apply:

- (i) prior to the selection of the supplier under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of the contract procured under shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) 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 Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, the provisions of Annex A to this Schedule and the following provisions of Section II of this Schedule 3.

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, 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. Selection Based on Consultants' Qualifications

Services for the monitoring of service standards under Part B of the Project estimated to cost up to \$100,000 equivalent per contract may be procured under contracts

awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Contracts for services for community participation and social/socio-economic base-line and impact assessments under Part C.2 of the Project which are estimated to cost up to \$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines, provided, however, that individual consultants may, with the Association's prior approval, be selected on a sole-source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every 12 months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, and the first such contract to be awarded under each of: (i) Part A of the Project, (ii) Parts B through D of the Project; and (iii) Part E of the Project, and estimated to cost less than \$100,000, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications and experience of the candidates (in the case of candidates to be selected on a sole source basis) or the report on the comparison of the qualifications and experience of qualified candidates (in the case of individual consultants to be selected other than on a sole source basis) and the terms of reference and terms of employment of such consultants, shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

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

**ANNEX A**  
**To**  
**SCHEDULE 3**

Without limitation on the provisions of Schedule 3 to this Agreement (Schedule 3) and of the Guidelines and the Consultant Guidelines (as such terms are defined in said schedule and referred to hereafter as the Procurement Guidelines), the following provisions shall apply in respect of goods, works and consultants' services to be procured under the Project:

1. To ensure end-user participation in the procurement of goods, works and consultant services under the Project, the requestor/user of such goods, works or consultant services (as the case may be) to be acquired, shall be represented on the relevant procurement/selection committee. The criteria for the selection of procurement committee/selection members shall in all cases be consistent with the provisions of the Procurement Guidelines and the Project Management Manual (provided, however, that in the event of any inconsistency between the Project Management Manual and the Procurement Guidelines, the provisions of the Procurement Guidelines shall apply).
2. The annual procurement plans and consultant selection plans referred to in Section I, Part D.1 and Section II, Part D.1 of Schedule 3, including all updates thereof; shall be made publicly available promptly after their finalization.
3. All bidding documents and requests for proposals issued in accordance with Schedule 3 shall be made available to any member of the public promptly upon request, subject only 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. Each such document will continue to be made publicly available until a year after completion of the contract entered into for the goods, works or consultants' services in question.
4. All short lists of consultants and, in cases of pre-qualification, lists of pre-qualified contractors and suppliers shall be made available to any member of the public promptly upon request.
5. A summary of the evaluation of all bids and proposals for specific contracts shall be disclosed to all bidders and parties submitting proposals therefor, promptly after the notification of award to the successful bidder/consultant. Information in such 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, all bids and proposals declared nonresponsive (together with reasons for such an assessment), the name of

winning bidder/consultant and the contract price. Such summaries will be made available to any member of the public promptly upon request.

6. Contract award information for all contracts for goods and works of \$100,000 equivalent or more, and all contracts for consultants of \$50,000 equivalent or more, shall be made publicly available, and be made available to any member of the public upon request, promptly after such award.

7. A list of all contracts awarded in the three months preceding the date of such request, including, with respect to each such contract, the name of the contractor/consultant selected, the contract amount, the number of bidders/makers of proposals in respect thereof, the procurement method followed and the purpose of such contract shall be made available, promptly upon request by member of the public.

8. Representatives of the end-users of goods or works being procured shall be permitted to attend public bid openings in respect thereof.

**ANNEX B  
To  
SCHEDULE 3**

1. General

Subject to the provisions of paragraph 3 of Section I, Part C.1 to Schedule 3 of this Agreement, the procedures to be followed for national competitive bidding 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” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (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

Pre-qualification shall not be used for simple goods and works. Normally, post-qualification shall be used. Pre-qualification shall be required only for large or complex works with the prior ‘no objection’ of the Association. When pre-qualification shall be required:

(a) eligible bidders (both national and foreign) shall not be denied pre-qualification; and

(b) invitations to pre-qualify for bidding shall be advertised in at least one widely circulated national daily newspaper a minimum of 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 the 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 Development Credit Agreement.

6. Advertising

(a) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of 30 days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to 24 hours prior to 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 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 Association's prior concurrence.

9. Rejection of Bids

(a) All bids shall not be rejected and new bids solicited without the Association's prior concurrence.

(b) When the number of responsive bids is less than three, re-bidding shall not be carried out without the Association's prior concurrence.

## **SCHEDULE 4**

### **Implementation Program**

1. The Borrower shall: (a) maintain until completion of the Project, with terms of reference acceptable to the Association, the PMU and the PIUs; and (b) provide, or cause to be provided, as the case may be, each PIU at all times with adequate funds and other resources, and with qualified and experienced personnel in adequate numbers, acceptable to the Association and in all cases as shall be necessary to accomplish its terms of reference and objectives.

2. The Borrower, through BPN, shall adopt and thereafter cause the PIUs to apply, a Project Management Manual acceptable to the Association for the carrying out of the Project or their respective responsibilities therefore, as the case may be. Such Project Management Manual shall include the description of, inter alia: (a) the procurement procedures set out in Schedule 3 to this Agreement and the Annexes thereto; (b) standard procurement documentation; (c) reporting requirements, financial management procedures and audit procedures as set out in Article 4 of this Agreement; (d) the standards and criteria set out in the Social, Environmental and Participation Guidelines; and (e) the Project Performance Indicators set out in Schedule 5 to this Agreement. Except as the Association may otherwise agree, the Borrower shall not amend, suspend, abrogate or waive the Project Management Manual or any part thereof.

3. Without limitation upon the provisions and requirements of the Project Management Manual, the Borrower shall take all measures necessary to ensure that the Project is carried out in accordance with the provisions of the Social, Environmental and Participation Guidelines.

4. The Borrower shall, through BPN, take all such action as shall be necessary to ensure that:

(a) not later than July 31 in each year, commencing July 31 2004, and until completion of the Project, a draft annual work program for all components of the Project to be implemented during the following Fiscal Year is prepared and furnished to the Association for its review and comments, including: (i) the scope of the work program; (ii) time-based implementation schedules; (iii) cost estimates; and (iv) budget arrangements; and

(b) not later than October 31 in each year, commencing October 31, 2004, finalize the above-mentioned work program for implementation, taking into account the comments of the Association thereon.

5. The Borrower shall, through BPN, carry out until completion of the Project the Accountability and Transparency Strategy.

6. The Borrower shall, through BAPPENAS, (a) complete the consultation process on the development of a draft national land policy under Part A of the Project by no later than December 31, 2004, in accordance with a public consultation plan acceptable to the Association, which plan shall include provision for the consultation of communities holding land pursuant to customary land rights (adat law); (b) by March 31, 2005, disseminate the draft policy for comments from relevant stakeholders, non-governmental organizations and members of the official donor community, and the Association; and (c) after taking into account the comments received, take all such measures necessary for the finalization of said policy in a timely manner.

7. The Borrower shall cause all training components under the Project to be carried out in accordance with an overall training program acceptable to the Association, which program shall be prepared by BPN and MOHA and consolidated by BPN by no later than October 31 of each year, starting October 31, 2004, and included in the annual work program referred to in paragraph 4 of this Schedule 4.

8. The Borrower shall maintain until completion of the Project the LMPDP Coordinating Committee.

9. In carrying out Part B of the Project the Borrower shall, through BPN:

(a) not later than December 31, 2005, furnish to the Association for its review and comment draft minimum service standards and a time-bound plan for their implementation and for the monitoring thereof;

(b) thereafter adopt minimum service standards and carry out said implementation and monitoring plan in a timely manner, taking into account in each case the comments of the Association, if any, on said standards and plan;

(c) engage, by not later than December 31, 2006, an independent monitoring entity to monitor, in accordance with terms of reference acceptable to the Association, compliance by local BPN land offices with the minimum service standards referred to in sub-paragraph (b) of this paragraph 9;

(d) not later than January 31, 2006, prepare and furnish to the Association for its review and comment: (i) a draft long-term strategic plan for the purpose of strengthening BPN (including its local offices) to undertake its mandate (including its land administration function) efficiently, effectively and transparently; and (ii) a human resource management plan to identify the human resources needed for BPN and its local offices to carry out successfully such strategic plan, including skills mix and staff numbers, training requirements, career path criteria, and staff incentives; and

(e) thereafter adopt and implement said long-term strategic plan and human resource plan in a timely manner, taking into account in each case the comments of the Association, if any, on the draft plans furnished to the Association pursuant to the terms of sub-paragraph (d) of this paragraph 9.

10. In carrying out Part D of the Project the Borrower shall, through BPN:

(a) not later than June 30, 2006, furnish to the Association for its review and comment a draft land information strategy outlining, inter alia, spatial data sharing mechanisms and spatial data standards;

(b) thereafter adopt and implement a land information strategy in a timely manner, taking into account the comments of the Association, if any, on the draft strategy furnished to the Association pursuant to the terms of sub-paragraph (a) of this paragraph 10.

11. The Borrower shall: (a) through BPN, select the Kabupatens and/or municipalities that will participate in Parts C.2 and D.3 of the Project: and (b) through MOHA, select the Kabupatens and/or municipalities that will participate in Parts E.2 and E.3, in each case in accordance with eligibility and selection criteria and procedures acceptable to the Association.

12. Without limitation upon the requirements of the Project Management Manual or the provisions of paragraph 11 of this Schedule 4, expenditures in respect of civil works proposed for financing out of the proceeds of the Credit under Part E.2 of the Project in an eligible Kabupaten shall only be eligible for said financing:

(a) when the proposal for said civil works has been prepared by said Kabupaten or by BPN, as the case may be, in accordance with the Social, Environmental and Participation Guidelines; and

(b) where said Kabupaten or BPN, as the case may be, has confirmed in writing to MOHA that no acquisition of land or assets, and no displacement of any person, are contemplated under such proposal, or will occur during the carrying out thereof.

13. For the purposes of Part E.3 of the Project the Borrower shall, through MOHA, not later than December 31, 2007, furnish to the Association for its review and comment a draft strategic plan for expanding to other local governments the support provided under Part E.2 of the Project.

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 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference acceptable to the Association, and furnish to the Bank, by March 1 and September 1 of each year, commencing September 1, 2004, and until completion of the Project, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 14, on the progress achieved in the carrying out of the Project during the preceding six months and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the six months following such date, which measures shall include (i) in each report due by September 1 in any year, a detailed procurement plan for carrying out the Project during the next fiscal year following the date of such report, and (ii) in each report due by March 1 in any year, an update of the detailed procurement plan for the fiscal year in which such month falls;

(c) review with the Association, on or about March 31 and September 30 of each year, commencing 2005, or such later date as the Association shall request, the report referred to in sub-paragraph (b) of this paragraph 14, and, thereafter, take all measures required to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the twelve months following the date of such report, based on the conclusions and recommendations of said report and the Association's views on the matter;

(d) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 1, 2006, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this paragraph 14, 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

(e) review with the Association, by March 31, 2007, or such later date as the Association shall request, the report referred to in paragraph (d) of this paragraph 14, 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 Association's views on the matter; and

(f) make publicly available the report referred to in sub-paragraph (e) of this paragraph 14 at the same time as it is furnished to the Association pursuant to said sub-paragraph.

15. The Borrower shall:

(a) cause to be prepared, and furnish to the Association by not later than six (6) months after the Closing Date, an evaluation report of the Project; and

(b) for the purposes of monitoring the socio-economic and environmental impact of the Project, ensure that a socio-economic and environmental impact base-line survey be initiated by March 31, 2005, and a follow up survey by no later than December 31, 2008.

## SCHEDULE 5

### Performance Indicators

<b>Project Development Objective:</b>	<b>Outcome / Impact Indicators:</b>
Land tenure security improved	Strengthened perception of land tenure security Increase access to formal credit Increase of formal land markets activities Increase investment in agriculture land and property development Increase in land values
Efficiency and transparency of land titling and registration improved	Increase satisfaction rate in land registration Increased in percentage of subsequent transactions registered in land office Decreased number of complains about land registration Decrease in informal payment in land registration process
Capacity of local government in land management enhanced	Satisfaction of land services (land management) rises



**Output from each Part of the Project:**

**Output Indicators:**

---

**Part A**

Government's capacity to formulate land policy improved

Completion of consultation of National Land Policy by December 31, 2004, submission of white paper by March 31, 2005 for adoption by the Government

New National Land Policy Framework developed

Policies on *adat and communal* land prepared; draft regulations prepared and submitted for adoption by September 30, 2007

Priority land policies and regulatory instruments formulated and adopted

Policy on land use and spatial planning will be prepared and submitted for adoption by December 2007

Policy on land distribution will be prepared and submitted for adoption by June 2006

Study on simplification of land tenure instruments, including state land completed and submitted for adoption by June 2008

Tax and fee structure study completed by December 2006

Land markets study complete by December 31, 2006

Study on provision of land for public infrastructure and compensation completed by December 2006

**Part B**

Land administration institutions strengthened and operational capacity and service levels improved

BPN long-term strategic plan and Human Resources Management Development Plan is approved and adopted by December 31, 2005

Five model land office re-engineered and operational by June, 2007, and 15 by the completion of the Project

Minimum service standards developed, agreed and monitoring system in place by December 31, 2006

All re-engineered land offices meeting 70% of services standards by December 31, 2007 and 90% of the standards by the completion of the Project

Land Administration and Management Education Program established and operational by August 2007

**Output from each Part of the Project:****Output Indicators:****Part C**

Titles are issued effectively and efficiently

One million titles issued by systematic land titling by mid-term review and 1.5 million more titles by completion of the Project

Private surveying sector developed

95% of titles collected by beneficiaries

90% of systematic titling parcels adjudicated, surveyed and registered

Percentage of land titles issued in name of women or in joint ownership

**Part D**

Information system for decentralized and improved land administration and management is created and functioning well

LIS strategy developed and adopted by December 31, 2006

Key LIS data sharing, access and pricing policy, and data standards (as identified in LIS strategy) finalized and adopted by June 30, 2007

National LIS implementation plan completed by December 31, 2007

**Part E**

Experience of local government in land management function reviewed and capacity assessed

Assessment Report completed by March 31, 2006 and national regulations developed and issued by December 31, 2006

Local governments strengthened to efficiently undertake land management functions

100 local governments receive training by March 2007 and all local governments by completion of the Project

Piloting of local land management initiatives initiated by January 2005

Strategic plan for broader support to local governments in land management is complete and adopted by December 2007