
CONFORMED COPY

LOAN NUMBER 7591-ID

Loan Agreement

**(BOS-KITA School Operational Assistance - Knowledge Improvement for
Transparency and Accountability Project)**

between

REPUBLIC OF INDONESIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 08, 2008

LOAN AGREEMENT

Agreement dated October 08, 2008 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 six hundred million United States Dollars (US\$600,000,000), 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 March 15 and September 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of 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 withdrawn and outstanding 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 MONE 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 — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
any of the BOS Establishment Documents 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.
- 4.02. The Additional Events of Acceleration consist of the following:
The event specified in paragraph (a) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the Minister of Finance.
- 6.02. The Borrower's Address is:

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

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

- 6.03. 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, 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/ Chris Hoban

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve access to quality education in Indonesia for all children of ages 7 to 15 by strengthening school-based management and community participation, improving existing fiduciary arrangements for greater transparency and accountability of the BOS program and, consequently, bringing about better utilization of BOS funds.

The Project consists of the following:

BOS Operational Assistance School Grants.

Provision by the Borrower of BOS Grants to BOS Schools to finance BOS Eligible Expenditures set out in the BOS Operations Manual for: (1) Part 1: the BOS 2008 Program; and (2) Part 2: the BOS 2009 and Later Program.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Borrower shall maintain the implementation arrangements set out in the BOS Operations Manual, including the arrangements set out in this paragraph 1, as the same may be revised from time to time with the agreement of the Bank.
 - (a) The Borrower shall ensure that each BOS School shall maintain the BOS School Team established in accordance with the BOS Operations Manual and including the principal, a treasurer and a community/parent representative. The Borrower shall ensure that each BOS School Team shall manage each BOS Grant received by such BOS School at all times in accordance with the BOS Operations Manual.
 - (b) The Borrower shall maintain: (i) in each District, a BOS District Management Team; (ii) in each Province, a BOS Provincial Management Team; and (iii) a BOS Central Management Team in MONE, in each case established in accordance with the BOS Operations Manual. The Borrower shall ensure that each BOS District Management Team, each BOS Provincial Management Team and the BOS Central Management Team shall comply with all obligations assigned to it in the BOS Operations Manual.

B. Implementation Obligations

1. The Borrower shall:
 - (a) carry out the Project in accordance with the BOS Operations Manual;
 - (b) ensure that the BOS Operations Manual is made available, at all times until completion of the Project, to all BOS Schools;
 - (c) by no later than July 1, 2009, with the prior agreement of the Bank, adopt, make publicly available, and thereafter implement the Revised BOS Operations Manual for the BOS 2009 and Later Program, including, *inter alia*:
 - (i) the requirement that each BOS School posts a record of purchasing information and results, and use of funds;

- (ii) clarification of monitoring responsibilities of BOS Central Management Team, BOS Provincial Management Teams and BOS District Management Teams, including review of BOS School reports;
 - (iii) clarification of composition and role of the purchasing committee at each BOS School which must consist of at least three (3) persons, at least one of whom is a parent representative from the local community;
 - (iv) revised guidelines for procurement through community participation and shopping;
 - (v) guidelines that strengthen the role of the school committee at each BOS School, including sign-off on budget plan and expenditure report; and
 - (vi) the Anticorruption Guidelines;
- (d) undertake, during Fiscal Year 2009, a training program agreed between the Borrower and the Bank, on the use of the Revised BOS Operations Manual;
 - (e) only amend, suspend, abrogate, repeal or waive any provision of the BOS Operations Manual or the Revised BOS Operations Manual with consultation and agreement between the Borrower and the Bank; and
 - (f) references to the BOS Operations Manual include the Revised BOS Operations Manual, commencing on the date on which such revised manual is adopted by the Borrower.
2. The Borrower shall, at all times during the implementation of the Project, ensure that each BOS Grant is made to, and thereafter utilized by, the recipient BOS School on terms and conditions in accordance with BOS Operations Manual in effect at the time that such BOS Grant is made to, and thereafter utilized by, the recipient BOS School, including that:
- (a) each BOS Grant is made: (i) to a BOS School meeting the requirements set out in the BOS Operations Manual; (ii) for an amount determined based on enrollment data for such BOS School collected in accordance with the BOS Operations Manual; and (iii) by deposit from the Province into the account established, operated and maintained by such BOS School, in accordance with the BOS Operations Manual;
 - (b) each BOS School uses each BOS Grant for BOS Eligible Expenditures as set out in the BOS Operations Manual;

- (c) each BOS School maintains operational and financial records on the use of each BOS Grant it receives; and
 - (d) the Borrower and each BOS School implements the complaints handling mechanism and sanctions system in the case of mis-use of BOS Grant funds.
3. The Borrower and the Bank shall each have the right to review records and accounts of BOS Schools.
 4. The Borrower shall, by no later than June 30, 2009, make available the BOS audit report for Fiscal Year 2008, meeting the requirements of Section II.B of this Schedule 2.
 5. The Borrower shall ensure that no proceeds of the Loan will be utilized for:
 - (a) any land or other land associated asset purchase or involuntary resettlement, as the BOS program does not support either the purchase or acquisition of land;
 - (b) environmentally-hazardous goods;
 - (c) items already covered under another financing source;
 - (d) goods, works and services produced or supplied by contractors or suppliers, as the case may be, who are under sanction by the Bank;
 - or (e) any goods, works or services which are not BOS Eligible Expenditures.
 6. The Borrower shall implement the Transparency and Accountability Plan.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines. With respect to each BOS Grant, the Borrower undertakes that each BOS Grant shall be carried out in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower.

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 the Attachment to this Schedule 2. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

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 as part of the Project Report 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 (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.
4. In the event of any adverse findings in any audit report referred to in the foregoing paragraph 3, the Borrower shall develop a course of action satisfactory to the Bank to address the situation within a reasonable period of time as required for satisfactory continued implementation of the Project.

Section III. Procurement**A. General**

1. **Goods and Works.** All goods and works 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. **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.

B. Particular Methods of Procurement of Goods and Works

1. Goods shall be procured under contracts awarded on the basis of Shopping.
2. Works shall be procured under contracts awarded on the basis of Community Participation procedures set out in the BOS Operations Manual.

C. Review by the Bank of Procurement Decisions

All contracts shall be subject to Post Review by the Bank.

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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) BOS Grants under Part 1 of the Project for the BOS 2008 Program	248,500,000	60% of BOS Grants disbursed by the Borrower
(2) BOS Grants under Part 2 of the Project for the BOS 2009 and Later Program	350,000,000	60% of BOS Grants disbursed by the Borrower
(3) Front-end Fee	1,500,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
TOTAL AMOUNT	600,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$120,000,000 equivalent may be made for payments made prior to this date but on or after September 1, 2008, for Eligible Expenditures; or
 - (b) under Category 2:
 - (i) until the Borrower has made available to the Bank an audit report, acceptable to the Bank, for the BOS program for the Borrower's Fiscal Year 2008; and
 - (ii) except for expenditures incurred for the BOS program on or after the first day of the calendar quarter (being July 1, October 1, January 1 or April 1) that commences on or after the date on which the Borrower adopted the Revised BOS Operational Manual acceptable to the Bank.
2. Without limitation on the provisions of Part A of this Section, each application for withdrawal under Category 1 and Category 2 shall be made on the basis of an authorized withdrawal application, including the quarterly interim financial report, in each case in form and substance satisfactory to the Bank.
3. The Closing Date is December 31, 2010.

ATTACHMENT to SCHEDULE 2

Performance Indicators

Project Development Objective	Outcome Indicators
To improve access to quality education for all children aged 7 to 15 by strengthening school-based management and community participation, improving existing fiduciary arrangements for greater transparency and accountability of the BOS program, and consequently, bringing about better utilization of BOS funds.	For Indonesian primary and junior secondary schools (disaggregated by gender, region and income quintile): ③ % net enrollment rates ③ % net drop out rates ③ % transition rates ③ Average monthly household expenditure per child on education by poorest quintile
Intermediate Results	Intermediate Outcome Indicators
Improved Management of BOS Funds: Schools improve their management of BOS funds.	③ % of schools receiving funds on time ③ % of schools receiving full allocation of funds based on student numbers ③ % of school committees that approve annual budget plans ③ % of school committees that receive expenditure reports ③ % of schools that disclose the BOS expenditure by category on the notice board
Increased Public Information and Dissemination regarding BOS: Improved accountability through communities and parents receiving more information regarding the BOS program.	③ Number/type of socialization materials distributed ③ % of parents knowledgeable on BOS, its uses and school budgets and plans
Improved Monitoring and Evaluation: BOS program managers, schools and communities increase their monitoring and evaluation of the program in order to improve its effectiveness.	③ Annual consolidated reports produced as a result of MIS improvements ③ Final process evaluation and special studies undertaken

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
March 15, 2017	1.90
September 15, 2017	1.95
March 15, 2018	2.00
September 15, 2018	2.05
March 15, 2019	2.10
September 15, 2019	2.15
March 15, 2020	2.20
September 15, 2020	2.26
March 15, 2021	2.32
September 15, 2021	2.37
March 15, 2022	2.43
September 15, 2022	2.49
March 15, 2023	2.56
September 15, 2023	2.62
March 15, 2024	2.69
September 15, 2024	2.75
March 15, 2025	2.82
September 15, 2025	2.89
March 15, 2026	2.96
September 15, 2026	3.04
March 15, 2027	3.11
September 15, 2027	3.19
March 15, 2028	3.27
September 15, 2028	3.35

March 15, 2029	3.44
September 15, 2029	3.52
March 15, 2030	3.61
September 15, 2030	3.70
March 15, 2031	3.79
September 15, 2031	3.89
March 15, 2032	3.99
September 15, 2032	4.09
March 15, 2033	4.19
September 15, 2033	4.31

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 (2) 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**Section I. Definitions**

1. “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.
2. “BOS” means the Borrower’s Operational Aid to Schools (*Bantuan Operasional Sekolah*) program, established pursuant to the BOS Enabling Documents.
3. “BOS 2008 Program” means the Borrower’s BOS program funded in the Borrower’s budget for Fiscal Year 2008, and covers only those disbursements made by the Borrower under BOS in the period January 1 – December 31, 2008.
4. “BOS 2009 and Later Program” means the Borrower’s BOS program for which funding provision is included in the Borrower’s budget for Fiscal Year 2009 and each Fiscal Year thereafter during implementation of the Project, and covers only those disbursements made by the Borrower under BOS in the period of January 1 – December 31, 2009, and any Fiscal Year thereafter for which funding provision is made in the Borrower’s budget during Project implementation and during which period the Revised BOS Operations Manual is in effect.
5. “BOS Central Management Team” means the management team at the central level of the Borrower, established and operating in accordance with the BOS Operations Manual.
6. “BOS District Management Team” means each management team at the level of a District of the Borrower in which BOS Schools are located, established and operating in accordance with the BOS Operations Manual, and “BOS District Management Teams” means more than one BOS District Management Team.
7. “BOS Eligible Expenditures” means the list of items for which a BOS School may use a BOS Grant as set out in the BOS Operations Manual, as the same may be revised from time to time with the agreement of the Bank.
8. “BOS Establishment Documents” means Law No. 20 of 2003 on the National Education System; Instruction of the President No. 5 of 2006 on the National Movement to Accelerate Full Accomplishment of Nine Years Mandatory Basic Education and Eradication of Illiteracy; and Joint Decree of the Minister of National Education and the Minister of Religion No. 1/U/KB/2000 and No. MA/86/2000 on Pondok Pesantren Salafiyah as the Blueprint for Nine Years Mandatory Basic Education.

9. “BOS Grant” means any of the grants to be provided by the Borrower to BOS Schools for BOS Eligible Expenditures in accordance with the BOS Operations Manual, and “BOS Grants” means more than one BOS Grant.
10. “BOS Operations Manual” means the manual, dated 2007, issued by MONE, giving details of: (i) criteria for BOS School participation; (ii) the list of BOS Eligible Expenditures; (iii) implementation arrangements at the BOS School, District, Province and central government levels; (iv) BOS Grant disbursement mechanisms; (v) financial reporting and auditing requirements at each governmental level; (vi) monitoring, supervision and reporting requirements; (vii) complaints handling and sanctions, and (viii) information campaigns, as the same may be revised from time to time with the agreement of the Bank; and after the adoption by the Borrower of the Revised BOS Operations Manual in accordance with paragraph 1(c) of Section I.B of Schedule 2 to this Agreement, the term “BOS Operations Manual” includes the Revised BOS Operations Manual, as the same may be revised from time to time with the agreement of the Bank.
11. “BOS Provincial Management Team” means each management team at the level of a Province of the Borrower in which BOS Schools are located, established and operating in accordance with the BOS Operations Manual, and “BOS Provincial Management Teams” means more than one BOS Provincial Management Team.
12. “BOS School” means each school under the authority of MONE, meeting the eligibility criteria set out in the BOS Operations Manual which receives a BOS Grant, and excludes those schools which are not under the authority of MONE (including religious and private schools), and “BOS Schools” means more than one BOS School.
13. “BOS School Team” means each management team at the level of a BOS School, established and operating in accordance with the BOS Operations Manual, and “BOS School Teams” means more than one BOS School Team.
14. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
15. “District” means an administrative sub-division of a Province.
16. “Fiscal Year” means the Borrower’s fiscal year commencing January 1 and ending December 31.
17. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).

18. "MONE" means the Borrower's Ministry of National Education, and any successor agency thereto.
19. "Part" means Part or Part 2 of the Project described in Schedule 1 to this Agreement, as applicable.
20. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006.
21. "Province" means an administrative sub-division of the Borrower's territory.
22. "Revised BOS Operations Manual" means the BOS Operations Manual, as revised pursuant to the provisions of paragraph 1(c) of Section I.B of Schedule 2 to this Agreement, acceptable to the Bank, to be issued by MONE for the BOS 2009 and Later Program, as the same may be revised from time to time with the agreement of the Bank.
23. "Transparency and Accountability Plan" means the plan, adopted by the Borrower on September 5, 2008, designed to integrate the contents of the Anti-corruption Guidelines and to strengthen management control over BOS while also improving program governance and enhancing corruption prevention efforts.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

"Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association ("Preparation Advance"), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance."
2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (1) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”