

CONFORMED COPY

CREDIT NUMBER 4205-IND

Financing Agreement

(Early Childhood Education and Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 13, 2006

CREDIT NUMBER 4205-IND

FINANCING AGREEMENT

AGREEMENT dated September 13, 2006, between REPUBLIC OF INDONESIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association 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 the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II – FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to forty six million two hundred thousand Special Drawing Rights (SDR 46,200,000) (“Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 1 and October 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.

ARTICLE III – PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MoNE in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following:

- (a) Except as provided in paragraph (b) of this Section, the right of the Recipient to withdraw the proceeds of the Netherlands Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Netherlands Grant Agreement;
- (b) Paragraph (a) of this Section shall not apply if the Recipient establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

ARTICLE V – EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) the Project Operations Manual, acceptable by the Association, has been approved by the Recipient and adopted by not less than 35 Participating Districts as well as the Participating Provinces in which such Participating Districts are located;

(b) The Netherlands Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder (other than the effectiveness of the Financing Agreement) have been fulfilled.

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

5.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under Section 3.01 of this Agreement shall terminate is fifteen years after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Recipient's Minister of Finance.

6.02. The Recipient's Address is:

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

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

6.03. The Association's Address is:

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

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

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

REPUBLIC OF INDONESIA

By: /s/ Mulia P. Nasution

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Andrew Steer

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve poor children's overall development and readiness for further education within a sustainable quality ECED system. The Project consists of the following parts:

Part A: Increasing Integrated ECED Service Delivery in Targeted Poor Communities

1. Provision of training for the benefit of members of the National Early Childhood Specialist Team (NEST), district trainers, teachers and child development workers, as well as Community Facilitation Teams focusing on education for young children, health and nutrition, and community development.
2. Provision of technical advisory services and training to facilitate preliminary steps in view of launching and facilitating the Block Grant process, including: (a) selection of Eligible Kecamatans and Eligible Villages; (b) sensitization of Eligible Villages about the importance of ECED services; and (c) launching of the Block Grant process.
3. Provision of Block Grants to Eligible Villages to support comprehensive services selected from a menu of ECED options.
4. Provision of Additional Block Grants to Eligible Villages to recognize model ECED programs and use them for demonstration purposes and as resource and training centers for other ECED programs.

Part B: Developing a Sustainable System for ECED Quality

1. Provision of technical advisory services and training, and other material support, and implementation of professional development workshops, to facilitate the development of standards and recognition procedures to support quality ECED delivery.
2. (a) Provision of technical advisory services and training, and other material support, and implementation of workshops, for the benefit of Participating Provinces and Participating Districts to promote the institutionalization of ECED services, through: (i) enhanced coordination and partnerships among ECED-related agencies; (ii) inclusion of ECED in local

governments' regulations; and (iii) enhancing the knowledge base of key ECED-related officials, and strengthening their role, in ECED matters; and

(b) provision of matching grants to Participating Districts and existing ECED service institutions to provide incentives for the establishment of resource centers to support training.

Part C: Establishing Effective Project Management, Monitoring, and Evaluation

1. Provision of technical advisory services and training, and other material support, and implementation of workshops, to support the management of the Project at the central level and in the Participating Provinces and Participating Districts.

2. Provision of technical advisory services and training, and other material assistance to support: (a) development of a monitoring and supervision system for ECED programs at Village- and District-levels, including those ECED programs not supported under the Project; (b) a formal evaluation of project benefits; and (c) monitoring of Project implementation.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements.

1. The Recipient shall:

(a) establish a National Steering Committee (NSC), whose mandate, composition and terms of reference shall be acceptable to the Association, to be responsible for providing overall guidance and strategic direction in the implementation of the Project;

(b) designate the Directorate-PAUD to serve as the CPICU and, as such, to manage and administer the Project, manage central-level activities, and coordinate Project-related activities at the level of Participating Provinces and Participating Districts;

(c) cause CPICU to:

(i) recruit, not later than June 30, 2007, a National Management Consultant (NMC) at the national level to facilitate implementation of the Project and provide quality assurance at central-level and at the level of Participating Provinces and Participating Districts;

(ii) group Participating Districts into regions, and recruit Regional Management Consultants (RMCs) to be assigned to Participating Districts on a regional basis to support the DPIUs in the implementation of their respective Project-related activities and, in so doing, assist the CPICU in the management of the Project;

(d) ensure that the CPICU is provided with adequate funds and other resources, and supported by suitably qualified and experienced personnel in adequate numbers as needed to accomplish the objectives of the Project, including project management, procurement and financial management specialists.

2. The Recipient shall ensure that:

(a) in each Participating Province, the Dinas Pendidikan shall be designated to serve as the Provincial Project Coordinating Unit (PPCU) and, as such, to manage and administer the Project-related activities in the Participating Province, coordinate and monitor Project-related activities, and facilitate liaison with RMCs; and

(b) in each Participating District:

(i) the Dinas Pendidikan shall be designated to serve as the District Project Implementing Unit (DPIU) and, as such, to manage and administer the Project, and be responsible for monitoring, evaluation and reporting on Project-related activities in the Participating District, and to provide technical guidance to Eligible Villages;

(ii) a District Coordinating Committee (DCC), whose mandate, composition and terms of reference shall be acceptable to the Association, to be responsible for providing general oversight and strategic direction, as well as policy guidance on the consolidation of ECED programs.

(c) each PPCU, DPIU and DCC shall be provided with adequate funds and other resources, and supported by suitably qualified and experienced personnel in adequate numbers as needed to accomplish the objectives of the Project, including, in the case of the DPIU, project management and financial management specialists, as well as the requisite number of Community Facilitation Teams.

B. Implementation Obligations.

3. The Recipient shall:

(a) adopt a Project Operations Manual, acceptable to the Association, giving details of guidelines and procedures agreed with the Association for the implementation, supervision, and monitoring and evaluation, of the Project, including: (i) implementation arrangements, along with the criteria, and terms and conditions, for the selection of Participating Provinces and Participating Districts; (ii) reporting, and monitoring and evaluation, requirements, and financial management and audit procedures as set forth in Section II of Schedule 2 to this

Agreement; (iii) procurement procedures as set forth in Section III of Schedule 2 to this Agreement as well as standard procurement documentation; (iv) details of social and environmental screening guidelines, and other criteria, for the review and selection of Sub-project proposals, as well as the additional terms and conditions governing Grants as set forth in Part C of this Section; and (v) details of the anti-corruption plan governing the Project; and

(b) implement the Project in accordance with the Project Operations Manual and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

4. The Recipient shall: (a) prior to the beginning of each new Fiscal Year, provide to the Association, for review and comments, a proposed annual work program, consisting of detailed work plans and budget for that Fiscal Year for the CPICU and Participating Provinces and Participating Districts; and (b) proceed thereafter to implement such annual work program, taking into consideration any comments that may have been made thereon by the Association.

C. Terms and Conditions Governing Grants.

5. For purposes of providing Grants under the Project, the Recipient shall apply the proceeds of the Credit allocated to finance Grants in accordance with the guidelines, procedures and criteria set forth in the Project Operations Manual, including but without being limited to the following additional terms and conditions:

(a) no Grant shall be eligible for financing out of the proceeds of the Credit unless the corresponding calls for proposals for the Grants, the review of proposals and the award of Grants have been undertaken in accordance with the guidelines, procedures and selection criteria set forth in the Project Operations Manual;

(b) no Grant shall be made to finance expenditures involving or likely to involve: (i) the manufacture or use of environmentally hazardous goods (including asbestos, pesticides and herbicides), arms or drugs; (ii) the production, processing, handling, storage or sale of tobacco or products containing tobacco; (iii) activities within a nature reserve or any other area designated by the Recipient for the management and/or the protection of biodiversity, except with the prior written approval of the Recipient's agency responsible for the management and/or protection of such area; (iv) over-exploitation of water

resources and/or contamination of domestic water supplies; or (v) the provision of goods, works or services, directly or through intermediaries, by suppliers or contractors, as the case may be, who have been declared ineligible to participate in the procurement of any Bank-financed contract, whether indefinitely or for a stated period of time, as a result of a decision of the Sanctions Committee, but only to the extent that such sanction remains valid and applicable, according to the terms of the decision;

(c) no Grant shall be provided otherwise than to a Beneficiary located in a Participating Province and in a Participating District;

(d) Block Grants shall be made to Eligible Villages to support comprehensive services selected from a menu of ECED options, including services directed toward families with young children (birth to 3) and those for older children (ages 3 to 6); provided, however, that the Eligible Village: (i) has demonstrated the required degree of community organization and commitment to provision of ECED services; (ii) uses the proceeds of the Block Grant to enhance existing services both in terms of quality and number of poor children served, and potentially to add new services; and (iii) provides ECED services in compliance with essential standards, including health and safety provisions;

(e) Additional Block Grants shall be made available to Eligible Villages to recognize model ECED programs and use them for demonstration purposes, and as resource and training centers for other ECED programs; provided, however, that: (i) the criteria for the award of such Additional Block Grants and for the selection of Eligible Villages for purposes of Additional Block Grants shall be developed during the first two years following the Effective Date; (ii) Additional Block Grants shall be awarded with effect from the beginning of the third year after the Effective Date and shall be available in respect of all ECED programs in Eligible Villages, whether or not they are funded under the Project; and (iii) not more than one Additional Block Grant shall be awarded to an Eligible Village in any Eligible Kecamatan;

(f) Matching Grants shall be made available to Participating Districts and existing ECED service institutions to serve as incentives for the establishment of resource centers to support training; provided, however, that Matching Grants shall be provided on a competitive basis, and in accordance with predetermined criteria which shall be set forth in the Project Operations Manual;

(g) for purposes of every Grant, a Sub-project Grant Agreement shall be signed with the Beneficiary, setting forth the respective obligations of the

parties thereunder, including: (i) details of agreed disbursement schedules; (ii) procurement procedures consistent with the provisions of Section III of Schedule 2 to this Agreement; (iii) provisions for audits of the Grants; (iv) the amount of the Beneficiary's counterpart contribution, if any; (v) the right of the Recipient and Association to visit any facilities pertaining to the Sub-project and to carry out physical inspections of the progress of the Sub-project; and (vi) an undertaking on the part of the Beneficiary to execute the Grant with due diligence and efficiency and, upon its completion, to ensure the continued achievement of the objectives of the Grant;

(h) no Sub-project shall be eligible for financing out of the proceeds of a Grant unless a Sub-project Grant Agreement has been concluded to this effect on terms and conditions set forth in this Agreement and the Project Operations Manual.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports.

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - increases in early development scores of children entering kindergarten or first grade of primary school.
 - increases in Early Stimulation, Detection and Intervention of Child Growth and Development (DDTK) scores of children 0-3 years.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than June 30, 2014.

B. Financial Management, Financial Reports and Audits.

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, as part of the Project Report, not later than one month after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

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

B. Particular Methods of Procurement of Goods and Works.

1. **National Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of National Competitive Bidding, subject to the additional procedures specified in Part F of this Section.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Shopping
(b) Community Participation in Procurement

C. Particular Methods of Procurement of Consultants' Services.

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection Based on Consultant's Qualifications
(b) Individual Consultants

D. Review by the Bank of Procurement Decisions.

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

E. Procurement Procedures.

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

1. The Procurement Plan, including all updates thereof, shall be made publicly available promptly after their finalization.
2. All bidding documents and requests for proposals issued pursuant to this Agreement 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.
3. 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.
4. 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 non-responsive (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.
5. Contract award information for all contracts for goods, works and consultants' services shall be made publicly available and published widely, and be made available to any member of the public upon request, promptly after such award.

6. Promptly upon request by any member of the public, 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.
7. Representatives of the end-users of goods or works being procured shall be permitted to attend public bid openings in respect thereof.
8. Members of the public shall have access to the Indonesian version of the project's anti-corruption plan, and to the annual work program referred to in paragraph 4 of Section I of Schedule 2 to this Agreement, as approved by the Bank.
9. Bidders and consultants wishing to participate in any of the procurement packages under the Project shall be required to disclose upfront if any of the members of their boards of directors or commissioners or their immediate family members are related or otherwise connected to: (a) members of the relevant procurement committee; or (b) Echelon I-IV officials of the MoNE.
10. In the case of Grants, community groups involved in the award of Grants shall be required to disclose upfront if any of their representatives or their immediate family members are related or otherwise connected to: (a) members of the evaluation committee at the Province- or District-level; (b) the boards of directors or commissioners of the relevant management consultants; or (c) Echelon I-IV officials at the relevant Province- or District-level.
11. In the case of consultants' services:
 - (a) the Technical Evaluation Report shall be completed within 5 weeks of the deadline for receipt of proposals, and the proposal for the award of contract made available, along with the draft contract, within 4 weeks after completion of the Technical Evaluation Report or following the Bank's no-objection to the Technical Evaluation Report, whichever occurs later;

(b) the qualifications and experience of members of the procurement committee shall be readily available on file to serve as evidence of their suitability to serve as members of the committee;

(c) at least one sworn public notary shall be invited to officially witness the opening of technical and financial proposals, and certify the minutes of opening of technical/financial proposals; and

(d) the sworn public notary shall be required to keep in a safe place, at least until the award of the contract, one copy of the technical proposals submitted by each consultant (once they are open), one copy of the sealed financial proposals (before they are open), and one copy of the financial proposals submitted by each consultant (once they are open).

F. National Competitive Bidding Procedures.

1. Subject to the provisions of this Schedule, the procedures to be followed for national competitive bidding shall, to the extent applicable, and except as may be otherwise agreed between the Recipient and the Association, 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 "Procurement 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. Normally, post-qualification shall be used. 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 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 Grant 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 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) 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.

Section IV. Withdrawal of the Proceeds of the Financing

A. General.

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the

Bank may specify by notice to the Recipient, 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 Financing (“Category”), the allocations of the amounts of the Credit and of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Training, workshops and operating expenses under Part A of the Project	3,200,000	80%
(2) Grants a) Block Grants / Additional Block Grants b) Matching Grants	38,600,000 1,050,000	100% of Grant amount disbursed
(3) Training, workshops and operating expenses under Part B of the Project	2,500,000	50%
(4) Goods, workshops, training and operating expenses under Part C of the Project	750,000	50%
(5) Unallocated	100,000	
TOTAL AMOUNT	46,200,000	

For purposes of this paragraph, the term “operating expenses” means the incremental expenses incurred under the Project on account of salaries and honoraria of local contractual staff other than full time employees of the Recipient; travel and other travel-related expenditures; materials and supplies; and educational and promotional services and materials.

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2013.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 1 and October 1:	
commencing October 1, 2016 to and including April 1, 2026	1.25%
commencing October 1, 2026 to and including April 1, 2041	2.50%

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Definitions

1. “Additional Block Grant” means an additional block grant designed to finance a Sub-project under Part A.4 of the Project, and to be financed out of the proceeds of the Credit;
2. “Beneficiary” means an Eligible Village, a Participating District or an ECED service institution, as the case may be, which is the recipient of a Grant and a party to a Sub-project Grant Agreement;
3. “Block Grant” means a block grant designed to finance a Sub-project under Part A.3 of the Project, and to be financed out of the proceeds of the Credit;
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement;
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004;
6. “Community Facilitation Team” means a Community Facilitation Team referred to under Part A.1 of the Project;
7. “CPICU” means Central Project Implementing and Coordinating Unit referred to in Part A.1(b) of Section 1 of Schedule 2 to this Agreement;
8. “DCC” means District Coordinating Committee referred to in Part A.2(b) of Section 1 of Schedule 2 to this Agreement;
9. “DG-NFE” means the Directorate General for Non-Formal Education of MoNE or any successor thereto;
10. “Dinas Pendidikan” means the Regional Office of Education of the local government of a Province or a District, as the case may be;
11. “Directorate-PAUD” means the Directorate of DG-NFE responsible for ECED or any successor thereto;

12. “District” means an administrative subdivision of a Province;
13. “DPIU” means District Project Implementing Unit referred to in Part A.2(b) of Section 1 of Schedule 2 to this Agreement;
14. “ECED” means early childhood education and development;
15. “Eligible Kecamatan” means any Kecamatan of a Participating District in which there are one or more Eligible Villages located;
16. “Eligible Village” means any village in a Participating District which is deemed to meet the criteria for participation in the Project in accordance with the provisions of the Project Operations Manual;
17. “Fiscal Year” means the Recipient’s fiscal year commencing January 1 and ending December 31;
18. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005;
19. “Grant” means a Block Grant, an Additional Block Grant or a Matching Grant, as the case may be;
20. “Kecamatan” means a sub-district, an administrative subdivision of a District;
21. “Matching Grant” means a matching grant designed to finance a Sub-project under Part B.2(b) of the Project, and to be financed out of the proceeds of the Credit;
22. “MoNE” means the Recipient’s Ministry of National Education or any successor thereto;
23. “Netherlands Grant” means the grant to be provided by the Netherlands to co-finance the Project;
24. “Netherlands Grant Agreement” means the agreement to be entered into between the Recipient and the Bank, providing for the Netherlands Grant;

25. “Participating District” means any District of a Participating Province which is selected to participate in the Project in accordance with the provisions of the Project Operations Manual;
26. “Participating Province” means any Province which is selected to participate in the Project in accordance with the provisions of the Project Operations Manual;
27. “PPCU” means Provincial Project Coordinating Unit referred to in Part A.2(a) of Section I of Schedule 2 to this Agreement;
28. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004;
29. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 27, 2006, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs;
30. “Project Operations Manual” means the Project Operations Manual referred to in Part B.3(a) of Section 1 of Schedule 2 to this Agreement, as same may be amended from time to time in agreement with the Association, and such term includes any schedules to the Project Operations Manual;
31. “Province” means an administrative sub-division of the Recipient’s territory;
32. “Rupiah” and “Rp” means the currency of the Recipient;
33. “Sanctions Committee” means the committee established by the President of the Association and the Bank to review allegations of corruption under projects financed by the Association and the Bank, and to recommend appropriate sanctions to the President of the Association and the Bank, or any successor thereto;
34. “Sub-project” means a specific investment activity referred to under Part A.3, A.4 or B.2(b) of the Project, and to be financed in whole or in part out of the proceeds of a Grant; and
35. “Sub-project Grant Agreement” means the Sub-project Grant Agreement referred to in paragraph 5(g) of Section I of Schedule 2 to this Agreement.

