

CONFORMED COPY

LOAN NUMBER 2944 IND

(Higher Education Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated June 10, 1988

LOAN AGREEMENT

AGREEMENT, dated June 10, 1988, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project;

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan 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 Loan and

Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "DGHE" means the Directorate General for Higher Education;

(b) "FY" means the Borrower's fiscal year beginning April 1 and ending March 31; and

(c) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to one hundred forty million three hundred thousand dollars (\$140,300,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in the Bank of Indonesia on terms and conditions satisfactory to the Bank. 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 December 31, 1991 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

(i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per

annum, as reasonably determined by the Bank.

- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### 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 through DGHE with due diligence and efficiency and in conformity with appropriate administrative, educational, engineering and financial 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 Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank 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 Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower shall, at all times, assign on a full time basis, qualified and experienced officers as: (a) directors for each of the Central Project Implementation Units responsible for carrying out the projects financed under Loan 2101-IND (Loan Agreement entered into between the Borrower and the Bank dated April 5, 1982), Loan 2290-IND (Loan Agreement entered into between the Borrower and the Bank dated April 5, 1982) and Loan 2547-IND (Loan Agreement entered into between the Borrower and the Bank dated June 18, 1985); and (b) senior staff for the DGHE Project Implementation Monitoring Team responsible for monitoring the carrying out of the projects financed under the Loans referred to in (a) above.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than nine months after the end of each such year, the report of such audit by said

auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan 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 accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. 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 Director General of Budget  
Jln Lapangan Banteng Timur 2-4  
P.O. Box 139  
Jakarta, Indonesia

Cable address:

FINMINISTRY  
Jakarta

Telex:

44319 DEPKEU-IA  
45799 DJMIN-IA

For the Bank:

International Bank for  
Reconstruction and Development

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

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

REPUBLIC OF INDONESIA

By /s/ Dadang Sukandar  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Attila Karaosmanoglu  
Regional Vice President  
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works	24,100,000	91%
(2) Equipment, furniture, books, journals and instructional materials	36,200,000	100% of foreign expenditures, 95% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(3) Consultants' services	4,100,000	100%
(4) Overseas and in-country training	53,600,000	100%
(5) Research	6,500,000	100%

Amount of the

Category	Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(6) Administrative and operational support	7,200,000	100% of expenditures incurred in FY 1988/89; 90% of expenditures incurred in FY 1989/90; 80% of expenditures incurred in FY 1990/91
(7) Unallocated	<u>8,600,000</u>	
TOTAL	140,300,000	

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; and

(c) the term "administrative and operational support" means honoraria, consumable materials, and operation and maintenance costs required for carrying out Parts A, B, C and D of the Project.

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 \$5,000,000, may be made on account of payments made for expenditures before that date but after April 1, 1988.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in implementing its higher education program through:

- (a) improving sectoral planning;
- (b) improving both sectoral and institutional management in higher education;
- (c) increasing resource mobilization, including reinforcing the role of private higher education institutions;
- (d) improving educational quality and efficiency;
- (e) strengthening selected fields of study reflecting manpower needs; and
- (f) increasing the contribution of universities to regional development, particularly in the Eastern Islands.

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

Part A:

Improve planning, management and implementation capabilities of the higher education system through, inter alia: (i) development and initial delivery of a training program in university management and finance for DGHE and university staff; (ii) expansion of management information and of monitoring and evaluation of the university system; (iii) carrying out of higher education planning and management studies and evaluations; and (iv) provision of adequate operational costs for carrying out the Project.

Part B:

Improve quality and efficiency of the higher education system through, inter alia: (i) carrying out of overseas and in-country post-graduate university staff development programs; (ii) improving the quality and efficiency of priority undergraduate study programs; (iii) implementation of research programs in public universities; (iv) development of a national university library network; and (v) provision of equipment, acquisition and production of educational materials, and maintenance of laboratories.

Part C:

Promote the development of private higher education through, inter alia, (i) support of regional coordination and quality supervision of private universities; (ii) provision of fellowships for academic staff and management training for university administrators; (iii) establishment of common-use facilities for private universities; and (iv) strengthening institutional and academic accreditation procedures.

Part D:

Development of educational facilities, inter alia: (i) fishery facilities at Riau University, agriculture facilities at Tadulako and Cenderawasih universities; (ii) university campuses at the universities of Indonesia, Andalas and Gadjah Mada; (iii) library and science laboratories at the IKIP Malang; and Cenderawasih and Mataram universities; and (iv) equipment for eleven polytechnics located at the universities of Syah Kuala, Andalas, Institut Teknologi Surabaya, Hasanuddin, Sam Ratulangi, Pattimura, Lambung Mangkurat, Tanjungpura, Mulawarman, Udayana and Nusa Cendana as well as for the Polytechnic Education Development Center (PEDC).

Part E:

Provision of adequate levels of operation and maintenance for higher education sector institutions, including provision of staffing and operating budgets.

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The Project is expected to be completed by April 1, 1991.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 15, 1993	2,560,000
May 15, 1994	2,660,000
November 15, 1994	2,760,000
May 15, 1995	2,870,000
November 15, 1995	2,980,000
May 15, 1996	3,095,000

November 15, 1996	3,215,000
May 15, 1997	3,340,000
November 15, 1997	3,465,000
May 15, 1998	3,600,000
November 15, 1998	3,740,000
May 15, 1999	3,885,000
November 15, 1999	4,035,000
May 15, 2000	4,190,000
November 15, 2000	4,350,000
May 15, 2001	4,520,000
November 15, 2001	4,695,000
May 15, 2002	4,875,000
November 15, 2002	5,065,000
May 15, 2003	5,260,000
November 15, 2003	5,460,000
May 15, 2004	5,670,000
November 15, 2004	5,890,000
May 15, 2005	6,120,000
November 15, 2005	6,355,000
May 15, 2006	6,600,000
November 15, 2006	6,855,000
May 15, 2007	7,120,000
November 15, 2007	7,395,000
May 15, 2008	7,675,000

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\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services



## Section I. Procurement of Goods and Works

### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Indonesia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

### Part C: Other Procurement Procedures

1. All civil works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. All furniture shall be procured under contracts awarded, on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank; provided, however, that furniture estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate of \$300,000, may be procured under contracts awarded on the basis of comparison of price quotation solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Bank.

3. Equipment estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$4,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank; provided, however, that equipment estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate of \$2,000,000 may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Bank.

4. Books, journals and other instructional material may be procured directly from publishers eligible under the Guidelines or local distributors, on the basis of procurement procedures satisfactory to the Bank.

### Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for: (i) civil works estimated to cost the equivalent of \$1,000,000 or more, and (ii) equipment, furniture, books, journals and other instructional materials estimated to cost the equivalent of \$700,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments

for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c)(ii) of this Agreement.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

### SCHEDULE 5

#### Implementation Program

1. The Borrower shall:

(a) carry out the Project in accordance with higher education guidelines and an action plan satisfactory to the Bank;

(b) by December 31 of each year, commencing on December 31, 1988, prepare and furnish to the Bank, for its comments, a report on the implementation of the previous Fiscal Year's budget for the Borrower's higher education program and a proposed budgetary allocation for such program for the following Fiscal Year, and, thereafter, taking into account the Bank's comments, if any, make the required budgetary allocations for the following Fiscal Year;

(c) without limitations to the provisions of Section 9.07 (a) of the General Conditions, through DGHE prepare and furnish to the Bank semi-annual progress and evaluation reports of the Project, such reports to cover the periods of April through September and October through March of each of the Borrower's Fiscal Years and to be furnished to the Bank not later than 30 calendar days after the end of each reporting period;

(d) maintain within DGHE the Central Project Implementation Unit established on February 10, 1988, headed by a qualified and experienced officer and assigned with such functions, responsibilities, staffing and funds as shall be required to enable it to adequately coordinate the implementation of the various activities under the Project; and

(e) maintain with DGHE the Library Planning and Management Unit established on February 10, 1988, headed by the Director for Academic Affairs of DGHE, and assigned with such functions, responsibilities, staffing and funds as shall be required to enable it to adequately undertake the overall management of the library network of the Borrower's Higher Education System.

### SCHEDULE 6

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 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 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 \$10,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

(i) the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify

by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank shall have determined at any time that any payment out of the Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Bank 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 Bank, refund to the Bank such outstanding amount for crediting to the Loan Account.

