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LOAN NUMBER 2416-INO(SF)

LOAN AGREEMENT  
(Special Operations)  
(Vocational Education Strengthening Project)

between

REPUBLIC OF INDONESIA

and

ASIAN DEVELOPMENT BANK

DATED 26 MAY 2008

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LAS:INO 33409

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 26 May 2008 between REPUBLIC OF INDONESIA (the "Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan from its Special Funds resources for the purposes of the Project described in Schedule 1 to this Loan Agreement; and

(B) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (the "Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Loan Regulations are applicable to this Loan Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "Alliance VS" for the purpose of this Loan Agreement, means VSs that are not selected as Model VS, but are located close to and will receive mentoring from the selected Model VSs;

(b) "Bank Indonesia" means the Borrower's central bank and any successor thereto;

(c) "BAPPENAS" means the Borrower's National Development Planning Agency and any successor thereto;

(d) "Chamber of Commerce" means the Indonesian Chamber of Commerce";

(e) "Consulting Guidelines" means ADB's "Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers" dated February 2007, as amended from time to time;

(f) “DGMPSE” means the Directorate General for the Management of Primary and Secondary Education under MONE and any successor thereto;

(g) “DTVE” means the Directorate of Technical and Vocational Education under MONE and any successor thereto;

(h) “Goods” means equipment and materials to be financed out of the proceeds of the Loan; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(i) “ILO” means the International Labor Organization;

(j) “MIS” means management information system;

(k) “Model VS” means the 90 VSs selected to receive the SBP Funds under the Project;

(l) “MOF” means the Borrower’s Ministry of Finance and any successor thereto;

(m) “MOM” means the Borrower’s Ministry of Manpower and any successor thereto;

(n) “MONE” means the Borrower’s Ministry of National Education and any successor thereto;

(o) “Participating Schools” means the 90 Model VS and the 230 Alliance VS selected under the Project;

(p) “PMU” means the Project Management Unit established within DTVE, as described in paragraphs 4 and 5 of Schedule 5 to this Loan Agreement;

(q) “Procurement Guidelines” means ADB’s “Procurement Guidelines” dated February 2007, as amended from time to time;

(r) “Procurement Plan” means the procurement plan for the Project dated 26 February 2008 and agreed between the Borrower and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(s) “Project Director” means the project director appointed in accordance with paragraph 4 of Schedule 5 to this Loan Agreement;

(t) “Project Executing Agency” for the purposes, and within the meaning, of the Loan Regulations means DGMPSE, and any successor thereto acceptable to ADB, which is responsible for overall implementation of the Project;

(u) "Project facilities" means the facilities and equipment provided under the Project;

(v) "Project Manager" means the project manager of the PMU, appointed in accordance with paragraph 4 of Schedule 5 to this Loan Agreement;

(w) "PSC" means the Project Steering Committee established in accordance with paragraph 2 of Schedule 5 to this Loan Agreement;

(x) "PTC" means the Project Technical Committee established in accordance with paragraph 3 of Schedule 5 to the Loan Agreement;

(y) "SBP" means the school business plan;

(z) "SBP Funds" means the grants channeled to the SC to finance the Model VS SBP;

(aa) "SC" means the school committee;

(bb) "VS" means vocational senior secondary school; and

(cc) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as mapping and project related services that are provided as part of a single responsibility turnkey contract, but excluding consulting services.

## **ARTICLE II**

### **The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to fifty million five hundred eighty one thousand Special Drawing Rights (SDR 50,581,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 April and 15 October in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be Dollar.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The Goods, Works, and consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works, and consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods, Works, and consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account in respect of Goods, Works, and consulting services shall be made only on account of expenditures relating to

- (a) Goods which are produced in and supplied from and consulting services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) Goods, Works, and consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 November 2013 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 9 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Loan, and any relevant records and documents.

## ARTICLE V

### Effectiveness

Section 5.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: The Borrower shall have established the PSC in accordance with paragraph 2, of Schedule 5 to this Loan Agreement.

Section 5.02. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

**ARTICLE VI**

**Miscellaneous**

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Finance  
Directorate General of Debt Management  
P.O. Box 1139  
Jakarta 10710, Indonesia

Facsimile Number:

(62-21) 381-2859

For ADB

Asian Development Bank  
P.O. Box 789  
0980 Manila, Philippines


Facsimile Numbers:

(632) 636-2444


(632) 636-2228

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

REPUBLIC OF INDONESIA

By   
DR. RAHMAT WALUYANTO  
Authorized Representative

ASIAN DEVELOPMENT BANK

By   
JAMES A. NUGENT  
Country Director  
Indonesia Resident Mission

## SCHEDULE 1

### Description of the Project

1. The Project is expected to increase the international competitiveness and employment opportunities for vocational school graduates through improvement of the quality and relevance of, expand access to and create greater efficiency in senior secondary vocational education in Indonesia.

2. The Project consists of the following Parts:

#### Part 1: Refocused School Management Using a Business Approach

Provision of training, mentoring, computer software and hardware and internet connections. These inputs will be provided for the purposes of the following activities:

- (a) Training of School Managers in Demand-oriented School Business Planning
  - (i) develop a uniform approach and methodology for the formulation of SBPs;
  - (ii) disseminate results to selected institutions which will support the Model VS in developing the SBPs; and
  - (iii) provide training and mentoring to Model VSs principals, senior teachers and school committee leaders and facilitate the development of SBPs;
- (b) Develop a Business Approach to School Management

Provide annual integrated program of management training to both Model VSs and Alliance VSs on business principles including annual planning, cost efficiency, business development, marketing and advocacy, effective personnel management and accountability, and gender awareness.
- (c) Establish School Management Systems and Improve School Administration
  - (i) develop computerized education MIS and financial management systems;
  - (ii) support Model VSs and Alliance VSs on the use of the MIS and financial management systems in planning and monitoring;
  - (iii) develop efficiency and effectiveness indicators for schools to use in Project reporting; and
  - (iv) train VS staff in the use of the developed efficiency and effectiveness indicators.
- (d) Improve Internal Communication Systems and Establish Networks
  - (i) support internet connections in Model VSs and Alliance VSs; and
  - (ii) establish Project website to aid in information sharing and develop e-libraries in Model VSs and Alliance VSs.

Part 2: Improved Quality of Teaching and Learning

Provision of SBP Funds, in-service training program, computer, electronic and multi media equipment, studies and research to improve teaching and learning quality. Assistance to Model VSs will be provided through the SBP Funds, in accordance with their approved SBP.

- (a) Improve Facilities to Increase Efficiency, Expand Enrolments and Extend Hours of Operation
  - (i) improve and/or construct new school facilities;
  - (ii) provide new and/or up-date equipment to meet industry standards especially in the new areas of electronics, computer-aided manufacturing and IT; and
  - (iii) support for a preventive maintenance plan.
- (b) Improve the Teaching of Academic and Technical Subjects
  - (i) provide in-service training program to all teachers from Model VSs and half of the teachers from Alliance VSs, including intensive English language, multi media approaches and use of computer-aided instruction;
  - (ii) carry out long-term qualification upgrading and professional certification of teachers;
  - (iii) strengthen the curriculum in core subjects; and
  - (iii) revise and issue new VS curriculum guidelines and textbooks;
- (c) Develop New Learning Methodologies Suitable to Large Institutions
  - (i) conduct research studies, examination and review of DTVE guidelines and school standards; and
  - (ii) conduct trials of new approaches in all Model VSs to develop new teaching methodologies such as group learning, project learning, computer-aided instruction, and self-paced learning.
- (d) Provide New Instructional Materials and Software

Provide new and additional instructional materials, including e-learning tools, computer aided instruction and software.

Part 3: Strengthened School-Industry Linkages

Provision of assistance to Model VSs under this Part shall be provided through the SBP Funds, in accordance with their approved SBP.

- (a) Support Partnerships Between Schools and Industry
  - (i) support Model VSs in entering formal arrangements with local industries to build close ties with such industry;

- (ii) support Model VSs in delivering courses for upskilling and retraining workers; and
  - (iii) strengthen Model VSs 'career centre' programs.
- (b) Support New Courses to Meet Local Industry Needs
- (i) support a series of school-based research studies to investigate the needs and priorities of VSs and local industry, and explore new opportunities for men and women; and
  - (ii) develop and try new short courses for existing workers.
- (c) Examine Opportunities for International Benchmarking and Trial Selected International Standards and Benchmarks in Cooperation with Industry
- Support Model VSs in examining opportunities for students in obtaining international certification.

#### Part 4: Enhanced Entrepreneurship Focus

Provision of assistance to Model VSs under this Component shall be provided through the SBP Funds, in accordance with their approved SBP.

- (a) Provide Assistance to Students to Start Their Own Businesses
- Support Model VSs in assisting and providing mentorship to students in the piloting of business incubators or other similar initiatives to be designed at the local level.
- (b) Strengthen Entrepreneurship Education
- Enable Model VSs to train staff in the use of materials and delivery of the courses on business skills for young people in association with ILO or other similar organization.
- (c) Enhance Production Units
- Enable Model VSs to include in its SBP, investments on Production Units.

3. The Project also provides consulting services. The Project is expected to be completed by 31 May 2013.

## SCHEDULE 2

### Amortization Schedule (Vocational Education Strengthening Project)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 April 2016	1,053,771
15 October 2016	1,053,771
15 April 2017	1,053,771
15 October 2017	1,053,771
15 April 2018	1,053,771
15 October 2018	1,053,771
15 April 2019	1,053,771
15 October 2019	1,053,771
15 April 2020	1,053,771
15 October 2020	1,053,771
15 April 2021	1,053,771
15 October 2021	1,053,771
15 April 2022	1,053,771
15 October 2022	1,053,771
15 April 2023	1,053,771
15 October 2023	1,053,771
15 April 2024	1,053,771
15 October 2024	1,053,771
15 April 2025	1,053,771
15 October 2025	1,053,771
15 April 2026	1,053,771
15 October 2026	1,053,771
15 April 2027	1,053,771
15 October 2027	1,053,771
15 April 2028	1,053,771
15 October 2028	1,053,771
15 April 2029	1,053,771
15 October 2029	1,053,771
15 April 2030	1,053,771
15 October 2030	1,053,771
15 April 2031	1,053,771
15 October 2031	1,053,771
15 April 2032	1,053,771
15 October 2032	1,053,771
15 April 2033	1,053,771
15 October 2033	1,053,771
15 April 2034	1,053,771
15 October 2034	1,053,771
15 April 2035	1,053,771
15 October 2035	1,053,771
15 April 2036	1,053,771

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 October 2036	1,053,771
15 April 2037	1,053,771
15 October 2037	1,053,771
15 April 2038	1,053,771
15 October 2038	1,053,771
15 April 2039	1,053,771
15 October 2039	1,053,763
Total	<u><b>50,581,000</b></u>

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\* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

### SCHEDULE 3

#### Allocation and Withdrawal of Loan Proceeds

##### General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

##### Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

##### Interest Charge

3. The amount allocated to Category 6 is for financing the interest charge on the Loan during the implementation period of the Project.

##### Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

##### Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works and consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at Bank Indonesia or at a state owned bank to be agreed between ADB and the Borrower. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest account shall be Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(c) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Vocational Education Strengthening Project)</b>			
<b>CATEGORY</b>			<b>ADB FINANCING</b>
<b>Number</b>	<b>Item</b>	<b>Amount Allocated SDR Category</b>	<b>Percentage and Basis for Withdrawal from the Loan Account</b>
1	MIS Equipment	1,097,000	100 percent of total expenditure*
2	Monitoring and Evaluation Surveys	1,116,000	100 percent of total expenditure*
3	Model and Alliance VSs Development Program	38,970,000	68 percent of total expenditure
4	Teacher Training	4,440,000	100 percent of total expenditure*
5	Consulting Services	1,415,000	100 percent of total expenditure*
6	Interest Charge	1,593,000	100 percent of amount due
7	Unallocated	1,950,000	
	Total	50,581,000	

\* Exclusive of taxes and duties imposed within the territory of the Borrower.

## SCHEDULE 4

### Procurement of Goods and Works, and Consulting Services

#### A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

#### B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Shopping

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. Domestic Preference. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.
5. National Competitive Bidding. The Borrower's standard procurement procedures, as set forth in Presidential Decree No.80/2003 of the Republic of Indonesia, dated 3 November 2003, are subject to the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines:
  - i. Registration
    - (a) Bidding shall not be restricted to pre-registered firms and such registration 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.

ii. Prequalification

Post qualification shall be used unless prequalification is explicitly provided for in the Loan Agreement/Procurement Plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.

iii. 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.

iv. Domestic Preference

(a) No preference of any kind shall be given to domestic bidders or for domestically manufactured goods.

(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.

v. Advertising

(a) Invitations to bid (or prequalify, where prequalification is used) shall be advertised in at least one widely circulated national daily newspaper or freely accessible, nationally-known website allowing a minimum of twenty-eight (28) days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to at least twenty-four (24) hours prior the deadline for the submission of bids. Bidding of NCB contracts estimated at \$500,000 or more for Goods or \$1,000,000 or more for Works shall be advertised concurrently with the general procurement notices on ADB's website.

(b) Bidding documents shall be made available by mail, electronically, or in person, to all who are willing to pay the required fee, if any.

(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 from ADB member countries shall not be precluded from bidding.

vi. Bid Security

Where required, bid security shall be in the form of a bank guarantee from a reputable bank.

vii. Bid Opening and Bid Evaluation

(a) Bids shall be opened in public, immediately after the deadline for submission of bids.

(b) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents.

(c) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(d) No bid shall be rejected on the basis of a comparison with the owner's estimate or budget ceiling without the ADB's prior concurrence.

(e) The contract shall be awarded to the technically responsive bid that offers the lowest evaluated price.

viii. Rejection of All Bids and Rebidding

(a) Bids shall not be rejected and new bids solicited without the ADB's prior concurrence.

(b) When the number of responsive bids is less than three (3), re-bidding shall not be carried out without the ADB's prior concurrence.

ix. ADB Member Country Restrictions

Bidders must be nationals of member countries of ADB, and offered Goods and Works must be produced in and supplied from member countries of ADB.

**D. Selection of Consulting Services**

6. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

7. The Borrower shall apply the following methods for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Individual Consultants
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8. The Borrower shall recruit the individual consultants for (i) SBPs development and preparatory training, and (ii) providing assistance to the PMU.

**E. Industrial or Intellectual Property Rights**

9. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

10. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

**F. ADB's Review of Procurement Decisions**

11. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

## SCHEDULE 5

### **Execution of Project and Operation of Project Facilities; Financial Matters**

#### Project Executing Agency

1. As the Project Executing Agency DGMPSE shall be responsible for the overall implementation of the Project. DTVE shall be the Implementing Agency and shall provide implementation support to DGMPSE.

#### Project Steering Committee (PSC)

2. A PSC shall be established to provide guidance to the PMU on general policy directions, inter-sectoral coordination and strategic directions. The PSC shall be chaired by the Deputy of Human Resources and Cultural Affairs of BAPPENAS. The membership consists of representatives from MONE, BAPPENAS, MOF, MOM, the Ministry of Industry and the Chamber of Commerce.

#### Project Technical Committee

3. The PTC shall support the PSC to oversee Project implementation and shall consist of representatives from MONE, BAPPENAS, MOF, MOM, Ministry of Industry and the Chamber of Commerce. The PTC shall be chaired by the Director of Education and Religious Affairs of BAPPENAS.

#### Project Management Unit

4. The Director of DTVE has been appointed as the Project Director and is responsible for overseeing the overall project implementation and providing guidance to the PMU. The PMU is headed by a Project Manager and is responsible for (i) day-to-day Project implementation, (ii) planning and budgeting, (iii) procurement, (iv) disbursement, (v) monitoring and supervision, (vi) overseeing Project implementation at school level, and (vii) submitting reports to the Borrower and ADB. The PMU shall have at least 25 staff, including technical, financial, monitoring and administrative staff, to be appointed from DTVE. The PMU shall have a technical working group that consists of full time DTVE staff that will work closely with the consultants on each Project Part.

5. An advisory expert panel (Expert Panel) shall be established by the Project Director to conduct the initial evaluations of SBPs and the annual evaluations of Model VSs and Alliance VSs performance. The Expert Panel shall consist of a core group of about 5 experts who are education and industry representatives, with an ad hoc pool of experts in specific vocational fields to be invited whenever deemed necessary. The members of the core group will be hired as consultants. The Expert Panel shall be chaired by one of the technical experts.

School Committee

6. The SC in each of the Model Schools shall be responsible for implementing the approved SBP. Each SC shall be headed by a Chairperson with the School Principal acting as the Secretary to the SC, who shall report to the PMU and shall be assisted by an implementation team, which shall consist of the members of the SC and school teachers.

Counterpart Funds

7. The Borrower shall provide counterpart funds for the Project implementation in a timely manner. DGMPSE shall make timely submission of annual budgetary appropriation request to MOF and MOF shall ensure prompt disbursement of appropriated funds during each year of Project implementation to DGMPSE.

Funds Flow

8. The Borrower shall ensure the smooth transfer of loan proceeds and counterpart funds from central level to the Model VS, in accordance with the flow of funds mechanism agreed between the Borrower and ADB.

9. The Borrower shall ensure that each of the SCs shall establish a separate account at a local branch of a bank acceptable to ADB, for the purpose of the SBP Funds. The Borrower shall further ensure that the SBP Funds shall be used exclusively for the activities approved under the Model VS SBP.

Model Schools

10. The Borrower shall select about 90 VS as Model VSs which shall be entitled for school grant assistance under the Project in accordance with the eligibility criteria agreed between the Borrower and ADB. The selection process for the 90 Model VSs shall follow a 2-stage process:

- (a) First, 120 VSs shall be selected out of 212 international standard VSs based on an assessment of available data and the SBPs prepared and submitted by each of the VSs;
- (b) Second, 90 VSs out of the 120 VSs shall be selected based on their SBPs. The 90 SBPs that best demonstrate how the VSs can contribute to the Borrower's objectives shall receive the school grant assistance; and

11. The criteria to be used for selecting the Model VSs shall ensure that there is (i) a broad district geographic representation, (ii) a balance among different types of schools and programs, (iii) female enrolment share of 40%, and (iv) potential for expansion and strong local government commitment.

Project Monitoring Information System

12. Within 12 months after the Effective Date, the Project Executing Agency shall prepare a comprehensive, gender-disaggregated Project Management Information System designed for different levels of management, including central DGPMSE, the Provincial Education Officer, and Model VS. The Project Executing Agency shall develop a users' manual and shall conduct workshops for provincial, district, and Model VS and Alliance VS staff.

Anticorruption Measures

13. Within 9 months after the Effective Date, the Borrower shall cause DGMPSE to create a Project website to disclose information about various matters on the Project, including procurement related to the Project. With regard to procurement, the website shall include information on, among others, the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods/services procured.

14. Within 9 months after the Effective Date, the Borrower shall cause DGMPSE to establish within the PMU a complaints and action task force (Task Force) to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds or other irregularities. The Task Force shall (a) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (b) set the threshold criteria and procedures for handling such grievances, for proactively and constructively responding to them, and for providing the stakeholders with notice of such mechanism.

Environment

15. Although no significant environmental impacts have been identified, the siting, design, construction and operation of school facility rehabilitation work undertaken under the Project shall be implemented in line with the Borrower's environmental laws and regulations and ADB's *Environment Policy* (2002).

Resettlement

16. The Borrower and DGMPSE shall ensure that no block grant is approved if the rehabilitation or construction of new school facilities will involve involuntary resettlement according to ADB's *Policy on Involuntary Resettlement* (1995). To be eligible for block grants each of the Participating Schools is required to confirm that no land acquisition or resettlement is required under the Project. Construction of new classrooms shall be added to existing schools on unoccupied land already owned by such Participating School.

Construction Quality

17. The Borrower shall cause DGMPSE to ensure that the construction of multi-storey buildings complies with the Borrower's construction safety standards and is confirmed by a qualified engineer. The Participating Schools shall not be allowed to construct a new storey above existing classrooms without first obtaining confirmation from a qualified engineer that the existing classrooms and foundation is strong enough for the additional upper level.

Gender

18. To ensure that women benefit equally from the Project, the Borrower and DTVE shall ensure that the Project shall be carried in accordance with ADB's *Policy on Gender and Development (1998)* and the *Gender Analysis and Strategy*, as agreed between the Borrower and ADB.