Loan Agreement

(Scholarships Program for Strengthening Reforming Institutions Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 18, 2011
AGREEMENT dated March 18, 2011, between REPUBLIC OF INDONESIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred twelve million six hundred fifty thousand Dollars ($112,650,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
2.05. The Payment Dates are April 1 and October 1 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or un-withdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through the National Development Planning Agency in accordance with the provisions of Article V of the General Conditions.

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

ARTICLE IV — EFFECTIVENESS

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

(a) The Project Operations Manual has been adopted by the Borrower in accordance with the provisions of Section I.D.1 (a) of Schedule 2 to this Agreement.
(b) The National Development Planning Agency Project Implementation Unit has been established by the Borrower in accordance with the provisions of Section I.A.9 of Schedule 2 to this Agreement.

(c) The Ministry of Finance Project Implementation Unit has been established by the Borrower in accordance with the provisions of Section I.A.13 of Schedule 2 to this Agreement.

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is its minister responsible for finance.

5.02. The Borrower’s Address is:

Directorate General of Debt Management
Ministry of Finance
Jalan Lapangan Banteng Timur 2-4
Jakarta 10710
Indonesia

Cable: FINMINISTRY 45799
Telex: DJMLN-IA
Facsimile: 62-21-381-2859

5.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

AGREED at Jakarta, Indonesia, as of the day and year first above written.
REPUBLIC OF INDONESIA

By: /s/ Rahmat Waluyanto

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Stefan Koeberle

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to build Participating Agencies’ capacity by:
(a) strengthening their human resources in core functional areas; and (b) enhancing their
ability to initiate and manage reforms.

The Project consists of the following parts:

1. Degree Scholarships for Ministry of Finance

   (a) Competitive selection of candidates, and provision of pre-departure
       language training to selected candidates.

   (b) Award of scholarships for overseas and joint domestic and overseas
       (link) degrees to successful candidates in fields relevant to the work of
       the Ministry of Finance.

2. Degree and Non-Degree Scholarships for Other Participating Agencies

   (a) Competitive selection of candidates, and provision of pre-departure
       language training to selected candidates.

   (b) Award of scholarships for domestic, overseas, and joint domestic and
       overseas (link) degrees and overseas and domestic non-degree training to
       successful candidates in fields relevant to the work of the respective
       Participating Agency other than the Ministry of Finance.

3. Program and Project Support

   (a) (i) Scholarships program management, including matching of
          scholars to institutions and courses, payment of tuition fees to
          institutions and living and supplies stipends to scholars, and
          monitoring of scholars.

          (ii) Provision of support to the Project Coordination Unit and the
               Project Implementation Units in relation to Project management,
               implementation, including administrative and financial
               management, disbursement, and procurement, and monitoring
               and evaluation.

   (b) (i) Carrying out of annual technical audits of scholarships program
          compliance with scholar eligibility, selection, and
implementation procedures as set out in the Project Operations Manual.

(ii) Carrying out of: (A) a scholarships program alumni survey in relation to satisfaction with the program; and (B) a broader Participating Agency staff assessment in relation to program impact on Agency capacity development.

(iii) Development and implementation of a scholar re-entry and career development program for the Participating Agencies.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall be responsible for Project management, implementation, including administrative and financial management, disbursement, and procurement, and monitoring and evaluation in accordance with the following arrangements.

   Steering Committee

2. The Borrower shall be responsible for the provision of policy and strategic orientation to the Project through the Steering Committee. As such, the Borrower shall, through the Steering Committee: (a) assess the readiness and authorize the appropriate level of participation of each Participating Agency; (b) review and approve, no later than each October 31 throughout Project implementation, the annual work plans and budgets of the Participating Agencies prior to their consolidation and submission to the Bank in accordance with the provisions of Part F of this Section I; (c) review, no later than each November 30 throughout Project implementation, the Project Operations Manual, authorize, prior to their submission to the Bank for approval, any revisions to such manual proposed by the Project Coordination Unit, and adopt, no later than each December 31 throughout Project implementation, such revisions as may be approved by the Bank; and (d) review the performance of Participating Agencies and take appropriate action to improve performance, including reallocation of funds and removal of a Participating Agency or inclusion of a new one as necessary, subject to the prior written agreement of the Bank.

3. To this end, the Borrower shall maintain, throughout Project implementation, the Steering Committee, with a composition, institutional framework, functions, and resources satisfactory to the Borrower and the Bank as shall be required for purposes of Project implementation.

   National Development Planning Agency

4. The Borrower shall be responsible for Project management through the National Development Planning Agency.
5. The Borrower shall be responsible for Project management and the implementation, including administrative and financial management, disbursement, and procurement, and monitoring and evaluation of Parts 3 (a) (ii) and (b) of the Project through the Project Coordination Unit, in coordination with the respective Participating Agency in relation to Part 3 (b) (iii) of the Project.

6. To this end, the Borrower shall maintain, throughout Project implementation, the Project Coordination Unit, with an adequate institutional framework, functions, and resources, including competent personnel in adequate numbers, satisfactory to the Borrower and the Bank as shall be required for purposes of Project implementation.

7. The Borrower shall, no later than twelve (12) months after the Effective Date, appoint, in accordance with the provisions of Section III of this Schedule, a consulting or other firm through the Project Coordination Unit for purposes of implementation of Part 3 (b) (i) of the Project.

Project Coordination Unit

8. The Borrower shall be responsible for the implementation, including administrative and financial management, disbursement, and procurement, and monitoring and evaluation of Parts 2 and 3 (a) (i) of the Project with respect to Participating Agencies other than the Ministry of Finance through the National Development Planning Agency Project Implementation Unit.

9. To this end, the Borrower shall establish and thereafter maintain, throughout Project implementation, under the supervisory authority of the National Development Planning Agency, the National Development Planning Agency Project Implementation Unit, with an adequate institutional framework, functions, and resources, including competent personnel in adequate numbers, satisfactory to the Borrower and the Bank as shall be required for purposes of Project implementation.

10. The Borrower shall, no later than twelve (12) months after the Effective Date, appoint, in accordance with the provisions of Section III of this Schedule, consulting or other firms through the National Development Planning Agency Project Implementation Unit for purposes of implementation of each of Parts 3 (a) (i) and (ii) and (b) (iii) of the Project.

11. The Borrower shall appoint, in accordance with the provisions of Section III of this Schedule, consulting or other firms through the National Development Planning Agency Project Implementation Unit for purposes of implementation of each of Parts 3 (b) (ii) (A) and (B) of the Project, such that the results of the
survey to be carried out under the former are furnished to the Bank no later than one (1) month prior to the midterm review referred to in Section II.C of this Schedule and the results of the assessment to be carried out under the latter are furnished to the Bank no later than one (1) month prior to the Closing Date indicated in Section IV.B.2 of this Schedule.

Ministry of Finance

Ministry of Finance Project Implementation Unit

12. The Borrower shall be responsible for the implementation, including administrative and financial management, disbursement, and procurement, and monitoring and evaluation of Parts 1 and 3 (a) (i) of the Project with respect to the Ministry of Finance through the Ministry of Finance Project Implementation Unit.

13. To this end, the Borrower shall establish and thereafter maintain, throughout Project implementation, under the supervisory authority of the Ministry of Finance, the Ministry of Finance Project Implementation Unit, with an adequate institutional framework, functions, and resources, including competent personnel in adequate numbers, satisfactory to the Borrower and the Bank as shall be required for purposes of Project implementation.

B. Service Agreement

1. To facilitate the carrying out of Part 3 (a) (i) of the Project, the Borrower shall enter into a service agreement with the firm referred to in Part A.10 of this Section I in this regard, under terms and conditions satisfactory to the Borrower and the Bank, which shall include the obligation of such firm to ensure that:

   (a) Part 3 (a) (i) of the Project is carried out in accordance with the provisions of Part E of this Section I;

   (b) Part 3 (a) (i) of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the Transparency and Accountability Action Plan;

   (c) Part 3 (a) (i) of the Project is implemented in accordance with the provisions of the Project Operations Manual, and without any right or authority, except as the Borrower and the Bank shall otherwise agree, to assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof; and
(d) each Scholarship Activity is carried out in accordance with the provisions of the respective Scholarship Agreement.

2. The Borrower shall exercise its rights under such service agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

C. Anti-Corruption

1. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

2. The Borrower:

   (a) shall: (i) adopt, as part of the Project Operations Manual, a plan, in form and substance satisfactory to the Borrower and the Bank, setting out measures to reinforce Project governance, enhance the transparency of Project activities, increase public accountability, and reduce opportunities for collusion, corruption, or fraud under the Project (“Transparency and Accountability Action Plan”); and (ii) thereafter ensure that the Project is carried out in accordance with the provisions of such plan; and

   (b) shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof, except as provided for in Part A.2 (c) of this Section I.

3. In the event of a conflict between the provisions of such plan and those of this Agreement, the latter shall govern.

D. Manual

1. The Borrower shall:

   (a) (i) adopt the Project Operations Manual, in form and substance satisfactory to the Borrower and the Bank, setting out implementation, organizational, administrative, monitoring and evaluation, financial management, disbursement, and procurement arrangements for purposes of Project implementation, and the Transparency and Accountability Action Plan; and (ii) thereafter ensure that the Project is carried out in accordance with the provisions of such manual; and
(b) not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof, except as provided for in Part A.2 (c) of this Section I.

2. In the event of a conflict between the provisions of such manual and those of this Agreement, the latter shall govern.

E. Scholarships

1. General

The Borrower shall review and approve applications for Scholarships, and thereafter monitor and evaluate Scholarship Activities, through the Ministry of Finance Project Implementation Unit with respect to Part 1 of the Project and the National Development Planning Agency Project Implementation Unit with respect to Part 2 of the Project, in accordance with the provisions of this Part E and the Project Operations Manual.

2. Eligibility

No proposed Scholar shall be eligible for a Scholarship unless, on the basis of a review conducted in accordance with this Part E and the Project Operations Manual, the proposed Scholar is deemed to satisfy the eligibility criteria specified below and in further detail in the Project Operations Manual, which shall include the following:

(a) the proposed Scholar: (i) has been nominated by his / her employing unit for an eligible program and field of study as identified in the respective Participating Agency or directorate’s Human Capital Development Plan; (ii) meets the age and academic performance requirements set out in the Project Operations Manual; (iii) is a full member of the Borrower’s civil service if s/he is employed by the Ministry of Finance, and has been in the Borrower’s civil service for a minimum of two (2) years if s/he is employed by a Participating Agency other than the Ministry of Finance; (iv) has performed satisfactorily on academic potential and English language tests; (v) has performed satisfactorily in an interview; and (vi) has successfully completed pre-departure language training or cultural orientation, as the case may be; and

(b) the proposed academic institution for the Scholarship Activity meets the quality assurance standards set out in the Project Operations Manual.
3. Terms and Conditions

(a) A Scholarship Activity shall be carried out pursuant to a Scholarship Agreement, to be concluded between the Borrower, represented by the respective Participating Agency, and the Scholar under terms and conditions satisfactory to the Borrower and the Bank, described in further detail in the Project Operations Manual, which shall include the following:

(i) a description of the Scholarship Activity, its budget, and the applicable performance indicators;

(ii) provision of the Scholarship on a grant basis;

(iii) the obligation of the Scholar to carry out and successfully complete the Scholarship Activity: (A) with due diligence and efficiency; and (B) in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower, and the Project Operations Manual;

(iv) the obligation of the Scholar to furnish to the Borrower records reflecting the carrying out of the Scholarship Activity upon completion of each academic term and the Scholarship Activity;

(v) the requirements that: (A) the proceeds of the Scholarship shall be used exclusively in the carrying out of the Scholarship Activity; and (B) the goods and non-consulting services to be financed from the proceeds of the Scholarship shall be procured in accordance with procedures ensuring efficiency and economy, and shall be used exclusively in the carrying out of the Scholarship Activity; and

(vi) the right of the respective Participating Agency, on behalf of the Borrower, and of the Borrower in its own right, to: (A) obtain all information as it, or the Bank, shall reasonably request regarding the administration, operation, and financial condition of the Scholarship Activity; and (B) suspend or terminate the right of the Scholar to use the proceeds of the Scholarship, or obtain a refund of all or any part of the amount of the Scholarship then withdrawn, as the case may be, upon failure by the Scholar to perform any of his obligations under the Scholarship Agreement.
(b) The Borrower shall exercise its rights under the Scholarship Agreement in such manner as to protect its interests and the interests of the Bank and to accomplish the purposes of the Scholarship, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

F. Annual Work Plans and Budgets

The Borrower shall:

(a) furnish to the Bank for approval as soon as available, but in any case not later than November 30 of each year, the annual work plan and budget for the Project for each subsequent year of Project implementation, of such scope and detail as the Bank shall have reasonably requested, except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date; and

(b) thereafter ensure that the Project is carried out in accordance with such plans and budgets as approved by the Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar year, and shall be furnished to the Bank not later than three (3) months 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:

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Objective</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Increase in percentage of Participating Agency staff with competencies in the core priority areas of the respective Agency, as identified in the needs assessment in the respective Agency’s Human Capital Development Plan</td>
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<td></td>
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<tr>
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</tr>
<tr>
<td>2.</td>
<td>Percentage of Participating Agency staff expressing satisfaction with the impact of the scholarships program on Agency capacity building, based on the survey of such staff carried out under Part 3 (b) (ii) (B) of the Project</td>
</tr>
<tr>
<td>3.</td>
<td>Preparation of a Human Capital Development Plan, identifying required key competencies and staff skills gaps in core priority areas, for each of the Participating Agencies</td>
</tr>
<tr>
<td>4.</td>
<td>Percentage of Scholars participating in academic programs in fields of study identified in the needs assessment in the respective Agency’s Human Capital Development Plan</td>
</tr>
<tr>
<td>5.</td>
<td>Percentage of Scholars (calculated on an annual basis) selected in accordance with the applicable procedures as set out in the Project Operations Manual, as verified by the technical audit of the scholarships program carried out under Part 3 (b) (i) of the Project</td>
</tr>
<tr>
<td>6.</td>
<td>Percentage of Scholars (calculated on an annual basis) completing their academic program with a grade point average greater than 3.0</td>
</tr>
<tr>
<td>7.</td>
<td>Adoption of satisfactory scholar re-entry policies for the Participating Agencies for purposes of the scholar re-entry and career development program to be developed and implemented for the Participating Agencies under Part 3 (b) (iii) of the Project</td>
</tr>
<tr>
<td>8.</td>
<td>Use of database and tracer studies for tracking placement and career progression of returned Scholars</td>
</tr>
<tr>
<td>9.</td>
<td>Percentage of scholarships program alumni expressing satisfaction with the program, based on the alumni survey carried out under Part 3 (b) (ii) (A) of the Project</td>
</tr>
</tbody>
</table>

(c) The Borrower shall furnish to the Bank, as part of the Project Reports, information as follows for the period covered by such report: (i) the names of Scholars and their Participating Agencies and academic institutions; (ii) the respective Scholarship amounts; and (iii) the academic performance of the Scholars.

B. **Annual Reviews**

The Borrower shall review jointly with the Bank, no later than one (1) month after the submission of each Project Report to the Bank, such report, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report and the Bank’s views on the matter.
C. **Midterm Review**

The Borrower shall:

(a) carry out jointly with the Bank, no later than three (3) years after the Effective Date, a midterm review to assess the status of Project implementation, as measured against the performance indicators referred to in Section II.A.1 (a) of this Schedule. Such review shall include an assessment of the following: (i) overall progress in Project implementation; (ii) results of monitoring and evaluation activities; (iii) progress on implementation of annual work plans and budgets; (iv) progress on procurement and disbursement; (v) implementation arrangements; and (vi) the need to make any adjustments to the Project and reallocate funds to improve performance;

(b) prepare and furnish to the Bank, at least three (3) months before such review, a report, in scope and detail satisfactory to the Borrower and the Bank, needed to undertake the review, 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 the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

(c) review, jointly with the Bank, 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 objective thereof, based on the conclusions and recommendations of said report and the Bank’s views on the matter.

D. **Financial Management, Financial Reports and Audits**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Borrower and the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the
Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods. All goods required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-Consulting Services

1. International Competitive Bidding. Goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Non-Consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Direct Contracting</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
</tbody>
</table>
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 the 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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least-Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Quality-Based Selection</td>
</tr>
<tr>
<td>(d) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
<tr>
<td>(f) Selection of Service Delivery Contractors</td>
</tr>
<tr>
<td>(g) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to
this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants’ services, Training, and Operating Costs for the Project</td>
<td>$9,950,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Scholarships</td>
<td>$102,700,000</td>
<td>100% of the amounts disbursed</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>$112,650,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or

   (b) for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2017.

Section V. Other Undertakings

The Borrower shall, no later than one (1) year after the Effective Date, develop and adopt, through each of the Participating Agencies, a scholar re-entry policy, in form and substance satisfactory to the Borrower and the Bank, for purposes of the scholar re-entry and career development program to be developed and implemented for the Participating Agencies under Part 3 (b) (iii) of the Project.
1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1, 2020</td>
<td>2.17</td>
</tr>
<tr>
<td>October 1, 2020</td>
<td>2.22</td>
</tr>
<tr>
<td>April 1, 2021</td>
<td>2.28</td>
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2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion
Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one (1) Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants” dated October 15, 2006, with the modifications set forth in Section II of this Appendix.

2. “Audit Board” or “BPK” (Badan Pemeriksa Keuangan) means the Borrower’s independent supreme audit entity responsible for audits of the management and accountability of state finances, or any successor thereto.

3. “Bureaucracy Reform” means the program designed to ensure that state apparatuses are improved through bureaucracy reform to enhance the professionalism of state apparatuses and to create better governance, both at the national and the regional levels, and to be able to support successful development of other sectors, and set forth or referred to in the Borrower’s Law No. 17/2007 dated February 5, 2007 and Regulation No. PER/15/M.PAN/7/2008 dated July 10, 2008.


5. “Financial and Development Supervisory Board” or “BPKP” (Badan Pengawasan Keuangan dan Pembangunan) means the Borrower’s entity responsible for state financial accountability and implementation of the government’s internal control system, or any successor thereto.


7. “Human Capital Development Plan” means the plan of a Participating Agency (as hereinafter defined) or a directorate of a Participating Agency (as hereinafter defined) linking its institutional development plan with its training needs, as the same may be modified from time to time, and such term includes any annexes or schedules to such plan.

8. “Investment Coordination Board” or “BKPM” (Badan Koordinasi Penanaman Modal) means the Borrower’s ministry-level entity responsible for investment promotion, or any successor thereto.
9. “Ministry for Administrative and Bureaucracy Reform” or “MenPAN dan RB” means the Borrower’s ministry responsible for administrative and bureaucracy reform, or any successor thereto.

10. “Ministry of Finance” means the Borrower’s ministry responsible for finance, or any successor thereto.

11. “Ministry of Finance Project Implementation Unit” means the Borrower’s entity referred to in Section I.A.13 of Schedule 2 to this Agreement and whose responsibilities are set out in Section I.A.12 of such Schedule, or any successor thereto.

12. “National Civil Service Agency” or “BKN” (Badan Kepegawaian Negara) means the Borrower’s entity responsible for the management of the civil service, or any successor thereto.

13. “National Development Planning Agency” means Badan Perencanaan Pembangunan Nasional, the Borrower’s ministry-level entity responsible for development planning, or any successor thereto.

14. “National Development Planning Agency Project Implementation Unit” means the Borrower’s entity referred to in Section I.A.9 of Schedule 2 to this Agreement and whose responsibilities are set out in Section I.A.8 of such Schedule, or any successor thereto.

15. “National Institute of Public Administration” or “LAN” (Lembaga Administrasi Negara) means the Borrower’s entity responsible for the provision of training in public administration, or any successor thereto.

16. “National Land Agency” or “BPN” (Badan Pertanahan Nasional) means the Borrower’s entity responsible for land administration, or any successor thereto.

17. “Operating Costs” means the reasonable costs of incremental expenditures under the Project, based on the annual work plans and budgets referred to in Section I.F of Schedule 2 to this Agreement as approved by the Bank, and incurred by the Borrower for purposes of Project management, implementation, and monitoring and evaluation, on account of utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, public awareness-related publicity and media expenses, travel and subsistence, and salaries of contractual and temporary staff, but excluding salaries, bonuses, fees, or honoraria of members of the Borrower’s civil service.

18. “Participating Agencies” means the: (i) Audit Board; (ii) Financial and Development Supervisory Board; (iii) Investment Coordination Board;
(iv) National Civil Service Agency; (v) National Land Agency; (vi) Ministry for Administrativo and Bureaucracy Reform; (vii) Ministry of Finance; (viii) Ministry of Foreign Affairs; (ix) Ministry of Home Affairs; (x) National Development Planning Agency; (xi) National Institute of Public Administration; as the same may be modified from time to time in accordance with the provisions of Section I.A.2 (d) of Schedule 2 to this Agreement; and “Participating Agency” means any one (1) of said entities.


20. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 9, 2011 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.

21. “Project Coordination Unit” means the Borrower’s entity, under the supervisory authority of the National Development Planning Agency, established and operating pursuant to the Borrower’s Ministerial Decree No. 58/M.PPN/HK/09/2010 dated September 16, 2010, and whose responsibilities are set out in Section I.A.5 of Schedule 2 to this Agreement, or any successor thereto.

22. “Project Implementation Units” means, collectively, the Ministry of Finance Project Implementation Unit and the National Development Planning Agency Project Implementation Unit.

23. “Project Operations Manual” means the Borrower’s manual, referred to in Section I.D.1 (a) of Schedule 2 to this Agreement, as the same may be modified from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such manual.

24. “Scholar” means a staff member of a Participating Agency to whom or for whose benefit a Scholarship (as hereinafter defined) is made or proposed to be made in accordance with the eligibility criteria specified in Section I.E.2 (a) of Schedule 2 to this Agreement and in further detail in the Project Operations Manual.

25. “Scholarship” means a cash award made or proposed to be made to a Scholar out of the proceeds of the Loan to finance a Scholarship Activity (as hereinafter defined) pursuant to a Scholarship Agreement (as hereinafter defined).

26. “Scholarship Activity” means a specific activity carried out under Parts 1 (b) or 2 (b) of the Project, financed or proposed to be financed through a Scholarship in
accordance with the eligibility criteria specified in Section I.E.2 (b) of Schedule 2 to this Agreement and in further detail in the Project Operations Manual.

27. “Scholarship Agreement” means an agreement, referred to in Section I.E.3 of Schedule 2 to this Agreement, between the Borrower, represented by the respective Participating Agency, and a Scholar, setting forth the terms and conditions governing a Scholarship.

28. “Steering Committee” means the Borrower’s entity, established and operating pursuant to its Ministerial Decree No. 58/M.PPN/HK/09/2010 dated September 16, 2010, whose responsibilities are set out in Section I.A.2 of Schedule 2 to this Agreement, or any successor thereto.

29. “Training” means the cost of training financed under the Project, based on the annual work plans and budgets referred to in Section I.F of Schedule 2 to this Agreement as approved by the Bank, and attributable to seminars, workshops, and study tours, along with the cost of travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

30. “Transparency and Accountability Action Plan” means the Borrower’s plan, referred to in Section I.C.2 (a) of Schedule 2 to this Agreement, as the same may be modified from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.

**Section II. Modifications to the Anti-Corruption Guidelines**

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5 (a) and a new Section 5 (b) is added to read as follows:

   “… (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

   “… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn 13) a Borrower (other than a Member Country) (fn 14) or an
individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank-financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross-debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government-owned enterprises and agencies that are not eligible to bid under paragraph 1.8 (b) of the Procurement Guidelines or participate under paragraph 1.11 (c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board set forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”