

CONFORMED COPY

CREDIT NUMBER 3280 IND

Development Credit Agreement

(Decentralized Agricultural and Forestry Extension Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 17, 1999

CREDIT NUMBER 3280 IND

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 17, 1999, between the 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 agreeing to provide such assistance in an aggregate principal amount equivalent to thirteen million dollars (\$13,000,000) (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 December 2, 1997) with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement.

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. "Participating Country" means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and "Participating Countries" means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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, wherever used in this Agreement, have the following meanings:

(a) "BAPPENAS" means the National Development Planning Agency of the Borrower and includes any successor thereto;

(b) "BAPPEDA Kabupaten" means the District Development Planning Agency, and includes any successor thereto;

(c) "BIPP" means Balai Informasi dan Penyuluhan Pertanian, the District Center for Agricultural Information and Extension, established and operating within each Participating District;

(d) "BPP" means Balai Penyuluhan Pertanian, the Sub-District Rural Extension Center, established and operating within each Participating Sub-District;

(e) "BPTP" means Balai Pengkajian Teknologi Pertanian, the Regional Assessment Institute for Agricultural Technology;

(f) "Desa" means a village within a Sub-District;

(g) "Dinas PKT" means Dinas Perhutanan dan Konservasi Tanah, the District Office for Forestry and Soil Conservation;

(h) "District" means a district within a province;

(i) "farmer" means any farmer, including a crop producer, a farm worker, a livestock producer, a fisher, an agro-processor, and an agro-forester;

(j) "Fiscal Year" means the Borrower's fiscal year commencing April 1 and ending March 31;

(k) "Loan Agreement" means the agreement of even date herewith between the

Borrower and the Bank 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 for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997), as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

(l) "NCAE" means the National Center for Agricultural Extension within the Borrower's Ministry of Agriculture;

(m) "NCFECE" means the National Center for Forestry and Estate Crops Extension within the Borrower's Ministry of Forestry and Estate Crops;

(n) "Participating Districts" means the Participating Pilot Districts and the Participating Partner Districts; and "Participating District" means any of the Participating Pilot District or Participating Partner District;

(o) "Participating Pilot Districts" means the following Districts for purposes of Parts A and B of the Project: Bantul and Kulon Progo in the province of D. I. Yogyakarta; Kupang and Timor Tengah Selatan in the province of East Nusa Tenggara; Labuhan Batu and Simalungun in the province of North Sumatra; Kendari and Kolaka in the province of South East Sulawesi; and Gowa and Maros in the province of South Sulawesi;

(p) "Participating Partner Districts" means the following Districts for purposes of Parts A.1 (a), (c) and (d), A.2 (a), A.3 (e), B.1 (b) and B.2 (e) and (g) of the Project: Banyumas and Magelang in the province of Central Java; Aceh Barat and Pidie in the province of D. I. Aceh; Bolaang Mongondow and Minahasa in the province of North Sulawesi; Kota Baru and Tanah Laut in the province of South Kalimantan; and Bima and Lombok Barat in the province of West Nusa Tenggara;

(q) "Participating Sub-District" means a Sub-District within a Participating District selected by the Borrower from time to time, in consultation with the Association, for participation in the Project;

(r) "PIU" means the Project Implementation Unit established within the BIPP in each Participating District;

(s) "PMU" means the Project Management Unit established within the NCAE and Sub-PMU means the Sub-project Management Unit established within the NCFECE;

(t) "Project Provinces" means the Borrower's provinces of Central Java, D. I. Aceh, D. I. Yogyakarta, East Nusa Tenggara, North Sulawesi, North Sumatra, South East Sulawesi, South Kalimantan, South Sulawesi and West Nusa Tenggara;

(u) "Rupiah" and "Rp" mean the currency of the Borrower;

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

(w) "Sub-District" means a sub-district within a District.

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 three million eight hundred thousand Special Drawing Rights (SDR 3,800,000).

Section 2.02. (a) 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.

(b) The Borrower may, for the purposes of the Project, open and maintain in

dollars a special deposit account in Bank Indonesia or in a state commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including, in the case of a state commercial bank, appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 2004, 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 semi-annually on May 1 and November 1 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 semi-annual installments payable on each May 1 and November 1 commencing November 1, 2009 and ending May 1, 2034. Each installment to and including the installment payable on May 1, 2019, 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 the Project with due diligence and efficiency and in conformity with appropriate administrative, agricultural, educational, engineering, environmental, financial and forestry practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the 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 9.07 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 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 maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each Fiscal Year audited, in accordance with auditing standards acceptable to the Association, consistently applied, 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, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, 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 statements of expenditure, the Borrower shall:

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

(ii) retain, until at least one year after the Association has received the audit report for 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;

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

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than October 1, 2000, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 all conditions precedent to the effectiveness of the Loan Agreement, except only the effectiveness of the Development Credit Agreement, have been fulfilled;

(b) a Central Extension Guidance Committee has been established, chaired by BAPPENAS, and including representatives of the Borrower's Ministry of Agriculture, Ministry of Finance, Ministry of Forestry and Estate Crops, and Ministry of Home Affairs (including the Directorate General of Regional Development and the Directorate General for Public Administration and Regional Autonomy);

(c) a District Extension Committee has been established in each Participating Pilot District, chaired by BAPPEDA Kabupaten, and including representatives from the District agriculture and forestry service units, the representative of the District Head, local university, assessment institute, training academy, private sector, non-government organizations, and farmer groups;

(d) a PMU has been established with competent staff in adequate numbers, responsible for Project coordination and management at the central level;

(e) a Sub-PMU has been established with competent staff in adequate numbers, responsible for Project coordination and management of agro-forestry activities at the central level;

(f) PIUs have been established in each Participating Pilot District with competent staff in adequate numbers, responsible for Project coordination and management at the District level;

(g) a Project financial management system manual, acceptable to the Association, has been issued.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

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

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

For the Borrower:

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

Cable address:

FINMINISTRY
Jakarta

Telex:

45799 DJMLN-IA
44319 DEPKEU-IA

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

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

REPUBLIC OF INDONESIA

By /s/ Mr. Darsjah

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mark Baird

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and the Loan

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Civil works	300,000	1,000,000	91%
(2) Goods (excluding vehicles)	400,000	1,300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Local training, extension support, and farmer- managed activities	2,000,000	6,900,000	80%
(4) Incremental operating costs	500,000	1,400,000	80%
(5) Consultants' services, studies and overseas training	600,000	1,900,000	100%
(6) Fee	--	130,000	Amount due under

(7)	Unallocated	--	370,000
	TOTAL	3,800,000	13,000,000

2. For the purposes of this Schedule:

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

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

(c) the term "extension support" means expenditures for per diem, travel, honoraria (excluding salaries), materials and supplies for farmers, extension workers, trainers, motivators and university staff;

(d) the term "farmer-managed activities" means expenditures for per diem, agricultural inputs, materials and supplies, and labor wages for farmers; and

(e) the term "Incremental operating costs" means expenditures for travel, per diem, communications, honoraria (excluding salaries), materials and supplies for the PMU, the Sub-PMU and the PIUs required for Project implementation.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$1,800,000, may be made in respect of Categories (2), (3), (4) and (5) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after May 1, 1999.

4. The Association may require withdrawals from the Credit Account, and the Bank may require withdrawals from the Loan Account, to be made on the basis of statements of expenditure for expenditures for: (i) contracts for civil works and goods costing less than \$100,000 equivalent each; (ii) local and overseas training, extension support, and farmer-managed activities; (iii) incremental operating costs; and (iv) contracts for the employment of consulting firms and for studies valued at less than \$100,000 equivalent each and contracts for the employment of individuals valued at less than \$50,000 equivalent each; all under such terms and conditions as the Association or the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in enhancing farmers' capacity to participate in extension activities and strengthening the capacity of the District-level integrated agricultural and forestry extension system, which would promote economically feasible, environmentally sustainable and socially acceptable farming practices and increased farmers' income.

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: Enhancement of Farmers' Capacity to Participate in and to Lead Extension Activities

1. Revitalization of Farmer Groups and Organization of Farmers' Networks

Strengthening the capacity of farmers to revitalize farmer groups and organize farmers' networks through:

(a) the carrying out of participatory village appraisals, including social

and gender analyses focusing on the special needs of women farmers and youth;

(b) the preparation of farmer groups' farm business plans, annual village action plans and annual District and Sub-District extension programs, with the participation of farmers and other stakeholders;

(c) the promotion of farmer managed activities, including farmer field investigations, farmer technical meetings, field days, and farmer media materials production and dissemination; and

(d) the establishment of farmers' networks to promote farmer-to-farmer sharing of information, as a means to access production inputs and technology, credits, and markets.

2. Building of Capacity of Farmers to Participate in and to Lead Extension Activities

(a) Improving the capacity of farmers and farmer groups to increase production, improve adoption of technologies, and improve marketing capacity, through the carrying out of a farmers' training program, including apprenticeships and exchange visits.

(b) Improving the capacity of farmer trainers and farmer technicians to support and to lead farmer-to-farmer extension programs through the carrying out of training-of-trainers courses, technical training and apprenticeships for selected farmers.

3. Promotion of Participatory Extension Methods and Provision of Media and Technology Support

(a) Establishment of inter-disciplinary field extension teams in Participating Sub-Districts to provide technical advice to farmer groups and networks.

(b) Development and implementation of participatory and farmer need-based extension approaches through the provision of training, materials, and promotion of extension approaches involving partnerships with private sector entities, non-governmental organizations, universities, and farmers' organizations.

(c) Intensification of farmer-led on-farm technology testing and demonstrations;

(d) Carrying out of focused extension activities in selected areas, including social forestry, soil conservation, agro-forestry, and targeted activities involving women farmers and rural youth.

(e) Conducting participatory mass media awareness campaigns to intensify information and technology promotion, including the preparation of printed and audio-visual materials, and the carrying out of surveys to assess the effectiveness of these materials, and farmers' attitudes and knowledge of the extension program.

(f) Establishment and maintenance by farmers' groups of a media forum, including the piloting of a community audio tower system in selected villages.

Part B: Strengthening the District Extension System

1. Introduction of Institutional and Management Reforms at the District Level

(a) Strengthening extension planning, personnel management, financial management and monitoring and evaluation capabilities of BIPPs through the provision of technical assistance to streamline BIPPs' operation and training for extension managers, extension workers and support staff.

(b) Upgrading the facilities of BIPPs and BPPs, including construction of new facilities and upgrading of existing facilities, and provision of furniture, office equipment, computers, communication equipment, materials, and vehicles.

(c) Strengthening the linkages of BIPPs with other District and provincial

organizations, farmers' organizations, research and technology assessment institutes, training centers and technical support units, through the provision of technical assistance and training and building partnerships with the private sector, non-government organizations, and universities through contracting or cost-sharing arrangements of joint activities.

2. Building the Capacity of Extension Staff in the Participating Districts

Strengthening the human resources capabilities of BIPPs and the extension section of Dinas PKT through:

- (a) the carrying out of a human resources assessment study, including a review of job descriptions and an inventory of skills and personnel, and the incentives of extension staff;
- (b) the preparation and implementation of human resources development plans at the District and Sub-District levels;
- (c) the implementation of a reward program for extension staff for outstanding performance;
- (d) the carrying out of farmers' satisfaction surveys to evaluate the performance of extension workers, including self-assessment instruments for extension workers;
- (e) the training of extension workers, in communication skills, technical fields, participatory extension approaches, participatory extension planning (including participatory rural appraisal and social and gender analysis), team-building and organizational techniques;
- (f) the training of extension managers in extension management, leadership and communication skills, planning techniques, and monitoring and evaluation techniques; and
- (g) the training of support staff in general administration, library management, media production, financial management, and computer skills.

3. Strengthening the Extension Support and

Delivery Systems in Participating Districts

Improving farmers' access to information about agricultural and forestry technology, inputs, credit, markets, and farmers' network activities through:

- (a) the establishment and maintenance of a farmers' information and technology promotion unit at the BIPP, including provision of related equipment and training of staff;
- (b) the development and implementation of an information management system and a monitoring and evaluation system to support extension activities and Project implementation, including provision of related equipment and training of staff;
- (c) the establishment of expert teams at the BIPPs to support the field extension teams at the Sub-District level, and the establishment of soil analyses support for farmers in collaboration with BPTPs;
- (d) the strengthening of Project implementation capabilities of the BIPPs in the Participating Districts, through (i) the provision of operational support including materials, office equipment and furniture; (ii) the training of staff on Project and financial management and procurement procedures; and (iii) carrying out of planning and monitoring and evaluation workshops, and field supervision.

Part C: Provision of Central Extension Policy and Project Management Support

1. Improvement of Extension Policy and Conduct of Special Studies

- (a) Carrying out of policy analysis and enhancing public awareness of new

extension policies at the national, provincial and District levels through the provision of training and carrying out of dissemination activities on the new extension approaches, effects of organizational reforms, and policy changes.

(b) Carrying out of selected priority studies, including benchmark surveys, periodic evaluations of the field impact of extension methods, and social and gender studies.

2. Strengthening the Central Extension Support Systems

(a) Strengthening the monitoring and evaluation capacity of NCAE and NCFECE through the provision of technical assistance and training for staff.

(b) Strengthening the management information capacity of NCAE and NCFECE through the provision of training for staff and acquisition of computers and related equipment.

(c) Enhancing the technical capabilities of extension staff through the provision of overseas and in-country degree training and non-degree training for NCAE and NCFECE staff, District staff of BIPPs and staff of the extension section of Dinas PKT.

(d) Improving the quality and relevance of training programs for farmers and extension staff at the District level through (i) the development and updating of training modules for core courses and selected technical topics; and (ii) the provision of training to BIPP managers and trainers of BIPPs and the extension section of Dinas PKT in priority topics.

3. Technical Assistance and Project Management Support

(a) Strengthening Project management and coordination capabilities of the PMU and the Sub-PMU through provision of technical assistance, training of staff on project and financial management, and provision of office equipment, furniture, computers, materials and vehicles.

(b) Provision of technical assistance to the Participating Districts for Project implementation support.

* * *

The Project is expected to be completed by October 31, 2003.

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) and the following provisions of Section I of this Schedule.

Part B: Procurement Procedures

1. National Competitive Bidding

Except as otherwise provided in this Part, goods and works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods for the Project (except Part A.1 (c) of the Project) estimated to cost

less than \$10,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, and goods for Part A.1 (c) of the Project estimated to cost less than \$10,000 equivalent per contract, 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 C: 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. 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

With respect to (i) each contract for goods and works estimated to cost the equivalent of \$100,000 or more, and (ii) the first three contracts for goods and works by each Participating District, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Association Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for extension, management and specialized areas under Part C.3 of the Project, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$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. Individual Consultants

Tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in

accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the provision of technical assistance under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection 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 the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower shall maintain until completion of the Project:

- (a) the Central Extension Guidance Committee;
- (b) the PMU with competent staff in adequate numbers, responsible for Project coordination and management at the central level;
- (c) the Sub-PMU with competent staff in adequate numbers, responsible for Project coordination and management of agro-forestry activities at the central level;
- (d) PIUs in each Participating Pilot District with competent staff in adequate numbers, responsible for Project coordination and management at the District level; and
- (e) the District Extension Committees in the Participating Pilot Districts.

2. The Borrower shall establish, not later than October 31, 2000, and, thereafter maintain until completion of the Project, a PIU in each Participating Partner District, with competent staff in adequate numbers, responsible for Project coordination and management at the District level.

3. The Borrower shall cause a District Extension Committee to be established, not later than October 31, 2000, and, thereafter maintained until completion of the Project, in each Participating Partner District, chaired by BAPPEDA Kabupaten, and including representatives from the District agriculture and forestry service units, the representative of the District Head, local university, assessment institute, training academy, private sector, non-government organizations, and farmer groups.

4. The Borrower shall prepare and furnish to the Association for comments, by December 31 in each year, commencing December 31, 1999, and until completion of the

Project, the annual work plan and proposed budget for the following Fiscal Year.

5. The Borrower shall:

(a) set up by October 1, 2001, establish an independent evaluation team with terms of reference and members acceptable to the Association;

(b) cause such independent team to carry out an evaluation of the Project and complete such evaluation not later than March 1, 2002; and

(c) furnish the results of the evaluation to the Association for comments.

6. 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 satisfactory to the Association, and furnish to the Association, on or about April 1, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by June 30, 2002, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

7. The Borrower shall carry out the training under the Project in accordance with training programs and timetables acceptable to the Association.

8. The Borrower shall provide the vehicles required under the Project in accordance with a schedule agreed with the Association.

9. Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower shall provide to the Association by June 30 in each year, commencing June 30, 2000, and until completion of the Project, annual central and District level Project progress reports.

SCHEDULE 5

Project Performance Indicators

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SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$1,500,000 to be withdrawn from the Credit Account or the Loan Account and deposited into the

Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$750,000 until the aggregate amount of withdrawals from the Credit Account and the Loan Account allocated to the eligible Categories plus the total amount of all outstanding special commitments entered into by the Association or the Bank pursuant to Section 5.02 of the respective General Conditions shall be equal to or exceed the equivalent of \$3,000,000.

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

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

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

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

(ii) 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 4 of this Schedule 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 or the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account or the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

(b) 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, or to the Bank pursuant to Section 3.01 of the Loan Agreement, in respect of the audit of the records and accounts for the Special Account;

(c) 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 and the Loan Account pursuant to the provisions of Section 6.02 of the respective General Conditions; or

(d) once the total unwithdrawn amount of the Credit and the Loan allocated to the eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the respective General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account and the Loan Account of the remaining unwithdrawn amount of the Credit and the Loan allocated to the eligible Categories 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.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) 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 or the portion thereof not so eligible or justified. 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 shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

