ECONOMIC ASSISTANCE

Millennium Challenge Compact

Between the
UNITED STATES OF AMERICA
and INDONESIA

Signed at Bali November 19, 2011

with

Annexes

NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89—497, approved July 8, 1966 (80 Stat. 271; 1 U.S.C. 113)—

". . .the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof."

INDONESIA

Economic Assistance

Millennium Challenge Compact
signed at Bali November 19, 2011;
Entered into force April 2, 2013.
With annexes.

MILLENNIUM CHALLENGE COMPACT

BETWEEN

THE UNITED STATES OF AMERICA
ACTING THROUGH

THE MILLENNIUM CHALLENGE CORPORATION

AND

THE REPUBLIC OF INDONESIA

MILLENNIUM CHALLENGE COMPACT

TABLE OF CONTENTS

Page

Article 1. Goal and Objectives 1

Section 1.1 Compact Goal 1
Section 1.2 Project Objectives 1

Article 2. Funding and Resources 2

Section 2.1 Program Funding 2
Section 2.2 Compact Implementation Funding 2
Section 2.3 MCC Funding 3
Section 2.4 Disbursement 3
Section 2.5 Interest 3
Section 2.6 Government Resources; Budget 3
Section 2.7 Limitations on the Use of MCC Funding 3
Section 2.8 Taxes 4

Article 3. Implementation 5

Section 3.1 Program Implementation Agreement 5
Section 3.2 Government Responsibilities 5
Section 3.3 Policy Performance 6
Section 3.4 Accuracy of Information 6
Section 3.5 Implementation Letters 6
Section 3.6 Procurement and Grants 6
Section 3.7 Records; Accounting; Covered Providers; Access 7
Section 3.8 Audits; Reviews 8

Article 4. Communications 9

Section 4.1 Communications 9
Section 4.2 Representatives 9
Section 4.3 Signatures 10

Article 5. Termination; Suspension; Expiration 10

Section 5.1 Termination; Suspension 10
Section 5.2 Consequences of Termination, Suspension or Expiration 11
Section 5.3 Refunds; Violation 11
Section 5.4 Survival 11

Article 6. Compact Annexes; Amendments; Governing Law 11

Section 6.1 Annexes 11
Section 6.2 Amendments 11
Section 6.3 Inconsistencies 12
Section 6.4 Governing Law 12
Section 6.5 Additional Instruments 12

Section 6.6 References to MCC Website 12
Section 6.7 References to Laws, Regulations, Policies and Guidelines 12
Section 6.8 MCC Status 12
Section 6.9 Consultations 13

Article 7. Entry Into Force 13

Section 7.1 Domestic Requirements 13
Section 7.2 Conditions Precedent to Entry into Force 13
Section 7.3 Date of Entry into Force 14
Section 7.4 Compact Term 14
Section 7.5 Provisional Application 14

Annex I: Program Description

Schedule 1 – Green Prosperity Project

Schedule 2 – Community-Based Health and Nutrition to Reduce Stunting Project

Schedule 3 – Procurement Modernization Project

Annex II: Multi-Year Financial Plan Summary

Annex III: Description of the Monitoring and Evaluation Plan

Annex IV: Conditions to Disbursement of Compact Implementation Funding

Annex V: Definitions

MILLENNIUM CHALLENGE COMPACT

PREAMBLE

This MILLENNIUM CHALLENGE COMPACT (this "***Compact***") is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation ("***MCC***"), and the Republic of Indonesia, acting through its ministries and other governmental entities as appropriate (the "***Government***"). MCC and the Government are referred to in this Compact individually as a "***Party***" and collectively as the "***Parties***". Capitalized terms used in this Compact will have the meanings provided in Annex V.

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Indonesia and that MCC assistance under this Compact supports Indonesia's demonstrated commitment to strengthening good governance, economic freedom and investments in people;

Recalling that the Government consulted with the private sector and civil society of Indonesia to determine the priorities for the use of Millennium Challenge Corporation assistance and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction; and

Recognizing that MCC wishes to help Indonesia implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the "***Program***");

The Parties hereby agree as follows:

ARTICLE 1.
GOAL AND OBJECTIVES

Section 1.1 Compact Goal. The goal of this Compact is to reduce poverty in Indonesia through economic growth in Indonesia (the "***Compact Goal***").

Section 1.2 Project Objectives. The Program consists of the projects described in Annex I (each a "***Project***" and collectively, the "***Projects***"). The objective of each of the Projects (each a "***Project Objective***" and collectively, the "***Project Objectives***") is to:

(a) (i) increase productivity and reduce reliance on fossil fuels by expanding renewable energy; and (ii) increase productivity and reduce land-based greenhouse gas emissions by improving land use practices and management of natural resources (the "***GP Objective***");

(b) reduce and prevent low birth weight and childhood stunting and malnourishment of children in project areas, and to increase household income through cost savings, productivity growth and higher lifetime earnings (the "***Nutrition Objective***"); and

(c) achieve significant government expenditure savings on procured goods and services, while assuring their quality satisfies the public need, and to achieve the delivery of public services as planned (the "***Procurement Modernization Objective***").

ARTICLE 2.

FUNDING AND RESOURCES

Section 2.1 Program Funding.

Upon entry into force of this Compact in accordance with Section 7.3, MCC shall grant to the Government, under the terms of this Compact, an amount not to exceed Five Hundred Eighty-Eight Million United States Dollars (US$588,000,000) ("***Program Funding***") for use by the Government to implement the Program. The allocation of Program Funding is generally described in Annex II.

Section 2.2 Compact Implementation Funding.

(a) Upon signature of this Compact, MCC shall grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Twelve Million United States Dollars (US$12,000,000) ("***Compact Implementation Funding***") under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the "***MCA Act***"), for use by the Government to facilitate implementation of the Compact, including for the following purposes:

(i) financial management and procurement activities (including costs related to standby agents procured by MCC);

(ii) administrative activities (including start-up costs such as staff salaries) and administrative support expenses such as rent, computers and other information technology or capital equipment;

(iii) monitoring and evaluation activities;

(iv) feasibility studies and assessments; and

(v) other activities to facilitate Compact implementation as approved by MCC.

The allocation of Compact Implementation Funding is generally described in Annex II.

(b) In accordance with Section 7.5, this Section 2.2 and other provisions of this Compact applicable to Compact Implementation Funding shall be effective, for purposes of Compact Implementation Funding only, as of the date this Compact is signed by MCC and the Government.

(c) Each Disbursement of Compact Implementation Funding shall be subject to satisfaction of the conditions precedent to such disbursement as set forth in Annex IV.

(d) If MCC determines that the full amount of Compact Implementation Funding available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to the Government, may withdraw the excess amount, thereby reducing the amount of the Compact Implementation Funding available under Section 2.2(a) (such excess, the "***Excess CIF Amount***"). In such event, the

amount of Compact Implementation Funding granted to the Government under Section 2.2(a) shall be reduced by the Excess CIF Amount, and MCC shall have no further obligations with respect to such Excess CIF Amount.

(e) MCC, at its option by written notice to the Government, may elect to grant to the Government an amount equal to all or a portion of such Excess CIF Amount as an increase in the Program Funding, and such additional Program Funding shall be subject to the terms and conditions of this Compact applicable to Program Funding.

Section 2.3 MCC Funding.

Program Funding and Compact Implementation Funding are collectively referred to in this Compact as "***MCC Funding***," and includes any refunds or reimbursements of Program Funding or Compact Implementation Funding paid by the Government in accordance with this Compact.

Section 2.4 Disbursement.

In accordance with this Compact and the Program Implementation Agreement, MCC shall disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a "***Disbursement***"). Subject to the satisfaction of all applicable conditions precedent, the proceeds of Disbursements shall be made available to the Government, at MCC's sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a "***Permitted Account***") or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.5 Interest. The Government shall pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

Section 2.6 Government Resources; Budget.

(a) The Government shall provide all funds and other resources, and shall take all actions, that are necessary to carry out the Government's responsibilities under this Compact.

(b) The Government shall use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its fiscal years is fully accounted for in its annual budget on a multi-year basis.

(c) The Government shall not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Compact and the Program.

(d) Unless the Government discloses otherwise to MCC in writing, MCC Funding shall be in addition to the resources that the Government would otherwise receive or budget for the activities contemplated under this Compact and the Program.

Section 2.7 Limitations on the Use of MCC Funding. The Government shall ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing or by posting from

time to time on the MCC website at www.mcc.gov (the "***MCC Website***"), including but not limited to the following purposes:

(a) for assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;

(b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(c) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in MCC's Environmental Guidelines and any guidance documents issued in connection with the guidelines posted from time to time on the MCC Website or otherwise made available to the Government (collectively, the "***MCC Environmental Guidelines***"); or

(d) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.8 Taxes.

(a) Unless the Parties specifically agree otherwise in writing, the Government shall ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies or other similar charges (but not fees or charges for services that are generally applicable in Indonesia, reasonable in amount and imposed on a non-discriminatory basis) ("***Taxes***") in Indonesia (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority in Indonesia) in accordance with prevailing tax laws and regulations in Indonesia. In addition, should any Tax be levied and paid using MCC Funding in accordance with such prevailing tax laws and regulations in Indonesia, such Taxes will be reimbursed in accordance with the Minister of Finance regulation referenced in sub-section (b) below.

Specifically, and without limiting the generality of the foregoing, MCC Funding shall be free from the payment of:

(i) customs duties, import taxes, and other similar charges on any goods, works or services introduced into Indonesia in connection with the Program;

(ii) value added tax, sales tax on luxury items, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program;

(iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program; and

(iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Program and related social security taxes

and other similar charges on all natural or legal persons performing work in connection with the Program except: (1) natural persons who are citizens or permanent residents of Indonesia; and (2) legal persons formed under the laws of Indonesia (but excluding MCA-Indonesia, which is formed for the purpose of implementing the Government's obligations hereunder).

(b) (i) The mechanisms that the Government shall use to implement the tax exemption required by Section 2.8(a) are set forth in the Program Implementation Agreement. Such mechanisms shall include exemptions from the payment of Taxes that have been granted in accordance with applicable law, or reimbursement of Taxes by the Government to MCA-Indonesia or to the taxpayer. In the case of reimbursement, the Minister of Finance shall issue a regulation governing the manner in which such reimbursements shall be implemented.

(ii) For those Taxes for which reimbursement shall be the method of implementation, if a Tax has been paid in accordance with existing Tax laws and regulations, the Government shall reimburse to MCA-Indonesia or the taxpayer an amount equal to the amount of Tax paid in the currency of Indonesia within thirty (30) working days (or such other period as may be agreed in writing by the Parties) after the fulfillment of all required documentation by MCA-Indonesia.

(c) If a Tax has been paid contrary to the requirements of Sections 2.8(a) or (b) or the Program Implementation Agreement, or if a reimbursement has not been properly issued in accordance with Section 2.8(b)(ii) or the Program Implementation Agreement, the Government shall reimburse promptly to MCC (or if directed by MCC, to MCA-Indonesia) the amount of such Tax in United States dollars or the currency of Indonesia within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Indonesia) attaching the relevant documents evidencing that such Tax has been paid.

(d) No MCC Funding, proceeds thereof or Program Assets may be applied by the Government in satisfaction of its obligations under Section 2.8(c).

ARTICLE 3.
IMPLEMENTATION

Section 3.1 Program Implementation Agreement. The Parties shall enter into an agreement providing further detail on the implementation arrangements, fiscal accountability and disbursement and use of MCC Funding, among other matters (the "***Program Implementation Agreement***" or "***PIA***"); and the Government shall implement the Program in accordance with this Compact, the PIA, any Supplemental Agreement and any Implementation Letter.

Section 3.2 Government Responsibilities.

(a) The Government has principal responsibility for overseeing and managing the implementation of the Program.

(b) With the prior written consent of MCC, the Government may designate an entity to be established through passage of a ministerial decree or other legal instrument acceptable to MCC and its implementing regulation (together, the "***Establishment Decree***"), as the accountable entity to implement the Program and to exercise and perform the Government's

right and obligation to oversee, manage and implement the Program, including without limitation, managing the implementation of Projects and their Activities, allocating resources and managing procurements. Such entity is referred to herein as "***MCA-Indonesia***," and will have the authority to bind the Government with regard to all Program activities. The designation contemplated by this Section 3.2(b) shall not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government shall ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by MCC Funding are used solely in furtherance of this Compact and the Program unless MCC agrees otherwise in writing.

(d) The Government shall take all necessary or appropriate steps to achieve the Project Objectives during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(e) The Government shall fully comply with the Program Guidelines, as applicable, in its implementation of the Program.

(f) The Government shall grant to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right and license to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

Section 3.3 Policy Performance. In addition to undertaking the specific policy, legal and regulatory reform commitments identified in Annex I (if any), the Government shall seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology used by MCC.

Section 3.4 Accuracy of Information. The Government assures MCC that, as of the date this Compact is signed by the Government, the information provided to MCC by or on behalf of the Government in the course of reaching agreement with MCC on this Compact is true, correct and complete in all material respects.

Section 3.5 Implementation Letters. From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Compact, MCC Funding or implementation of the Program (each, an "***Implementation Letter***"). The Government shall apply such guidance in implementing the Program. The Parties may also issue jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements.

Section 3.6 Procurement and Grants.

(a) Notwithstanding the Government's commitment to procurement reform as demonstrated by Indonesian law, the Government shall ensure that the procurement of all goods, works and services by the Government or any Provider to implement the Program shall be consistent with the "MCC Program Procurement Guidelines" posted from time to time on the

MCC Website (the "***MCC Program Procurement Guidelines***"). The MCC Program Procurement Guidelines include the following requirements, among others:

(i) open, fair, and competitive procedures must be used in a transparent manner to solicit, award and administer contracts and to procure goods, works and services;

(ii) solicitations for goods, works, and services must be based upon a clear and accurate description of the goods, works and services to be acquired;

(iii) contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and

(iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, shall be paid to procure goods, works and services.

(b) The Government shall ensure that any grant issued to any non-governmental entity in furtherance of the Program (the "***Grant***") is selected, implemented and administered pursuant to open, fair, and competitive procedures administered in a transparent manner. In furtherance of this requirement, and prior to the issuance of any Grant, the Government and MCC shall agree upon written procedures to govern the identification of potential recipients, the selection and the award of Grants. Such agreed procedures shall be posted on the MCA-Indonesia website.

Section 3.7 Records; Accounting; Covered Providers; Access.

(a) Government Books and Records. The Government shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, accounting books, records, documents and other evidence relating to the Program adequate to show, to MCC's satisfaction, the use of all MCC Funding and the implementation and results of the Program ("***Compact Records***"). In addition, the Government shall furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. The Government shall maintain and shall use its best efforts to ensure that all Covered Providers maintain Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government's option and with MCC's prior written approval, other accounting principles, such as those: (i) prescribed by the International Accounting Standards Board; or (ii) then prevailing in Indonesia. Compact Records shall be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required to resolve any litigation, claims or audit findings or any applicable legal requirements.

(c) Providers and Covered Providers. Unless the Parties agree otherwise in writing, a "***Provider***" is (i) any entity of the Government that receives or uses MCC Funding or any other Program Asset in carrying out activities in furtherance of this Compact or (ii) any third party that receives at least US$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term. A "***Covered Provider***" is: (i) a non-United States Provider that receives (other than pursuant to a direct contract or agreement with MCC) US$300,000 or more of MCC Funding in any

Government fiscal year or any other non-United States person or entity that receives, directly or indirectly, US$300,000 or more of MCC Funding from any Provider in such fiscal year; or (ii) any United States Provider that receives (other than pursuant to a direct contract or agreement with MCC) US$500,000 or more of MCC Funding in any Government fiscal year or any other United States person or entity that receives, directly or indirectly, US$500,000 or more of MCC Funding from any Provider in such fiscal year.

(d) Access. Upon MCC's request, the Government, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of MCC, an authorized Inspector General of MCC ("***Inspector General***"), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review or evaluation of the Program, the opportunity to audit, review, evaluate or inspect facilities, assets and activities funded in whole or in part by MCC Funding.

Section 3.8 Audits; Reviews.

(a) Government Audits. Except as the Parties may agree otherwise in writing, the Government shall, on at least a semi-annual basis, conduct, or cause to be conducted, financial audits of all disbursements of MCC Funding covering the period from signing of this Compact until the earlier of the following December 31 or June 30 and covering each six-month period thereafter ending December 31 and June 30, through the end of the Compact Term. In addition, upon MCC's request, the Government shall ensure that such audits are conducted by an independent auditor approved by MCC and named on the list of local auditors approved by the Inspector General or a United States–based certified public accounting firm selected in accordance with the "Guidelines for Financial Audits Contracted by MCA" (the "***Audit Guidelines***") issued and revised from time to time by the Inspector General, which are posted on the MCC Website. Audits shall be performed in accordance with the Audit Guidelines and be subject to quality assurance oversight by the Inspector General. Each audit shall be completed and the audit report delivered to MCC no later than 90 days after the first period to be audited and no later than 90 days after each June 30 and December 31 thereafter, or such other period as the Parties may otherwise agree in writing.

(b) Audits of Other Entities. The Government shall ensure that MCC financed agreements between the Government or any Provider, on the one hand, and (i) a United States nonprofit organization, on the other hand, state that the United States nonprofit organization is subject to the applicable audit requirements contained in OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," issued by the United States Office of Management and Budget; (ii) a United States for-profit Covered Provider, on the other hand, state that the United States for-profit organization is subject to audit by the applicable United States Government agency, unless the Government and MCC agree otherwise in writing; and (iii) a non-US Covered Provider, on the other hand, state that the non-US Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. The Government shall use its best efforts to ensure that each Covered Provider: (i) takes, where necessary, appropriate and timely corrective actions in response to audits; (ii) considers whether the results of the Covered Provider's audit necessitates adjustment of the Government's records; and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC shall have the right to arrange for audits of the Government's use of MCC Funding.

(e) Cost of Audits, Reviews or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews or evaluations required under this Compact.

ARTICLE 4.
COMMUNICATIONS

Section 4.1 Communications. Any document or communication required or submitted by either Party to the other under this Compact shall be in writing and, except as otherwise agreed with MCC, in English. For this purpose, the address of each Party is set forth below.

To MCC:

Millennium Challenge Corporation
Attention: Vice President, Department of Compact Operations
(with a copy to the Vice President and General Counsel)
875 Fifteenth Street, N.W.
Washington, DC 20005
United States of America
Facsimile: +1 (202) 521-3700
Telephone: +1 (202) 521-3600
Email: VPOperations@mcc.gov (Vice President, Compact Operations)
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Government:

Ministry of National Development Planning/
National Development Planning Agency (BAPPENAS)
Attention: Vice Minister of National Development Planning
Jalan Taman Suropati 2, Jakarta Pusat 10310
Republic of Indonesia
Facsimile: +62 (21) 3103314
Telephone: +62 (21) 336207, 3905650

To MCA-Indonesia:

Upon establishment of MCA-Indonesia, MCA-Indonesia will notify the Parties of its contact details.

Section 4.2 Representatives. For all purposes of this Compact, the Government shall be represented by the individual holding the position of, or acting as, Vice Minister of National Development Planning (BAPPENAS) of the Republic of Indonesia, and MCC shall be represented by the individual holding the position of, or acting as, Vice President, Department of Compact Operations (each of the foregoing, a "***Principal Representative***"). Each Party, by written notice to the other Party, may designate one or more additional representatives (each, an "***Additional Representative***") for all purposes other than signing amendments to this Compact.

The Government hereby designates the Chairman of MCA-Indonesia as an Additional Representative. MCC hereby designates the Deputy Vice President, Department of Compact Operations, Europe, Asia, Pacific and Latin America, as an Additional Representative. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3 Signatures. Signatures to this Compact and to any amendment to this Compact shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes. With respect to all documents arising out of this Compact (other than the Program Implementation Agreement) and amendments thereto, signatures may be delivered by facsimile or electronic mail and in counterparts and shall be binding on the Party delivering such signature to the same extent as an original signature would be.

ARTICLE 5.

TERMINATION; SUSPENSION; EXPIRATION

Section 5.1 Termination; Suspension.

(a) Either Party may terminate this Compact without cause in its entirety by giving the other Party thirty (30) days' prior written notice. MCC may also terminate this Compact or MCC Funding without cause in part by giving the Government thirty (30) days' prior written notice.

(b) MCC may, immediately, upon written notice to the Government, suspend or terminate this Compact or MCC Funding, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC as a basis for suspension or termination (whether in writing to the Government or by posting on the MCC Website) has occurred, which circumstances include but are not limited to the following:

(i) the Government fails to comply with its obligations under this Compact or any other agreement or arrangement entered into by the Government in connection with this Compact or the Program;

(ii) an event or series of events has occurred that makes it probable that any of the Project Objectives will not be achieved during the Compact Term or that the Government will not be able to perform its obligations under this Compact;

(iii) a use of MCC Funding or continued implementation of this Compact or the Program violates applicable law or United States Government policy;

(iv) the Government or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(v) an act has been committed or an omission or an event has occurred that would render Indonesia ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of such act or any other provision of law;

(vi) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Indonesia for assistance under the MCA Act; and

(vii) the Government or another person or entity receiving MCC Funding or using Program Assets is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

Section 5.2 Consequences of Termination, Suspension or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, the provisions of Section 4.2 of the Program Implementation Agreement shall govern the post-suspension, post-termination or post-expiration treatment of MCC Funding, any related Disbursements and Program Assets. Any portion of this Compact, MCC Funding, the Program Implementation Agreement or any other Supplemental Agreement that is not suspended or terminated shall remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.3 Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose in violation of the terms of this Compact, then MCC may require the Government to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest within thirty (30) days after the Government's receipt of MCC's request for repayment. The Government shall not use MCC Funding, proceeds thereof or Program Assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other existing agreement to the contrary, MCC's right under Section 5.3(a) to obtain a refund shall continue during the Compact Term and for a period of (i) five (5) years thereafter or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4 Survival. The Government's responsibilities under Sections 2.7, 3.7, 3.8, 5.2, 5.3, and 6.4 shall survive the expiration, suspension or termination of this Compact.

ARTICLE 6.

COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW

Section 6.1 Annexes. Each annex to this Compact constitutes an integral part hereof, and references to "Annex" mean an annex to this Compact unless otherwise expressly stated.

Section 6.2 Amendments.

(a) The Parties may amend this Compact only by a written agreement signed by the Principal Representatives (or such other government official designated by the Principal Representative, provided prior notice is given to the other Party).

(b) Notwithstanding Section 6.2(a), the Parties may agree in writing, signed by the Principal Representatives (or such other government official designated by the Principal Representative, provided prior notice is given to the other Party) or any Additional Representative, to modify any Annex to: (i) suspend, terminate or modify any Project or Activity, or to create a new project; (ii) change the allocations of funds as set forth in Annex II as of the date hereof (including to allocate funds to a new project); (iii) modify the Implementation Framework described in Annex I; or (iv) add, delete or waive any condition precedent described in Annex IV; *provided that*, in each case, any such modification: (1) is consistent in all material respects with the Project Objectives; (2) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 (as may be modified by operation of Section 2.2(e)); (3) does not cause the amount of Compact Implementation Funding to exceed the aggregate amount specified in Section 2.2(a); (4) does not reduce the Government's responsibilities or contribution of resources required under Section 2.6; and (5) does not extend the Compact Term.

Section 6.3 Inconsistencies. In the event of any conflict or inconsistency between:

(a) any Annex and any of Articles 1 through 7, such Articles 1 through 7, as applicable, will prevail; or

(b) this Compact and any other agreement between the Parties regarding the Program, this Compact will prevail.

Section 6.4 Governing Law. This Compact is an international agreement and as such shall be governed by the principles of international law.

Section 6.5 Additional Instruments. Any reference to activities, obligations or rights undertaken or existing under or in furtherance of this Compact or similar language shall include activities, obligations and rights undertaken by, or existing under or in furtherance of any agreement, document or instrument related to this Compact and the Program.

Section 6.6 References to MCC Website. Any reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Website shall be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 6.7 References to Laws, Regulations, Policies and Guidelines. Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a law, regulation, policy, guideline or similar document shall be construed as a reference to such law, regulation, policy, guideline or similar document as it may, from time to time, be amended, revised, replaced, or extended and shall include any law, regulation, policy, guideline or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline or similar document.

Section 6.8 MCC Status. MCC is a United States government corporation acting on behalf of the United States Government in the implementation of this Compact. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Compact. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions

under this Compact, and agrees that it will not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government will be immune from the jurisdiction of all courts and tribunals of Indonesia for any claim or loss arising out of activities or omissions under this Compact.

Section 6.9 Consultations. Either Party may, at any time, request consultations relating to the interpretation or implementation of this Compact. Such consultations will begin at the earliest possible date.

ARTICLE 7.
ENTRY INTO FORCE

Section 7.1 Domestic Requirements. Before this Compact enters into force, the Government shall proceed in a timely manner to complete all of its domestic requirements necessary for this Compact and the PIA to enter into force as an international agreement.

Section 7.2 Conditions Precedent to Entry into Force. Before this Compact enters into force:

(a) the PIA shall have been signed by the parties thereto;

(b) The Government shall have delivered to MCC:

(i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, confirming that the Government has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;

(ii) a signed legal opinion from the Minister of Law and Human Rights of Indonesia (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC; and

(iii) complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to the Government's domestic requirements necessary for this Compact to enter into force and the satisfaction of Section 7.1, which MCC may post on its website or otherwise make publicly available;

(c) MCC shall not have determined that after signature of this Compact, the Government has engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding;

(d) Annex III shall have been modified by the Parties to reflect final Indicators and Targets (as such are defined in Annex III) for each Project; and

(e) the Government shall ensure either: (i) that the PSF (as defined in Schedule 2 to Annex I) is extended through the end of the Compact Term; or (ii) the Government provides an

alternative implementation structure acceptable to MCC, together with a timeline for transition of the management of the Community-Based Nutrition Project.

Section 7.3 Date of Entry into Force. This Compact shall enter into force on the date of the letter from MCC to the Government in an exchange of letters confirming that MCC has completed its domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met.

Section 7.4 Compact Term. This Compact shall remain in force for five (5) years after its entry into force, unless terminated earlier under Section 5.1 (the "***Compact Term***").

Section 7.5 Provisional Application. Upon signature of this Compact and until this Compact has entered into force in accordance with Section 7.3, the Parties shall provisionally apply the terms of this Compact; *provided that*, no MCC Funding, other than Compact Implementation Funding, shall be made available or disbursed before this Compact enters into force.

SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective governments, have signed this Compact.

Done at Bali, Indonesia, this 19th day of November, 2011, in the English language only.

FOR THE UNITED STATES OF AMERICA	FOR THE REPUBLIC OF INDONESIA
Name: Hillary Rodham Clinton	Name: Agus D.W. Martowardojo
Title: Secretary of State and Chair, Board of Directors, Millennium Challenge Corporation	Title: Minister of Finance

ANNEX I

PROGRAM DESCRIPTION

This Annex I describes the Program that MCC Funding will support in Indonesia during the Compact Term.

A. PROGRAM OVERVIEW

1. Background and Consultative Process.

(a) Background.

Indonesia was selected by MCC's Board of Directors as eligible for a compact in December 2008. MCC recognized that in spite of a crowded field of other development partners, MCC's business model offered the Government new opportunities to approach persistent development problems using new approaches. The Government, through the National Development Planning/ National Development Planning Agency ("***BAPPENAS***"), appointed a national program coordinator in June 2009. The results of an interim constraints analysis funded by the Asian Development Bank, the International Labour Organization, and the Islamic Development Bank became available in November 2009, with the final report published in August 2010.

In mid-September 2009, BAPPENAS issued two ministerial decrees to establish the *Tim Pengarah* or Steering Committee ("***SC***"), made up of high-ranking Indonesian officials and members of civil society, academia, and the private sector that would coordinate the MCC compact development process, supported by two other coordinating teams. BAPPENAS then hired a fourth team, *Tim Ahli* (experts team), to do the work that MCC associates with the core team in other countries, guiding and assisting with concept paper development and due diligence. The SC, supported by *Tim Ahli*, produced a foundational document describing priority areas for MCC investment.

(b) Consultative Process.

To formulate initial project concept proposals, BAPPENAS engaged in an inclusive consultative process, holding consultations in several regions across Indonesia and inspiring praise within the donor community in Indonesia. The SC led a process to solicit and then select from nearly 400 concept papers, and BAPPENAS formally submitted 13 concept papers to MCC in June 2010.

2. Description of Program and Beneficiaries.

(a) Description.

The Program consists of three Projects: Community-Based Health and Nutrition to Reduce Stunting, Green Prosperity and Procurement Modernization. These Projects respond to constraints to economic growth and were highlighted as priorities in the Government's national development strategies.

Each Project is generally described in the Schedules to this Annex I. The Schedules to this Annex I also identify one or more of the activities that will be undertaken in furtherance of each Project (each, an "***Activity***") as well as the various sub-activities within each Project Activity.

(b) Beneficiaries.

While Indonesia is a relatively new democracy, much has been achieved over the past decade. The country has seen positive economic growth, witnessed large reductions in poverty, and has made continued progress towards many of its Millennium Development Goal targets for 2015. However, in spite of this progress, over 32 million Indonesians live near the national poverty line and approximately half of all households remain clustered around the national poverty line set at 200,262 rupiah per person per month (US$23 as of August 2011). The pace of poverty reduction has slowed and the poverty incidence in 2009 was only 3.5 percentage points lower than that in 1996. Meanwhile, many of the critical institutional challenges of reform have not yet been addressed. Decentralization was intended to bring government closer to the people, but in many places local leaders assign a low priority to the delivery of social services and investments in essential infrastructure, both of which are emerging as important constraints on the country's continuing economic growth.

Each Project of the Compact is intended to further poverty reduction through economic growth. Specific beneficiaries are identified as part of the Project description in each Schedule to this Annex I.

3. Environmental and Social Safeguards.

All of the Projects will be implemented in compliance with the MCC Environmental Guidelines and the MCC Gender Policy, and any resettlement will be carried out in accordance with the World Bank's Operational Policy on Involuntary Resettlement in effect as of July 2007 ("***OP 4.12***") in a manner acceptable to MCC. In accordance with its policies, the Government will ensure that the Projects comply with all national environmental laws and regulations, licenses and permits, except to the extent such compliance would be inconsistent with this Compact. Specifically, the Government will: (a) cooperate with or complete, as the case may be, any ongoing environmental assessments, or if necessary undertake and complete any additional environmental assessments, social assessments, environmental management plans, environmental and social audits, resettlement policy frameworks, and resettlement action plans required under the laws of Indonesia, the MCC Environmental Guidelines, this Compact, the PIA, or any Supplemental Agreement, or as otherwise required by MCC, each in form and substance satisfactory to MCC; (b) ensure that Project-specific environmental and social management plans are developed and all relevant measures contained in such plans are integrated into project design, the applicable procurement documents and associated finalized contracts, in each case, in form and substance satisfactory to MCC; and (c) implement to MCC's satisfaction appropriate environmental and social mitigation measures identified in such assessments or plans. Unless MCC agrees otherwise in writing, the Government will fund all necessary costs of environmental and social mitigation measures (including, without limitation, costs of resettlement) not specifically provided for, or that exceed the MCC Funding specifically allocated for such costs in, the Detailed Financial Plan for any Project.

To maximize the positive social impacts of the Projects, address cross-cutting social and gender issues such as human trafficking, child and forced labor, and HIV/AIDS, and to ensure compliance with the MCC Gender Policy, the Government will: (x) develop a comprehensive social and gender integration plan which, at a minimum, identifies approaches for regular, meaningful and inclusive consultations with women and other vulnerable/underrepresented groups, consolidates the findings and recommendations of Project-specific social and gender

analyses and sets forth strategies for incorporating findings of the social and gender analyses into final Project designs as appropriate ("***Social and Gender Integration Plan***"); and (y) ensure, through monitoring and coordination during implementation, that final Activity designs, construction tender documents and implementation plans are consistent with and incorporate the outcomes of the social and gender analyses and social and gender integration plan.

To address gender concerns that impact women's ability to participate across Projects, MCA-Indonesia will adopt a detailed workplan, subject to MCC approval, for gender work to be undertaken at the policy, institutional capacity building and community levels (the "***Targeted Gender Activities***"). Annex II sets forth the MCC Funding allocated for the performance of the Targeted Gender Activities. Prior to the second disbursement of MCC Funding for the Targeted Gender Activities, MCA-Indonesia shall have completed detailed action plans and provided evidence of demonstrated commitment of relevant stakeholders to addressing policy constraints identified in the workplan.

B. DESCRIPTION OF PROJECTS

Set forth in the attached Schedules is a description of each of the Projects that the Government will implement, or cause to be implemented, using MCC Funding to advance the applicable Project Objective. In addition, specific activities that will be undertaken within each Project, including sub-activities, are also described.

C. IMPLEMENTATION FRAMEWORK

1. Accountable Entity: General.

Unless otherwise agreed by MCC, MCA-Indonesia will be a trust fund entity established under the authority contemplated by the forthcoming Presidential regulation (*Peraturan Presiden*) regarding the establishment of trust funds and a subsequent ministerial decree (*Peraturan Menteri Negara*) creating MCA-Indonesia. MCA-Indonesia will have the primary purpose of acting as the Government's primary agent to implement the Program and perform the Government's right and obligation to oversee, manage and implement the Program.

2. Board of Trustees.

MCA-Indonesia will be governed by a Board of Trustees ("***Board***"). The Board will have independent decision making authority and will have ultimate authority and responsibility for the oversight, direction and decisions of MCA-Indonesia, and for the overall implementation of the Program in accordance with this Compact, the Program Implementation Agreement and all Supplemental Agreements. The Board will be comprised of voting and non-voting members as set forth in the implementing regulations of MCA-Indonesia ("***Implementing Regulations***").

3. Implementing Team.

An implementing team ("***Implementing Team***") will have the principal responsibility (subject to the direction and oversight of the Board and to any applicable approval or other rights of MCC) for the day-to-day management of the Program, including those roles and responsibilities specifically set forth in the Program Implementation Agreement. The specific duties of the Implementing Team are set forth in the Implementing Regulations.

4. Stakeholders Groups.

MCA-Indonesia will include one (1) or more stakeholders groups (each a "***Stakeholders Group***" and together the "***Stakeholders Groups***") to provide advice and input to MCA-Indonesia and to disseminate information concerning Compact implementation to the public. Each such Stakeholders Group shall represent the constituencies of the various Projects. The role and responsibilities of the Stakeholders Groups are as set forth in the Implementing Regulations.

5. Implementing Entities.

Subject to the terms and conditions of this Compact and any other related agreement entered into in connection with this Compact, the Government may engage one or more entities of the Government to implement and carry out any Project or Activity (or a component thereof) to be carried out in furtherance of this Compact (each, an "***Implementing Entity***"). The appointment of any Implementing Entity will be subject to review and approval by MCC. The Government will ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC (each an "***Implementing Entity Agreement***").

6. Fiscal Agent.

Unless MCC agrees otherwise in writing, the Government will engage a fiscal agent (a "***Fiscal Agent***"), which will be responsible for assisting the Government with its fiscal management and assuring appropriate fiscal accountability of MCC Funding, and whose duties will include those set forth in the Program Implementation Agreement.

7. Procurement Agent.

Unless MCC agrees otherwise in writing, the Government will engage one or more procurement agents (each, a "***Procurement Agent***") to carry out and certify specified procurement activities in furtherance of this Compact. The roles and responsibilities of each Procurement Agent will be set forth in the Program Implementation Agreement or such agreement as the Government enters into with each Procurement Agent, which agreement will be in form and substance satisfactory to MCC. Each Procurement Agent will adhere to the procurement standards set forth in the MCC Program Procurement Guidelines and ensure procurements are consistent with the procurement plan adopted by the Government pursuant to the Program Implementation Agreement, unless MCC agrees otherwise in writing.

SCHEDULE 1 to ANNEX I
GREEN PROSPERITY PROJECT

This Schedule 1 generally describes and summarizes the key elements of the project that the Parties intend to implement in furtherance of the Green Prosperity Objective (the "***GP Project***").

1. Summary of Project and Activities.

The majority of Indonesia's poor live in rural areas rich in natural resources but over-extraction and inadequate management of these resources compromises Indonesia's ability to sustain high rates of economic growth and reduce poverty. At the same time, it is estimated that over 10,000 villages in Indonesia do not have access to reliable and affordable electricity, and many more rely on expensive diesel generation. Illegal logging, land conversion for agriculture, water pollution, and other unsustainable land use practices are adversely affecting the natural assets that people rely on for their livelihoods and wellbeing. Indonesia is among the top emitters of greenhouse gases in the world. The majority of greenhouse gas emissions result from deforestation and land use conversion; however, emissions from energy and industrial sources are growing rapidly. The lack of clear data on land resource use and jurisdictional boundaries between villages and districts significantly hinders Government agencies and land use planners from managing critical natural resources effectively. Ultimately, protecting Indonesia's natural resource base in the face of demographic, social, and economic forces requires sustainable and equitable economic alternatives.

The Government is committed to a more sustainable, less carbon intensive future. The Government has made a commitment to reduce greenhouse gas emissions by 26 percent by 2020 while maintaining a target of seven (7) percent annual economic growth. Increasing access to clean and reliable energy in rural areas and improving the stewardship of natural assets are critical priorities to achieving this goal.

The GP Project will promote environmentally sustainable, low carbon economic growth as set forth in the Government's medium- to long-term development plans (RPJP and RPJM), the National Greenhouse Gas Emission Reduction Action Plan (RAN-GRK), and Regional Spatial Plans (RTRW) (each a "***Plan***"). The GP Project will provide a combination of technical and financial assistance to support rural economic development that raises real incomes of Indonesians in a manner that reduces reliance on fossil fuels, improves land management practices, protects natural capital, and complements efforts to reduce emissions from deforestation and environmental degradation. The GP Project will involve local communities and governments in activities to improve the clarity and implementation of government policies and regulations that support low carbon development, as well as build capacity of local communities in natural resource and environmental management, and will be guided by an integrated river basin management approach.

The centerpiece of the GP Project is a funding facility (the "***GP Facility***") that will support investments in two thematic areas: renewable energy and sustainable management of natural resources. These investments are intended to have mutually reinforcing benefits of enhancing sustainable economic growth and social conditions while also reducing Indonesia's carbon footprint and aligning incentives and practices to foster improved environmental stewardship.

The GP Project consists of four Activities:

- Investing in administrative boundary setting, updating and integration of land use inventories and enhancing spatial plans at the district and provincial levels ("***Participatory Land Use Planning Activity***");

- Provision of technical assistance and project oversight (the "***Technical Assistance and Oversight Activity***");

- Financing of low-carbon development projects through the establishment of a funding facility (the "***GP Facility Activity***"); and

- Provision of technical assistance and support for strengthening local, provincial, and national capacity to drive forward Indonesia's nation-wide low carbon development strategy within the context of the GP Project ("***Green Knowledge Activity***").

The GP Project will concentrate in provinces and districts which have the highest potential for achieving poverty alleviation and environmental objectives. Candidate provinces include Riau, Jambi, West Sumatra, South Sumatra, Bengkulu, West Sulawesi, South Sulawesi, Southeast Sulawesi, West Kalimantan, East Kalimantan, West Nusatenggara and East Nusatenggara. The Parties agree to start the GP Project in two districts in each of Jambi and West Sulawesi. The inclusion of other provinces and districts in the GP Project after entry into force shall be subject to mutual agreement between the Parties.

In order to facilitate the implementation of the Project, certain of the activities stipulated in subsections (a) and (b) below will be tested in Jambi and West Sulawesi prior to entry into force, subject to the terms and conditions of Section 2.2 of this Compact. After entry into force, the approach stipulated in subsections (a) and (b) may be modified, as may be necessary or appropriate, to reflect lessons learned from the test sites.

Except with respect to the Green Knowledge Activity, which is national in scope, the GP Project will provide funding at the district level, favoring, where possible, contiguous districts within the same river basin. The GP Project will focus funding in districts prioritized by means of a readiness assessment. District selection indicators in such assessment will include poverty levels (income levels and other indicators), renewable energy potential, economic growth potential, governance, forest cover and peatlands under threat of degradation or destruction. The GP Project will only assist those districts which (i) have spatial plans at either the district or provincial level that have been granted substantive approval (*Persetujuan Substansi*) by the *Badan Koordinasi Penataan Ruang Nasional* (BKPRN), (ii) agree to make information on the location of village settlements accessible to the public, (iii) agree to make licensing information related to natural resource use (legally issued licenses and those in process) accessible to the public, and (iv) agree to make the licensing process transparent and accessible. MCA-Indonesia shall enter into agreements with each district specifying these and other matters, and making clear that the failure by any district to comply with its commitments under such an agreement may lead to termination of GP Project investments for that district at any time during the Compact Term. These agreements will specify milestones for the implementation of the Activities (a) through (c) below.

Key implementing partners and project sponsors are expected to include local governments and institutions; private enterprises in the agriculture, forestry, water and energy sectors; financial institutions; small-holder farmers; and local and international civil society organizations.

(a) Participatory Land Use Planning Activity.

The purpose of the Participatory Land Use Planning Activity is to ensure that projects funded by the GP Facility are designed on the basis of accurate and appropriate spatial and land use data and adhere to and reinforce existing national laws, regulations and Plans. The Participatory Land Use Planning Activity also will help strengthen the capacity of local communities and district level institutions to manage their own land and resources. Specifically, MCC Funding will support the procurement of firms or entities to undertake:

(i) Administrative boundary setting, including (1) the location of major and minor settlements within villages, (2) the development of appropriate guidelines for participatory village boundary setting using established Government processes and international best practices, including meaningful involvement of women and disadvantaged groups, and (3) the mapping and demarcation of village boundaries in target subdistricts;

(ii) The updating and integration of land and other natural resource uses, including (1) inventories of existing and pending licenses for land and natural resource use, other use rights, community claims, and select biophysical data, and (2) technical assistance to relevant Government agencies to help integrate and administer spatial data, including data derived from (i) and (ii)(1), in order to improve their ability to conduct transparent licensing, determine the most effective land use and investments, and make the inventories widely available to the public; and

(iii) The enhancement of district and provincial spatial plans, including reflection of the improved land and natural resource information contained in the land use inventory and boundary setting components above.

(b) Technical Assistance and Oversight Activity.

Technical assistance will be provided by contractors to the GP Facility Manager (defined below), district governments, project sponsors, community groups, and financial institutions in order to prepare low carbon development workplans, consisting of potential projects for funding by the GP Facility or other sources. The contractors shall facilitate the project identification process and help project sponsors prepare funding applications to be submitted to the GP Facility. Such technical assistance will include, as necessary, assistance with analysis, project preparation studies (e.g., feasibility studies, environmental and social assessments, gender assessments, economic analysis, and coordination with PLN and other agencies as necessary) and advice regarding compliance with the Investment Criteria (as defined in subsection (c) below). The GP Project identification and development process will involve significant stakeholder consultations, particularly with prospective project beneficiaries (including women and disadvantaged groups) and sponsors, to ensure that proposed projects are consistent with the Government's vision for community-led development and MCC's basic principle of supporting poverty alleviation through economic growth. Technical assistance also will extend to capacity-building necessary for implementation of proposed projects.

Project sponsors under the Technical Assistance and Oversight Activity that received assistance with the preparation of proposals may submit those proposals for award consideration; however, investment support applications may also be submitted by candidates that have not received such assistance.

(c) GP Facility Activity.

The GP Facility Activity is designed to finance projects in the renewable energy and natural resources management sectors. MCA-Indonesia, through one or more independent facility manager(s) (the "***GP Facility Manager***") acceptable to MCC, shall implement the GP Facility. The GP Facility Manager will have an investment committee or the equivalent that will consist of representatives of the GP Facility Manager and MCA-Indonesia. MCA-Indonesia representatives shall include representatives of environmental and social specialists involved in overseeing the GP Project (ESMS disciplines (described below)).

Unless the Parties otherwise agree, the GP Facility will contain two funding windows: (i) a window to finance commercial scale renewable energy investments reflecting the priority of the GP Project and private sector investments in natural resource management; and (ii) a grants window to support community-based, small scale renewable energy and other projects to promote sustainable natural resource management and improve land use practices.

MCA-Indonesia shall develop detailed investment criteria, subject to MCC approval, governing the selection of projects to be financed under the GP Facility (the "***Investment Criteria***"). The final Investment Criteria will be elaborated during the development of the Operations Manual (defined below).

MCA-Indonesia shall develop an operations manual or manuals (the "***Operations Manual***") in form and substance satisfactory to MCC, outlining the rules governing the financial and programmatic operation, including the Investment Criteria, of the GP Facility. The Operations Manual will outline monitoring and reporting procedures to ensure investment objectives are being achieved and to verify compliance with other relevant criteria, including environmental and social safeguard requirements. The Parties further agree that the GP Facility's financial controls will be subject to external audit.

Proposals will be reviewed, ranked and recommended for approval in accordance with the Operations Manual. The Operations Manual shall contain project eligibility criteria reflecting: (i) a minimum economic rate of return (ERR) as defined by the MCC hurdle rate; (ii) a core objective of improving environmental stewardship (as reflecting best practices, and further detailed in Section 3 below); (iii) contribution, directly or indirectly, to the reduction of greenhouse gas emissions; (iv) equal access for women and other vulnerable groups to the project or its benefits; and (v) for commercially viable projects, suitable risk allocations to the parties. In addition, a set of sector-specific investment and eligibility criteria will be developed, including criteria for projects related to renewable energy, natural resource management, land use planning, agriculture, watershed management, forestry, and other livelihoods projects or sectors as agreed by the Parties.

The GP Facility will be governed by and must adhere to rules and procedures documented in the Operations Manual. The capital investments made must be designed to be liquidated, whether by repurchase by the recipient, fulfillment of a note or contract, purchase by third parties, or in

another manner, on terms appropriate for a capital investment including the size of planned liquidation payments, and as early as reasonably possible consistent with estimated cash flows of the activity in which the investment is made, all according to terms established at the time of the award and in adherence to the principles outlined in the Operations Manual. At the conclusion of the first year of the Compact Term, and annually thereafter, an assessment will be made and appropriate changes made, if necessary, in the structure and funding of the GP Facility, and the balance of renewable energy, natural resource management, and land use management and agricultural projects.

Unless otherwise agreed by the Parties, prior to the end of the fourth year of the Compact Term, MCA-Indonesia and MCC will complete a plan for the disposition of financial assets generated by the GP Facility Activity. This plan must entail either a liquidation of assets or a program to be managed by a fiduciary agent. The selection of the liquidation agent or fiduciary agent must be completed no later than six months prior to the end of the Compact Term. No financial asset created under the GP Facility Activity during the Compact Term can have an original maturity that is later than the date that is nine years from the date of entry into force. All financial assets must be liquidated or transferred (as per the aforementioned plan) prior to the date that is ten years after the date of entry into force.

(d) Green Knowledge Activity.

The objective of this Activity is to build local, provincial, and national capacity to drive forward Indonesia's nation-wide low carbon development strategy within the context of the GP Project. Specifically, MCC Funding will support:

(i) Capacity building for local and provincial stakeholders to stimulate a shift toward low carbon development policies in local and provincial governments and to support the sustainability of MCC's investment in the GP Project. More specifically, supported activities include (1) capacity building for local government officials and representatives of civil society in low carbon development strategies, (2) capacity building in green products and green entrepreneurship for small and medium enterprises and cooperatives in local communities, and (3) community learning exchange programs on best GP Project practices.

(ii) Development and improvement of centers of excellence in science and technology related to low carbon development at the regional and national level with an emphasis on renewable energy and closely related areas of natural resource management, and other related activities. More specifically, supported activities include (1) providing technical assistance to establish or strengthen academic programs and/or centers of excellence in renewable energy in qualified local or regional universities and polytechnic and other institutes, (2) providing technical assistance to establish a center of excellence in renewable energy at the national level, (3) providing technical assistance to conduct an assessment and review of the national renewable energy policy, and (4) providing technical assistance to revise and develop a renewable energy master plan.

The implementation strategy of this Activity shall support the overall strategy and objectives of the GP Project. Further implementation details will be elaborated in the Operations Manual.

2. Beneficiaries.

The GP Project is expected to affect households and businesses in the targeted districts, primarily through expanded renewable energy and improved natural resource management and use. Improved natural resource use planning at district or provincial levels may also benefit other public or private users who are beyond the GP Project provinces or districts. The Green Knowledge Activity is expected to benefit businesses and households beyond the GP Project provinces or districts.

3. Environmental and Social Mitigation Measures.

The environmental screening category for the GP Project is Category D according to MCC Environmental Guidelines because the GP Facility will use MCC Funding to finance subprojects that may potentially result in adverse environmental and social impacts.

To prevent or minimize potential adverse environmental and social impacts resulting from the GP Project investments, this Compact includes strict environmental and social safeguard requirements. An Environmental and Social Management System ("***ESMS***") will be designed and established as part of the GP Facility Activity, and appropriately qualified environmental, social and gender specialists will be included within the staffing plans for MCA-Indonesia, consultancy agreements, and implementing entities to ensure proper execution and oversight of safeguard measures. The ESMS will incorporate IFC Performance Standards, the Government's Social and Gender Integration Plan, Indonesian legal requirements, the MCC Environmental Guidelines and the MCC Gender Policy. The ESMS also will incorporate international standards and best practices applicable to specific sectors and industries and important to protecting the rights and interests of local communities.

Additional ESMS safeguard requirements are as follows: (a) participation of local and national level environmental and social assessment and gender representative(s) on the Stakeholders Group; (b) establishment of environmental and social assessment ("***ESA***") safeguard procedures at the district level; (c) a community-based ESA monitoring activity; (d) requirement for GP Project investments to have monitoring and evaluation indicators that address ESA issues, with relevant data to be gender-disaggregated; and (e) a requirement that project specific Environmental and Social Management Plans (ESMPs) be developed as part of the ESMS.

4. Donor Coordination.

Many donors are funding activities related to climate change, renewable energy and natural resources management in Indonesia. In order to coordinate those efforts, BAPPENAS chairs the Indonesia Climate Change Coordinating Forum consisting of the Asian Development Bank, the World Bank, USAID, Norway, Germany, Japan International Cooperation Agency, the Australian Agency for International Development (AusAID) and other donors. MCC has engaged with members of that Forum and has designed the GP Project with the Government to be a model that could be replicated by other donors in other provinces. Since the Government agreed to pursue a project in the green prosperity theme in July 2010, MCC has conducted extensive consultations with donors involved in low carbon development in Indonesia, including AusAID, Norway, Germany, the United Kingdom's Department for International Development, Asian Development Bank, United Nations Development Programme and World Bank. In addition, a number of international non-governmental organizations (NGOs), notably those

engaged in REDD+ readiness and REDD+ pilot projects in Indonesia, have provided their insights into working at the field level. The GP Project design incorporates key lessons learned from these donors' experiences, most notably the importance of focusing efforts at the district level and integrating low carbon activities in the planning phase and implementation phase within those districts. In addition, the GP Project builds on the extensive gains made by the Government, with support from international donors, in developing low carbon laws, regulations and plans and to assist in the decentralization effort. The GP Project's approach to spatial planning, technical assistance and funding facility creates a framework for collaboration in provinces and districts where there is geographical overlap with other donors.

5. USAID.

MCC has been in constant coordination with the United States Agency for International Development ("***USAID***") to ensure that the GP Project complements other US Government priorities including the Indonesia Clean Energy Development Project (ICED), the Indonesia Forest and Climate Support Project (IFACS), and Low Emission Development Strategy (LEDS). In addition, MCC will draw upon the work of a US Government expert team consisting of the United States Forest Service (as the lead agency), the United States Geological Survey, and the National Aeronautics and Space Administration to jointly assess needs and develop a program of assistance to create a single authoritative map of Indonesia, starting with forestry and climate change that is consistent with the Geospatial Law of April 2011.

6. Sustainability.

The GP Project is supportive of the Government's ongoing decentralization efforts, and in particular will build capacity of local governments to ensure sustainable use of natural resources including activities funded under GP Project. In addition, activities funded under the GP Project will generate economic benefits for participants as an ongoing incentive for continued involvement in renewable energy investment and sustainable natural resource management.

7. Policy, Legal and Regulatory Reforms.

The Parties agree that implementation by the Government of the policy, legal and regulatory reforms described below in items (a) through (d) are necessary to fully achieve the objectives of the GP Project:

(a) The Government agrees that the Ministry of Energy and Mineral Resources ("***ESDM***"), in collaboration with stakeholders in the private sector and NGOs shall develop and adopt a feed-in-tariff ("***FIT***") applicable to biomass, solar and other renewable energy projects (non-hydro renewable energy projects). The FIT shall provide a reasonable incentive for independent power producers to develop and sell power to PLN. ESDM and PLN shall adopt and put in place any legal and institutional framework necessary to implement the FIT.

(b) The Government agrees to the issuance of the relevant decrees/regulations for the implementation of the Electricity Law of 2009 (Law 30/2009) in order to create the conditions for assistance to any on-grid renewable energy project.

(c) PLN shall issue the following (i) standard, transparent procedures for structuring and executing transactions involving independent power producers, (ii) a standard bankable

power purchase agreement for small-scale renewable power producers by technology type; and (iii) standardized application procedures for renewable energy project developers.

(d) The Government shall consolidate the existing renewable energy master plans of PLN and the Directorate General of New Renewable Energy and Energy Conservation of ESDM into a single, national GIS-based database/inventory platform of (a) renewable energy resources, and (b) current and planned installation of renewable energy projects. The database shall have an initial focus on biomass, small hydropower with capacity of 0.5 – 10 MW, and solar power generation projects.

In addition, the following shall constitute a condition precedent to initial Disbursement of the GP Facility:

MCA-Indonesia shall have designed and established an ESMS consistent with the requirements of Section 3 of this Schedule, and reflected applicable requirements of this Schedule 1 in the Operations Manual.

SCHEDULE 2 to ANNEX I
COMMUNITY-BASED HEALTH AND NUTRITION TO REDUCE STUNTING PROJECT

This Schedule 2 generally describes and summarizes the key elements of the project that the Parties intend to implement in furtherance of the Nutrition Objective (the "***Community-Based Nutrition Project***").

1. Summary of Project and Activities.

Over the past decade the Indonesian economy has experienced positive economic growth, witnessed large reductions in poverty, and has made continued progress towards many of its Millennium Development Goal targets for 2015. In spite of this progress, over 30 million Indonesians live below the poverty line (US$2 per day) and half of all households are clustered around the poverty line, which makes them highly vulnerable to income shocks. Of the poor, 65 percent currently live in rural areas. While Indonesia has already met and surpassed targeted reductions in the number of underweight children under five years old to below 18 percent and is on track to meeting its targets for reducing overall child mortality, other indicators of malnutrition should be considered. In particular, low height for age, more commonly known as stunting, reflects the cumulative effects of intergenerational poverty, poor maternal and early childhood nutrition and repeated childhood episodes of illness. It also reflects insufficient household purchasing power and poor access to education, housing, sanitation, and health services.

After two years of age, the effects of early stunting are practically irreversible and have a life-long impact on an individual's cognitive development and productivity. Stunting is also largely accepted as one of the best predictors of future productivity, as stunted children are at a higher risk of experiencing chronic disease, delayed cognitive development, delayed enrollment in school, and reductions in academic achievement and future earning potential. Currently, it is estimated that 37 percent of children, or one out of every three children under five in Indonesia, is shorter than the standard height for their age.

The objective of the Community-Based Nutrition Project is to reduce and prevent low birth weight and childhood stunting and malnourishment of children in project areas, and to increase household income through cost savings, productivity growth and higher lifetime earnings. An additional purpose of the Community-Based Nutrition Project is to determine the effectiveness of the use of MCC Funding in a multi-donor trust fund managed by a multilateral institution and its impact on poverty reduction.

The Community Based-Nutrition Project builds on and utilizes a community engagement implementing mechanism of block grants already tested under a Ministry of Home Affairs ("***MOHA***") community-driven development program pilot, Generasi ("***Generasi***"), implemented with assistance of the World Bank managed PNPM support fund ("***PSF***"). The Generasi pilot successfully supported communities in improving targeted health, nutrition and education indicators. As a condition to MCC Funding, Generasi community indicators will be revised and indicators for Service Providers (as defined below) added, to obtain stronger nutrition and stunting outcomes, and strengthen its focus on gender equality following an initial rigorous evaluation. This revised program is known as "***Generasi Plus***."

In addition to enhanced training and capacity building, Generasi Plus will employ a series of social accountability and incentive mechanisms in order to ensure that healthcare and sanitation service providers at the district, sub-district and community levels (the "***Service Providers***") provide adequate supplies and coverage of stunting prevention services to communities. These mechanisms constitute a "supply-side" strengthening approach to focus on preventing childhood stunting through enhanced maternal and child health services, nutrition and sanitation behavior change, shared parenting and nutrition education, and women's empowerment strategies.

Except for the private sector response sub-activity outlined in subsection (b)(ii) below, Activities under the Community-Based Nutrition Project will be implemented by the PSF or a related mechanism acceptable to the Parties. MCA-Indonesia (or such other Government entity as may be agreed by the Parties) will execute a transfer agreement with the World Bank outlining the terms and conditions of MCA-Indonesia's funding of and participation in the PSF (the "***Transfer Agreement***"). The Transfer Agreement will be consistent with this Compact and will be subject to MCC approval.

The Community-Based Nutrition Project consists of the following three Activities:

- The financing of community block grants and participatory technical assistance to communities (the "***Community Projects Activity***");
- The financing of training to Service Providers, sanitation and hygiene activities, provision of multiple micronutrient packets, materials to measure children's height, and other incentives, as well as private sector interventions (the "***Supply Side Activity***"); and
- The financing of communications outreach, project management and monitoring and evaluation (the "***Communications, Project Management and Evaluation Activity***").

(a) Community Projects Activity.

MCC Funding will be included in the PSF funding to enhance the existing PNPM-Generasi implementation structure and activity components to provide block grants, participatory planning, and technical assistance to communities. The Activity is targeted at pregnant women, infants, and children under five (with a particular focus on children under two), and primary and junior high school-aged children.

Villages participating in Generasi Plus commit to improving twelve basic health and education indicators through block grants of an average size determined by the Government on an annual basis. Under Generasi Plus, stunting indicators (including a measure of children's height for age) will be added to the existing twelve indicators. The sub-district allocates the grant among villages based on the numbers of pregnant women, infants, and children under five (with a particular focus on children under two), and primary and junior high school-aged children. Both newly recruited and existing facilitators, including those trained specifically in nutrition and stunting interventions under the "Training and Advocacy Sub-Activity" in subsection (b)(i) below, will work with Service Providers to assist villagers in a participatory planning process, helping them identify problems and find local solutions to be funded using the block grant. In this regard, there is an "open menu" of options for the villages to choose from, and Generasi Plus will encourage innovation in addressing nutrition and stunting outcomes. In order to focus communities on the most beneficial interventions, the Government bases the size of the villages'

Generasi block grant for the subsequent year partly on their performance on each of the targeted health and education indicators modified to include stunting indicators under Generasi Plus.

(b) Supply-side Interventions Activity.

(i) Training and Advocacy Sub-Activity.

MCC Funding will support the creation of an enhanced training program to all Service Providers in the designated project areas, as well as enhanced training for facilitators (the "***Training Program***"). With respect to the facilitators, the purpose of the Training Program is to redirect the choice of activities to be financed under the Community Projects Activity to encourage a focus on stunting reduction and related interventions such as feeding practices, training regarding height and weight measurement, diet quality and micronutrients, and sanitation behavior change. The Training Program is also aimed at strengthening women's empowerment and increasing fathers' role in health interventions for target beneficiaries. With respect to the Service Providers, the purpose of the Training Program is to improve the quality and access of services in the areas of nutrition and sanitation. Specifically, MCC Funding will be used to:

- Develop technical and advocacy materials for the Training Program;
- Deploy the Training Program to Service Providers, community facilitators, and targeted beneficiaries at provincial, district and sub-district levels of government;
- Provide comprehensive train-the-trainer programming to Service Providers; and
- Provide and distribute the multiple micronutrient packets and height measurement equipment to communities through health centers for the first two years of implementation.

MCC Funding also will be used to provide incentives to the Service Providers based on their service delivery performance. Prior to the initial Disbursement of MCC Funding to the PSF, a manual, satisfactory to MCC, will be developed outlining the mechanisms for delivery of incentives to Service Providers, the types of incentives that will be tested and made available to Service Providers, and the performance criteria for receiving incentives. The manual also will outline Service Providers' ability to access additional incentives through Generasi Plus, which will be linked to (1) the community receiving that service, and (2) the quality of the service being received, and describe how the various incentives to be tested will be monitored.

(ii) Private Sector Response Sub-Activity.

MCC Funding will be used by the Government, through MCA-Indonesia, to make one or more grants for the purpose of leveraging private sector responses to community and family needs for improved mothers' and infants' nutrition and community sanitation. By stimulating market-based responses to identified demand for nutrition and sanitation interventions, this sub-activity is intended to support sustainable impacts beyond the Compact Term.

(c) Communications, Project Management and Evaluation Activity.

With respect to the Communications, Project Management and Evaluation Activity, MCC Funding will be used to:

- Develop and implement a national stunting awareness campaign, including a focus on healthy families that emphasizes shared decision making between women and men within the household;

- Finance the management costs associated with all three Activities within the Community-Based Nutrition Project; and

- Design and implement a rigorous impact evaluation as further described in Annex III.

2. Beneficiaries.

The Community-Based Nutrition Project is expected to benefit up to 2.9 million children in up to 7,000 villages, and to generate additional income and cost savings that benefit their entire families in the provinces of West Java, East Java, Nusa Tenggara Timur (NTT), Nusa Tenggara Barat (NTB), Gorontalo and West Sulawesi.

3. Environmental and Social Mitigation Measures.

The environmental screening category for the Community-Based Nutrition Project is Category D according to MCC Environmental Guidelines, as it will involve an intermediate funding facility that will use MCC Funding to finance subprojects that may result in adverse environmental and social impacts. The majority of PNPM Generasi investments involve non-infrastructure-based investments that would not be expected to result in significant environmental, health, or safety ("***EHS***") hazards.

MCA-Indonesia will be required to develop and implement an EMS that is consistent with the IFC Performance Standards and the MCC Gender Policy, and that meets MCC and Government regulatory requirements for the Community-Based Nutrition Project. The EMS will leverage existing safeguard systems in place and be scaled appropriately, as well as capitalize on opportunities to contribute towards environmental and socially sustainable development and increased gender equality.

4. Donor Coordination.

The Community-Based Nutrition Project has been designed to align to the PSF structure in part to be reflective of the *Jakarta Commitment: Aid for Development Effectiveness* of 12 January 2009 and MCC's own principles of aid effectiveness, including harmonization of donor efforts. The PSF is a mechanism established by the Government and donors to provide support to the Government through coordinated technical assistance, planning advice, dialogue, and targeted financial assistance. The Community-Based Nutrition Project is also aligned with the U.S. Department of State's *1,000 Days Partnership and Scaling Up Nutrition* ("***SUN***"). SUN promotes targeted action and investment to improve nutrition for mothers and children in the 1,000 day period from pregnancy to age two, when better nutrition can have a life-changing impact on a child's future.

5. USAID.

While the Community-based Nutrition Project is the first US Government assistance to specifically tackle the issue of stunting, USAID has significant experience with sanitation and hygiene behavioral change interventions in Indonesia. USAID also has some recent experience

with a maternal health project, which targets increased availability of emergency medical care and preventive measures for pregnant women in West Java, including improved maternal nutrition. During the Compact development process, significant efforts were made to ensure that the MCC-funded activities and those of the USAID mission and other US Government actors were closely coordinated. Ongoing review and coordination, as appropriate, will be integrated into implementation plans as they are finalized.

6. Sustainability.

The Community-Based Nutrition Project is designed to improve chances for replication and sustainability. First, Generasi Plus attempts to coordinate and align MOHA and Ministry of Health ("***MOH***") objectives. Aligning MOHA and MOH will allow future partnering as Generasi continues expansion. In addition, Generasi Plus successes will allow the MOH to focus on those roles best undertaken by it (e.g., provision of nutrition and sanitation services provision), while allowing MOHA and PSF to assist in ensuring that communities understand and have demand for these services.

7. Policy, Legal and Regulatory Reforms.

Prior to the Compact's entry into force, the Government will ensure either: (a) that the PSF is extended through the end of the Compact Term; or (b) the Government will provide an alternative implementation structure acceptable to MCC, together with a timeline for transition of the management of the Project.

SCHEDULE 3 to ANNEX I

PROCUREMENT MODERNIZATION PROJECT

This Schedule 3 generally describes and summarizes the key elements of the project that the Parties intend to implement in furtherance of the Procurement Modernization Objective (the "***Procurement Modernization Project***").

1. Summary of Project and Activities.

The Procurement Modernization Project is designed to accelerate the Government's procurement reform agenda and transform operation of the public procurement system in Indonesia. The objective of the project is to achieve cost and efficiency savings on procured goods and services, while assuring their quality satisfies the public need, and to achieve the delivery of public services as planned. These savings should lead to greater provision of goods and services to the economy which will positively impact economic growth.

The Procurement Modernization Project will be implemented, through MCA-Indonesia, by the National Public Procurement Agency ("***LKPP***"). Reflecting the multifaceted nature of a public procurement system, the Procurement Modernization Project will support two Activities:

- Improving the procurement function by increasing the capacity and professionalization of the procurement function (the "***Procurement Professionalization Activity***"); and

- Supporting the development of procurement policies and procedures which would improve procurement outcomes, the rate and success of public private partnerships ("***PPPs***"), and environmental sustainability (the "***Policy and Procedure Activity***").

Along with the implementation of these Activities, the Procurement Modernization Project will work to strengthen LKPP's capacity to integrate gender concerns into the procurement realm.

The Institutional Structure and Professionalization of PSUs Sub-Activity (described in subsection (a)(i) below), a central component of the Procurement Modernization Project, will be conducted in two phases. The first phase, which is expected to encompass years one to three of the Compact Term, will entail support to a subset of up to thirty demonstration procurement service units ("***PSUs***") in order to better understand the most effective approach given different procurement contexts ("***Phase One***"). The second phase, which is expected to last for the balance of the Compact Term, will entail a scaling up of Phase One and an adjustment in design, if necessary, to yield the best results for the Project ("***Phase Two***"). MCC's decision to initiate Phase Two is subject to satisfaction of: (a) the achievement of an estimated economic rate of return for Phase Two that is above the MCC-defined hurdle rate; (b) the conclusion of an Assessment (as defined below) of Phase One; (c) the achievement of legal and policy changes as set forth in Section 7(a) below of this Schedule 3 and as may otherwise be required for the success of Phase Two; and (d) agreement between the Parties regarding the final design of Phase Two taking into account the Assessment and other relevant factors as may be necessary. In the event that MCC determines, in its sole discretion, that Phase One fails to achieve the performance criteria outlined above, the MCC Funding associated with Phase Two may be reallocated to other Activities, consistent with Section 6.2(b) of this Compact.

Prior to commencement of Phase One, the regulatory framework and level of authority for PSUs and their staff will be documented. During Phase One, MCC Funding will be used to help

identify the appropriate mix of reforms for a given administrative level (i.e., *kota, kabupaten*, province, or national level) when considering characteristics such as size of procurement flows, the capacity to operate and manage procurement systems developed through the Compact, and information technology capacity. During Phase One, the Government will ensure that the demonstration PSUs comply with the regulatory framework set forth in Perpres 54/2010.

Prior to the conclusion of Phase One, the Government, through MCA-Indonesia, will ensure an independent program assessment of the performance of the Project during Phase One (the "***Assessment***"). The design and scope of the Assessment and its application of its results to Phase Two will be specified in the PIA. The Government will ensure access to recent and current procurement data, whether in electronic or hard copy form, that is needed to carry out the Assessment. In the event MCC agrees to proceed with Phase Two, the Assessment of Phase One, together with other data and factors as may be necessary, will inform any necessary modifications to the design of Phase Two.

(a) Procurement Professionalization Activity.

In most well-functioning public procurement systems, procurement is a specialized function that protects financial resources and contributes significantly to the effective and efficient operation of the procuring organization. Within the Government, procurement is not a well-established function in the civil service.

Professionalization changes the workforce, is a key element to changing incentives in the procurement system and may create a firewall against corruption. Additional measures, including more effective ex post controls (including procurement and financial audits, and databases of procurement system performance) are also needed to ensure improved institutional performance.

The Government has required the formation of PSUs at national and local levels to serve as permanent, independent structures where procurement professionals will provide a centralized procurement service. While approximately 150 PSUs have been newly established, most have not met the requirements of a modernized procurement function, and questions remain about how to organize and define the roles and responsibilities of the PSUs within the structure of the spending unit.

The most important and most difficult next steps in the procurement reform agenda for Indonesia are to build this professional workforce, create an institutionalized role and structure that provides sufficient authority to implement good practice, and to provide a career path to incentivize adherence to best practice, while also strengthening efficiency tools and controls. To this end, the Procurement Modernization Project will implement the following mutually reinforcing sub-activities.

(i) Institutional Structure and Professionalization of PSUs Sub-Activity.

MCC Funding will support existing PSUs at the various levels of government to create models in diverse settings and circumstances. Specifically, MCC Funding will be used to:

(A) Determine standard staffing needs and strengthen operational modalities of PSUs;

(B) Engage designated PSUs in implementing the Activities described in this Procurement Modernization Project, as appropriate, to establish their feasibility and local good practices;

(C) Support LKPP's human resource development strategy, by establishing a curriculum, recognizing training institutes through an accreditation process, and training procurement officers to the requisite level of professional knowledge, skill and attitudes, including development of a mentoring program and introductory, intermediate and advanced training courses with competency-based certification. In the process of development and delivery of the course program, the Procurement Modernization Project will develop procurement trainers, and course materials, including e-learning modules, and will strengthen training institutes that will be able to continue to build and sustain the professional procurement workforce; and

(D) Support development of training modules, in consultation with the National Audit Board ("***BPKP***"), to develop competencies among the Government's auditors (inspectors general) to conduct compliance and performance audits of the procurement system.

During Phase One, up to 30 PSUs will be targeted under this sub-activity. The successful models developed in Phase One would then be rolled out to a larger set of existing or newly created PSUs under Phase Two, with a target to create a workforce of 500 procurement professionals working in permanent, fulltime positions in established PSUs. It is estimated that this newly trained workforce would provide permanent staffing needs for at least 100 PSUs but total staffing needs of model PSUs will be discovered during the demonstration phase of the project.

(ii) Procurement Management Information System Sub-Activity.

Information technology applications can provide procurement professionals with modern tools to perform their functions professionally and efficiently and can strengthen controls in the procurement process. Accordingly, MCC Funding will support:

(A) Development of an information technology system to create a data warehouse to maintain complete records of procurement activity;

(B) Testing of a procurement module at pilot sites; and

(C) Establishment of and capacity building regarding a catalog purchasing system, commonly known as an e-catalog system, to ease the administrative burden and transaction costs related to the purchasing of routine commercial products and services, together with the development of the procurement procedures and standard bidding documents for framework contracting.

(b) Policy and Procedure Development Activity.

This Activity consists of two sub-activities that together address major gaps in the procedural framework and operation of the procurement system in Indonesia.

(i) Competitive Tendering for PPPs Sub-Activity.

MCC Funding will be used to support:

(A) Preparation of guidelines and standard bidding documents for competitive tendering of PPP projects and development of a practical toolkit with templates and model documents for procurement planning and project preparation;

(B) A pilot program to demonstrate and finalize the Procurement Modernization Project in the context of tendering a PPP infrastructure project in at least one line ministry and a selected number of interested sub-national administrations, such as water utilities; and

(C) Implementation of recommended adjustments, as necessary or appropriate, of the e-procurement system and a PPP project management system.

(ii) Procedures for Sustainable Procurement Sub-Activity.

The Government should have sustainable procurement procedures when it acts as a consumer. The impact promises to be significant as the Government is the largest consumer in Indonesia and controls the spending of a large percentage of Gross Domestic Product (GDP). Moreover, the Government public procurement policy, like every national public procurement system, is a major driver of change throughout society. In furtherance of the commitment to sustainable procurement stipulated in Perpres 54/2010, MCC Funding will be used to support the development of processes and procedures to actualize this commitment. Developing the sustainable procurement framework will be implemented in three stages: a discovery stage, an establishment stage, and an implementation stage leading to a pilot program. MCC and the Government will evaluate this sub-activity's performance at the end of each stage and will move forward with the next stage only upon mutual consent.

2. Beneficiaries.

Modernization of the Government's public procurement system will benefit citizens that reside in the districts, provinces, or cities which MCC targets through the PSU reforms.

The Procurement Modernization Project will support the institutional reform in PSUs established in local and central government spending units with a target goal of building a core of 500 procurement professionals. It is estimated that this newly trained workforce would provide permanent staffing needs for at least 100 PSUs, but total staffing needs of model PSUs will be discovered during the demonstration phase of the project.

3. Environmental and Social Mitigation Measures.

The nature of the Activities under the Procurement Modernization Project is such that they are unlikely to cause direct EHS hazards because they involve institutional capacity-building, and policies and procedures development.

The Competitive Tendering for PPPs sub-activity described in Section 1(b)(i) of this Schedule 3 involves policy and procedure development so that the Government can increase the efficiency of PPPs, further encourage private-sector investment, and improve government infrastructure

investment. A critical component of PPP policy development will be ensuring that investors are aware of Government regulation concerning environmental, health, and safety hazards and that PPP activity meets legal requirements and strengthens the current system of incorporating ESA safeguards. MCA-Indonesia Activities are expected to include ensuring that environmental and social safeguards are addressed in standard bidding documents, developing PPP pre-award review procedures that include Ministry of the Environment, Ministry of Forestry, and other stakeholders, and strengthening the Environmental Impact Assessment (AMDAL) review procedure. Additionally, any training that is developed to roll out the revised PPP policies and procedures must also include curriculum on environmental and social safeguards. Key environmental and social issues with respect to PPPs may include the following: labor and working conditions, community health and safety, involuntary resettlement and land acquisition, biodiversity and natural resource management, indigenous peoples, free prior and informed consent, and pollution prevention and abatement, among others.

The Sustainable Procurement sub-activity described in Section 1(b)(ii) of this Schedule 3 represents an opportunity to assist Government with its desire for environmentally sustainable growth that is outlined in the Asian Development Bank's "Indonesia Critical Development Constraints" analysis. Through policy development and a pilot program, LKPP will be able to determine how a sustainable procurement framework can be successfully scaled up. This activity will require that a proper certification and verification system for sustainably-sourced materials is in place to avoid incidents of "green washing" and further reduce EHS risk. Given the complexity of the Government's decentralized government, overlapping ESA legal framework, and large number of NGOs and advocacy groups with an interest in sustainability in Indonesia, it will be important that the Sustainable Procurement activity thoroughly consult a broad-range of stakeholders to ensure that policies and procedures are consistent with the state-of-the-art understanding and accepted by entities and organizations that will advocate for their use. It is also important that the PPP policies and procedures are well-coordinated with the Sustainable Procurement sub-activity to ensure that they are mutually reinforcing and do not jeopardize each other's success (e.g., PPP procedures enable unsustainable timber extraction and Sustainable Procurement sub-activity promotes harvesting from sustainably managed forests).

4. Donor Coordination.

LKPP has received support from several donors for its institutional strengthening efforts, including AusAid, the World Bank, and the Asian Development Bank. MCC has coordinated with these donors on technical and implementation strategy issues over the course of project development. Based on these discussions, AusAid has decided to extend its technical assistance program ("***ISP3***") which was set to be completed in 2011, by one additional year. The ISP3 project has assisted LKPP to develop the strategies for human resource development and to organize PSUs that MCC is working to implement. The Asian Development Bank and the World Bank continue to provide various technical support programs and technical assistance to develop standard bidding documents. MCC plans to continue close collaboration with donors during the Compact implementation process and will continue to participate in the donor forum related to procurement.

5. USAID.

Through the Indonesia Threshold Program, MCC has been at the forefront of supporting LKPP's efforts to bring more modern procurement practices to Indonesia. USAID served as the

implementer of MCC's Indonesia Threshold Program, which supported expansion of LKPP's electronic procurement system (LPSEs) through the establishment of five regional procurement centers. The Procurement Modernization Project presents a unique opportunity for MCC and USAID to build on some of those early successes and work together on public procurement reform efforts throughout Compact implementation.

6. Sustainability.

The Procurement Modernization Project focuses on building sustainable institutions and policies to achieve improved, long-term public procurement practices in Indonesia by ensuring greater transparency, accountability, and delivery of better value goods and services for money. While the capacity development program invests in individuals, it is designed to be implemented in a manner that builds training institutions equipped with the resources to expand and continually maintain the procurement workforce. The PSUs to be piloted are intended as case studies providing lessons-learned and best practices as models for establishing such units throughout the country.

7. Policy, Legal and Regulatory Reforms.

(a) As a condition to the commencement of Phase Two, the Government shall have established procurement as a functional profession in the civil service with a defined career path.

(b) The Government will identify the policy, legal and regulatory reforms needed to effectively competitive tender PPP projects.

(c) The Government will further any necessary policy, legal, and regulatory reforms to encourage the purchase of green goods and services within the public procurement sector.

ANNEX II

MULTI-YEAR FINANCIAL PLAN SUMMARY

This Annex II summarizes the Multi-Year Financial Plan for the Program.

1. General.

A multi-year financial plan summary ("***Multi-Year Financial Plan Summary***") is attached hereto as Exhibit A. By such time as specified in the PIA, the Government will adopt, subject to MCC approval, a multi-year financial plan that includes, in addition to the multi-year summary of estimated MCC Funding and the Government's contribution of funds and resources, the annual and quarterly funding requirements for the Program (including administrative costs) and for each Project, projected both on a commitment and cash requirement basis.

EXHIBIT A

MULTI-YEAR FINANCIAL PLAN SUMMARY (US$)

COMPONENT	CIF	Year 1	Year 2	Year 3	Year 4	Year 5	Total
1. GP PROJECT							
(a) Participatory Land Use Planning Activity	$3.000.000	$8.000.000	$5.000.000	$4.000.000	$3.000.000	$2.000.000	$25.000.000
(b) Technical Assistance and Oversight Activity	$850.000	$10.350.000	$10,200.000	$9.700.000	$9.700.000	$9.200.000	$50.000.000
(c) GP Facility Activity	$500.000	$46.000.000	$50.000.000	$48,650,000	$48.850.000	$48.500.000	$242.500.000
(d) Green Knowledge Activity	$0	$3.460.000	$2.960.000	$2.960.000	$2.960.000	$2.660.000	$15.000.000
SUBTOTAL	**$4,350,000**	**$67,810,000**	**$68,160,000**	**$65,310,000**	**$64,510,000**	**$62,360,000**	**$332,500,000**
2. COMMUNITY-BASED NUTRITION PROJECT							
(a) Community Projects Activity	$0	$10.584.000	$13.608.000	$16,632,000	$19.656,000	$21,168.000	$81.648.000
(b) Supply-Side Activity	$1.000,000	$7,177,798	$7.893.096	$6.315,052	$8,887.008	$4.658,057	$35.931.011
(c) Communications, Project Management and Evaluations Activity	$0	$4.459.326	$3,081,077	$3.001.294	$1.648.011	$1.731.281	$13.920,989
SUBTOTAL	**$1,000,000**	**$22,221,124**	**$24,582,173**	**$25,948,346**	**$30,191,019**	**$27,557,338**	**$131,500,000**
3. PROCUREMENT MODERNIZATION PROJECT							
(a) Procurement Professionalization Activity	$1,750,000	$6,750,000	$6,750,000	$7,055,250	$15.000.000	$9.101,750	$46,407,000
(b) Policy and Procedure Activity	$0	$898.250	$898,250	$898,250	$898,250	$0	$3.593,000
SUBTOTAL	**$1,750,000**	**$7,648,250**	**$7,648,250**	**$7,953,500**	**$15,898,250**	**$9,101,750**	**$50,000,000**
4. MONITORING AND EVALUATION							
Monitoring and Evaluation (M&E) Activity	$200,000	$1,500,000	$2,000,000	$1.000,000	$2,500,000	$3,000,000	$10,200,000
SUBTOTAL	**$200,000**	**$1,500,000**	**$2,000,000**	**$1,000,000**	**$2,500,000**	**$3,000,000**	**$10,200,000**
5. PROGRAM ADMINISTRATION AND CONTROL							
(a) Program Administration	$1.000,000	$9.200,000	$9,700,000	$9,700,000	$9,100,000	$10,800,000	$49,500,000
(b) Fiscal Management	$1,800,000	$1,800,000	$1.800,000	$1.800,000	$1.800,000	$1,800.000	$10,800,000
(c) Procurement Management	$1.800,000	$1,800,000	$1,500,000	$1,500,000	$1,200,000	$1,200,000	$9,000,000
(d) Audit	$0	$300,000	$300,000	$300,000	$300,000	$300,000	$1,500,000
(e) Targeted Gender Activities	$100,000	$800,000	$1,200,000	$1,200,000	$1,200,000	$500,000	$5,000,000
SUBTOTAL	**$4,700,000**	**$13,900,000**	**$14,500,000**	**$14,500,000**	**$13,600,000**	**$14,600,000**	**$75,800,000**
TOTAL COMPACT BUDGET	**$12,000,000**	**$113,079,374**	**$116,890,423**	**$114,711,846**	**$126,699,269**	**$116,619,088**	**$600,000,000**

ANNEX III

DESCRIPTION OF MONITORING AND EVALUATION PLAN

This Annex III generally describes the components of the monitoring and evaluation plan ("***M&E Plan***") for the Program. The actual content and form of the M&E Plan will be agreed to by MCC and the Government in accordance with MCC's Policy for Monitoring and Evaluation of Compacts and Threshold Programs posted from time to time on the MCC Website (the "***MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs***"). The M&E Plan may be modified as outlined in MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs with MCC approval without requiring an amendment to this Annex III.

1. Overview.

MCC and the Government will formulate and agree to, and the Government will implement or cause to be implemented, an M&E Plan that specifies: (a) how progress toward the Compact Goal and Project Objectives will be monitored ("***Monitoring Component***"); (b) a process and timeline for the monitoring of planned, ongoing, or completed Activities to determine their efficiency and effectiveness; and (c) a methodology for assessment and rigorous evaluation of the outcomes and impact of the Program ("***Evaluation Component***"). Information regarding the Program's performance, including the M&E Plan, and any amendments or modifications thereto, as well as progress and other reports, will be made publicly available on the website of MCC, MCA-Indonesia and elsewhere.

In addition, data and empirical findings obtained through the M&E Plan, including through Impact Evaluations (as defined below), will be used to calculate or recalculate the projected and ex post ERRs for the Projects and Activities as appropriate and in accordance with MCC's Guidance on Economic Analysis, in order to assess whether Projects and Activities continue to meet the MCC-defined hurdle rate. MCC may elect to use what it deems to be the most relevant and appropriate economic model, and may apply the evidence it deems most convincing in connection with that model, but will consult with MCA-Indonesia and other relevant experts in weighing and contextualizing such evidence. MCC may elect to reduce or eliminate the scope or Compact budget for any Projects, Activities, or sub-activities should their respective ERRs fall below the hurdle rate. Further detail regarding the method by which the ERRs will be calculated for projects financed with funding from the GP Facility will be provided in the Program Implementation Agreement.

MCC and the Government may also agree to refinements to the program logic, specific program elements, and detailed design of projects and activities to support a higher projected ERR and improved realization of the intended Goal or Objectives of this Compact based upon additional data, preliminary or interim monitoring and evaluation findings, and/or an improved understanding of the causes of and most promising solutions to the constraints to economic growth addressed in this Compact, including social and gender, policy, regulatory, and other issues, both prior to and after entry into force of this Compact.

2. Program Logic.

The M&E Plan will be built on a logic model which illustrates how the Program, Projects and Activities contribute to the Compact Goal and the Project Objectives.

(a) The objective of the Community-Based Nutrition Project is to reduce and prevent low birth weight, childhood stunting and malnourishment of children in project areas. This will lead to an increase household incomes through cost savings, increases in productivity and higher lifetime earnings;

(b) The objectives of the GP Project are to (i) increase productivity and reduce reliance on fossil fuels by expanding renewable energy; and (ii) increase productivity and reduce land-based greenhouse gas emissions by improving land use practices and management of natural resources. These objectives support low carbon economic development and the protection of natural capital that will lead to increased household incomes in project areas; and

(c) The objectives of the Procurement Modernization Project are to (i) achieve significant government expenditure savings on procured goods and services; and to (ii) improve the delivery of public services through expenditure of planned budgets.

3. Monitoring Component.

To monitor progress toward the achievement of the impact and outcomes of the Compact, the

Monitoring Component of the M&E Plan will identify: (i) the Indicators (as defined below), (ii) the definitions of the Indicators, (iii) the sources and methods for data collection, (iv) the frequency for data collection, (v) the party or parties responsible for collecting and analyzing relevant data, and (vi) the timeline for reporting on each Indicator to MCC.

Further, the Monitoring Component will track changes in the selected Indicators for measuring progress towards the achievement of the Project Objective during the Compact Term. MCC also intends to continue monitoring and evaluating the long-term impacts of the Compact after Compact expiration. The M&E Plan will establish baselines which measure the situation prior to a development intervention, against which progress can be assessed or comparisons made (each, a "***Baseline***"). The Government will collect Baselines on the selected Indicators or verify already collected Baselines where applicable and as set forth in the M&E Plan.

(a) Indicators.

The M&E Plan will measure the results of the Program using quantitative, objective and reliable data ("***Indicators***"). Each indicator will have benchmarks that specify the expected value and the expected time by which that result will be achieved ("***Target***"). The M&E Plan will be based on a logical framework approach that classifies indicators as goal, objective, outcome, and output. The Compact Goal indicators ("***Goal Indicators***") will measure the poverty reduction goal for each Project. Second, the Objective Indicator ("***Project Objective Indicators***") will measure the final result of each Project. Third, Output and Outcome Indicators ("***Project Outcome Indicators***") will measure the early and intermediate results of the Project activities. For each Project Outcome Indicator, Project Objective Indicator, and Goal Indicator, the M&E Plan will define a strategy for obtaining and verifying the value of the Baselines. All indicators will be disaggregated by gender, income level and age, and beneficiary types to the extent practicable. Subject to prior written approval from MCC, MCA-Indonesia may add indicators or refine the definitions and Targets of existing indicators.

(i) Compact Indicators.

(1) Goal. The M&E Plan will contain the following Indicators related to the Compact Goal and based on national statistics. The Program will contribute to progress against poverty nationwide and the reduction of carbon emissions in Project areas, but the results are attributable to many factors in the economy:

(A) Increased incomes of households in Project areas.[1]

(B) Increased efficiency and quality in the expenditure of public funds.

(2) Objective and Outcome Indicators. The M&E Plan will contain the Indicators listed in the following tables. Prior to entry into force, all Baseline and Targets will be assessed and modified by the Parties as Project sites, Activity details, and new Baseline data become available. Minimum Targets will be identified and this Annex III will be modified accordingly, prior to entry into force. In addition, the M&E Plan will be amended to reflect the addition of such indicators. MCC common Indicators relevant to the Projects will also be included.

Table 1: Community-Based Nutrition Project

Result	Indicator	Definition	Unit of Measurement	Baseline	Year 5 Target
Objective Level Indicator					
Reduce and prevent low birth weight, childhood stunting and malnourishment of children in project areas	Reduction in stunting	Decrease in stunting rates among children in project areas	Percent	TBD	- 20
	Reduction in low birth weight	Decreased percentage of children born under 2500 grams in project areas	Percent	TBD	-21
Outcome Indicators[2]					
Improved healthcare delivery	Increase in prenatal care visits	Pregnant mothers examined by a midwife at least 4 times during pregnancy	Percentage point	TBD	+10
	Increase in assisted deliveries	Deliveries assisted by trained health workers	Percentage point	TBD	+10
	Increased distribution of iron supplements	Each pregnant woman receives a minimum of 90 iron pills during her pregnancy	Percent	TBD	+10

[1] This applies to both the Community-Based Nutrition and Green Prosperity projects.
[2] The existing Generasi indicators are included in this table. Additional Generasi Plus indicators, some of which are under development, will also be monitored on a quarterly basis.

Table 1: Community-Based Nutrition Project					
Result	**Indicator**	**Definition**	**Unit of Measurement**	**Baseline**	**Year 5 Target**
	Increased distribution of Vitamin A supplements	Each baby from 6 to 59 months receives Vitamin A, twice a year	Percent	TBD	TBD
	Increase in postnatal treatment provided	Each mother and baby receive postnatal treatment from a midwife or a doctor, at least twice within 40 days of delivery	Percent	TBD	TBD
	Increased number of children measured	Each children below two year measured routinely	percent	0	80
	Regular monthly weighing increases	Regular weighing for under-five	Percent	TBD	TBD
	Increased immunization coverage	Immunization coverage for 12-23 months old in target areas	Percentage point	TBD	+10

Table 2: Green Prosperity Project[3]					
Result	**Indicator**	**Definition**	**Unit of Measurement**	**Baseline**	**Year 5 Target**
Objective Level					
Expand renewable energy to increase productivity and reduce reliance on fossil fuels	Number of households[4] electrified disaggregated by administrative level	Percentage of households electrified by renewable energy sources in targeted sub-districts and districts[5] as a result of projects	Percent	TBD[6]	TBD
		Percentage of households electrified in villages	Percent	TBD	TBD
	Increased percentage of on grid/off grid renewable energy vis a vis fossil fuel-generated power	[Renewable energy source / fossil fuel-supplied power plants and renewable energy source] * 100	Percent	TBD	TBD

[3] All baseline and target values will be established for the geographic areas targeted by the project activities, likely at the district or sub-district level.
[4] If feasible, this indicator will be modified to include home-based industry and small businesses.
[5] Electrified shall be further defined to establish the minimum level of power and hours of available supply required to be classified as "electrified."
[6] Data sources provide differing figures for electrification rates. Because local governments track electricity connections at the district and provincial levels, baseline data will be determined prior to entry into force for the candidate districts of Jambi and West Sulawesi that will receive support during the first phase of the Project. Similar exercises will be done for remaining districts as site selection takes place.

Table 2: Green Prosperity Project[3]					
Result	**Indicator**	**Definition**	**Unit of Measurement**	**Baseline**	**Year 5 Target**
Improve land use practices and management of natural resources to increase productivity and reduce land-based greenhouse gas emissions	Increased agricultural productivity	On farm productivity increases on existing agriculture and degraded lands, to be disaggregated by commodity	Agricultural yield/hectare	TBD	TBD
Outcome Indicators					
Improved land use practices and management of natural resources to increase productivity of land	Number of loan borrowers	Number of borrowers (primary sector producers, rural entrepreneurs, and associations) who access loans for on-farm, off-farm, and rural investment	Number	TBD	TBD
	Improved watershed management	Improved water quality as measured by reduced water turbidity	Total Suspended Solids	TBD	TBD
Maintaining or improving carbon sinks (i.e. carbon sequestration)[7]	Density of forest cover maintained or improved	CO2 capture levels of primary, secondary, and heavily degraded forest ratios[8]	Ha	TBD	TBD
	Peat land saturation and level of groundwater	Conditions of peat lands, method appropriate for each project area TBD	Ha in compliance with preservation standard	TBD	TBD
Output Level					
Revised spatial plans	Number of spatial plans updated or improved	Number of spatial plans at the district and provincial levels that include licensing and administrative boundary information	Number	0	10
Increased community engagement	Increase in community land oversight	Number of hectares brought under community conservation plans	Ha	TBD	TBD
	Amount of forest cover monitored	Community-based forest management area designations increased	Ha	TBD	TBD
Increased community knowledge	Development and improvement of Centers of Excellence	Number of Centers of Excellence that receive project support to promote low carbon development	Number	TBD	TBD

[7] Methods for estimating emission reductions related to maintaining or improving carbon sinks (sequestration) in project areas will be established for project activities in the targeted areas by entry into force.
[8] Emission factors of different landscapes will need to be determined.

Table 2: Green Prosperity Project[8]					
Result	**Indicator**	**Definition**	**Unit of Measurement**	**Baseline**	**Year 5 Target**
	Trained stakeholders	Number of micro/ small/medium enterprises, civil society organizations, cooperatives, communities and local officials trained on sustainable, low carbon development	Number	TBD	TBD

Table 3: Procurement Modernization Project[9]					
Result	**Indicator**	**Definition**	**Unit of Measurement**	**Baseline**	**Year 5 Target**
Objective Level					
Government savings	Reduced expenditure on goods and services	Expenditures on key goods and services* over time as the [purchase price / market price]	Percent	TBD	-2.5%
	Improved quality of goods and services	Increased quality of key goods and services* over time per qualitative audit	Percent	TBD	TBD
Reduction in bunching	Reduction in unspent and delay of spending allocated budget	[Annual expenditure of PSU / Annual allocation]	PSU expenditure / Allocation	TBD	TBD
Outcome Level					
Project Benefits	Number of procurement service units	Procurement service units supported by project	Number	0	60
	Number of additional public private partnerships	Public private partnerships established with the GOI	Number	0	TBD
	Establishment of procurement information systems	Integrated e-catalog and procurement management system operating in supported PSUs	Number	0	TBD
Output Level					
Increased Competition	Average number of bidders	[number of bidders per procurement / total number of procurements]	Number of bidders / Total procurements	TBD	TBD

[9] The table of indicators refers to data that will be drawn from contracts. All contract data will be made anonymous to ensure confidentiality; key variables such as technical specifications, bid prices, and final prices will be necessary. In addition, procuring entities will be required to share (and in some cases collect) data on sole source procurements, protests, complaints, and other relevant indicators.

Table 3: Procurement Modernization Project[9]					
Result	**Indicator**	**Definition**	**Unit of Measurement**	**Baseline**	**Year 5 Target**
	Decrease in sole source procurements	[number of sole source / total number of procurements]	Sole source procurements / Total procurements	TBD	TBD
	Decrease in cancelled procurements	[number of cancelled / total number of procurements]	Procurements cancelled / Total procurements	TBD	TBD
	Increased PSU responsiveness to complaints	[number of responses / number of complaints]	Responses / complaints	TBD	TBD
	Number of protests filed	Number of protests to procurement actions by private firms	Number	TBD	TBD
	Percent of protests in which award was reversed	[Decisions to reverse award / number of protests]	Percent	TBD	TBD
Increased Efficiency	Average time to prepare bid	Days required to prepare bid, on average	[Days to prepare bidding documents / prepared bids]	TBD	TBD
	Average number of days for bid evaluation	Days required to evaluate bid, on average	[Days to evaluate bids / number of bids evaluated]	TBD	TBD
	Average number of days from evaluation to award	Number of days between completion of the evaluation of bids to the award of a contract	[Days from evaluation to award / number of evaluated procurements]	TBD	TBD

(b) Data Collection and Reporting. The M&E Plan will establish guidelines for data collection and reporting, and identify the responsible parties. Compliance with data collection and reporting timelines will be conditions for Disbursements for the relevant Activities as set forth in the Program Implementation Agreement. The M&E Plan will specify the data collection methodologies, procedures, and analysis required for reporting on results at all levels. The M&E Plan will describe any interim MCC approvals for data collection, analysis, and reporting plans.

(c) Data Quality Reviews. As determined in the M&E Plan or as otherwise requested by MCC, the quality of the data gathered through the M&E Plan will be reviewed to ensure that data reported are as valid, reliable, and timely as resources will allow. The objective of any data quality review will be to verify the quality and the consistency of performance data across different implementation units and reporting institutions. Such data quality reviews also will serve to identify where those levels of quality are not possible, given the realities of data collection.

(d) Management Information System. The M&E Plan will describe the information system that will be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is at all times accessible and useful to those who wish to use it. The system development will take into consideration the requirement and data needs of the components of

the Program, and will be aligned with existing MCC systems, other service providers, and ministries.

(e) Role of MCA-Indonesia. The monitoring and evaluation of this Compact spans three discrete Projects and will involve a variety of governmental, nongovernmental, and private sector institutions. In accordance with the designation contemplated by Section 3.2(b) of this Compact, MCA-Indonesia is responsible for implementation of the M&E Plan. MCA-Indonesia will oversee all Compact-related monitoring and evaluation activities conducted for each of the Projects, ensuring that data from all implementing entities is consistent, accurately reported and aggregated into regular Compact performance reports as described in the M&E Plan.

4. Evaluation Component.

The Evaluation Component of the M&E Plan will contain three types of evaluations: (i) impact evaluations; (ii) project performance evaluations; and (iii) special studies. The Evaluation Component of the M&E Plan will describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. The results of all evaluations will be made publicly available in accordance with MCC's Policy for Monitoring and Evaluation of Compacts and Threshold Programs.

(a) Impact Evaluation. The M&E Plan will include a description of the methods to be used for impact evaluations and plans for integrating the evaluation method into Project design. Based on in-country consultation with stakeholders, the strategies outlined below were jointly determined as having the strongest potential for rigorous impact evaluation. The M&E Plan will further outline in detail these methodologies. Final impact evaluation strategies are to be included in the M&E Plan. The following is a summary of the potential impact evaluation methodologies:

(i) Community-Based Nutrition Project. The evaluation will focus on determining both household level impacts on stunting outcomes as well as the effect of incentives for communities and health workers and the effects of gender integration strategies on women's empowerment, possibly through a qualitative gender module. The household level impacts of interest include reduced expenditures on healthcare and improved wellbeing, including through height and weight measures. The impact is expected to be determined through randomization of the intervention which will permit a comparison of the beneficiary households to households in similar circumstances outside the project areas. Baseline, midterm and endline data collection at the household level will supply data for estimating the Project's effects. The evaluation will attempt to isolate the impact of Generasi, Generasi Plus, and Generasi Plus without the planned incentives to better estimate the effect of each set of interventions in combination and separately. In close coordination with MCA-Indonesia, the PSF will be responsible for management of data collection and MCC will directly contract a firm to manage the overall evaluation.

(ii) GP Project. The evaluation will examine the (1) increased productivity resulting from electrification through renewable energy sources, (2) increased household and firm incomes resulting from renewable energy resources and improvement in agricultural and land management practices, and (3) impact of Project activities on reducing land and fossil fuel-based emissions.

(iii) Procurement Modernization Project. The evaluation will include an analysis of the savings, improved quality, and increased efficiency of procurement service units. The methodology is expected to employ quasi-experimental techniques comparing PSUs that do not receive project support to those PSUs that do receive Project support. The methodology also will ensure similarity across key characteristics, such as levels of procurement flows, information technology capacity, and population size.

(b) Final Evaluation. The M&E Plan will make provision for final Project level evaluations ("***Final Evaluations***"). With the prior written approval of MCC, the Government will engage independent evaluators to conduct the Final Evaluations at the end of each Project. The Final Evaluations will review progress during Compact implementation and provide a qualitative context for interpreting monitoring data and impact evaluation findings. They must at a minimum (i) evaluate the efficiency and effectiveness of the Activities; (ii) determine if and analyze the reasons why the Compact Goal and Project Objective(s), outcome(s) and output(s) were or were not achieved; (iii) identify positive and negative unintended results of the Program; (iv) provide lessons learned that may be applied to similar projects; and (v) assess the likelihood that results will be sustained over time.

(c) Special Studies. The M&E Plan will include a description of the methods to be used for special studies, as necessary, funded through this Compact or by MCC. Plans for conducting the special studies will be determined jointly between the Government and MCC before the approval of the M&E Plan. The M&E Plan will identify and make provision for any other special studies, *ad hoc* evaluations, and research that may be needed as part of the monitoring and evaluating of this Compact. Either MCC or the Government may request special studies or *ad hoc* evaluations of Projects, Activities, or the Program as a whole prior to the expiration of the Compact Term. When MCA-Indonesia engages an evaluator, the engagement will be subject to the prior written approval of MCC. For all evaluations of Compact Projects, whether commissioned by MCC, MCA-Indonesia or the Government, contract terms shall ensure non-biased results and the publication of results.

(d) Request for Ad Hoc Evaluation or Special Study. If the Government requires an *ad hoc* independent evaluation or special study at the request of the Government for any reason, including for the purpose of contesting an MCC determination with respect to a Project or Activity or to seek funding from other donors, no MCC Funding resources may be applied to such evaluation or special study without MCC's prior written approval.

5. Other Components of the M&E Plan.

In addition to the monitoring and evaluation components, the M&E Plan will include the following components for the Program, Projects and Activities, including, where appropriate, roles and responsibilities of the relevant parties and providers:

(a) Costs. A detailed cost estimate for all components of the M&E Plan; and

(b) Assumptions and Risks. Any assumption or risk external to the Program that underlies the accomplishment of the Project Objectives and Activity outcomes and outputs. However, such assumptions and risks will not excuse any Party's performance unless otherwise expressly agreed to in writing by the other Party.

6. Approval and Implementation of the M&E Plan.

The approval and implementation of the M&E Plan, as amended from time to time, will be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs.

ANNEX IV

CONDITIONS PRECEDENT
TO DISBURSEMENT OF COMPACT IMPLEMENTATION FUNDING

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact Implementation Funding (each a "***CIF Disbursement***"). Upon execution of the Program Implementation Agreement, each CIF Disbursement will be subject to the terms of the Program Implementation Agreement.

1. Conditions Precedent to Initial CIF Disbursement.

Each of the following must have occurred or been satisfied to MCC's satisfaction prior to the initial CIF Disbursement:

(a) The Government will have published the Establishment Decree, and such decree will remain in full force and effect, without modification, alteration, rescission, or suspension of any kind unless otherwise agreed by MCC.

(b) The Government (or MCA-Indonesia) has delivered to MCC:

(i) an interim fiscal accountability plan acceptable to MCC; and

(ii) a CIF procurement plan acceptable to MCC.

(c) MCA-Indonesia will be sufficiently mobilized in order for MCA-Indonesia to be able to fully perform its obligations relevant to the particular Disbursement Request and to act on behalf of the Government.

(d) The Government will have enacted such decrees and regulations as necessary to implement Section 2.8 of this Compact.

2. Conditions Precedent to all CIF Disbursements (Including Initial CIF Disbursement).

Each of the following must have occurred or been satisfied prior to each CIF Disbursement:

(a) The Government (or MCA-Indonesia) has delivered to MCC the following documents, in form and substance satisfactory to MCC:

(i) a completed Disbursement Request, together with the applicable Periodic Reports, for the applicable Disbursement Period, all in accordance with the Reporting Guidelines; and

(ii) a certificate of the Government (or MCA-Indonesia), dated as of the date of the Disbursement Request, in such form as provided by MCC.

(b) If any proceeds of the CIF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established.

(c) Appointment of an entity or individual to provide fiscal agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the fiscal agent engaged thereby is mobilized.

(d) Appointment of an entity or individual to provide procurement agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of the Procurement Agent Agreement, duly executed and in full force and effect, and the procurement agent engaged thereby is mobilized.

(e) MCC is satisfied, in its sole discretion, that (i) the activities being funded with such CIF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating the implementation of the Compact and will not violate any applicable law or regulation; (ii) no material default or breach of any covenant, obligation or responsibility by the Government, MCA-Indonesia or any Government entity has occurred and is continuing under this Compact or any Supplemental Agreement; (iii) there has been no violation of, and the use of requested funds for the purposes requested will not violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation; (iv) any Taxes paid with MCC Funding through the date 90 days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of this Compact; and (v) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments or other obligations, and contributed all resources required from it, under this Compact and any Supplemental Agreement.

(f) For any CIF Disbursement occurring after this Compact has entered into force in accordance with Article 7: MCC is satisfied, in its sole discretion, that the Government has satisfied any terms and conditions to CIF Disbursements as may be set forth in the Program Implementation Agreement.

(g) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, the Compact or MCC Funding in accordance with Section 5.1 of this Compact.

ANNEX V

DEFINITIONS

Activity *has the meaning provided in paragraph 2(a) of Part A of Annex I.*

Additional Representative *has the meaning provided in Section 4.2.*

Assessment *has the meaning provided in paragraph 1 of Schedule 3 to Annex I.*

Audit Guidelines *has the meaning provided in Section 3.8(a).*

Bank Agreement *means an agreement, in form and substance satisfactory to MCC, with the financial institution approved by MCC to hold Permitted Accounts and that sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to such Permitted Account.*

BAPPENAS *has the meaning provided in paragraph 1(a) of Part A of Annex I.*

Baseline *has the meaning provided in paragraph 3 of Annex III.*

BPKP *has the meaning provided in paragraph 1(a)(i)(D) of Schedule 3 to Annex I.*

Board *has the meaning provided in paragraph 2 of Part C of Annex I.*

CIF Disbursement *has the meaning provided in Annex IV.*

Communications, Project Management and Evaluation Activity *has the meaning provided in paragraph 1 of Schedule 2 to Annex I.*

Community-Based Nutrition Project *has the meaning provided in Schedule 2 to Annex I.*

Community Projects Activity *has the meaning provided in paragraph 1 of Schedule 2 to Annex I.*

Compact *has the meaning provided in the Preamble.*

Compact Goal *has the meaning provided in Section 1.1.*

Compact Implementation Funding *has the meaning provided in Section 2.2(a).*

Compact Records *has the meaning provided in Section 3.7(a).*

Compact Term *has the meaning provided in Section 7.4.*

Covered Provider *has the meaning provided in Section 3.7(c).*

Disbursement *has the meaning provided in Section 2.4.*

Disbursement Period *means each fiscal quarter or any other period of time as agreed by MCC.*

Disbursement Request *means a written request substantially in the form of the "Disbursement Request and Quarterly Financial Report" posted on the MCC Website, as the same may be amended from time to time.*

EHS *has the meaning provided in paragraph 3 of Schedule 2 to Annex I.*

ESA *has the meaning provided in paragraph 3 of Schedule 1 to Annex I.*

ESDM *has the meaning provided in paragraph 7 of Schedule 1 to Annex I.*

ESMS *has the meaning provided in paragraph 3 of Schedule 1 to Annex I.*

Establishment Decree *has the meaning provided in Section 3.2(b).*

Evaluation Component *has the meaning provided in paragraph 1 of Annex III.*

Excess CIF Amount *has the meaning provided in Section 2.2(d).*

Final Evaluations *has the meaning provided in paragraph 4(b) of Annex III.*

Fiscal Agent *has the meaning provided in paragraph 6 of Part C of Annex I.*

Fiscal Agent Agreement *means an agreement between MCA-Indonesia and the Fiscal Agent, in form and substance satisfactory to MCC, which sets forth the roles and responsibilities of the Fiscal Agent and other appropriate terms and conditions.*

Fiscal Agent Disbursement Certificate *has the meaning provided in Section 3.4(a)(v) of the PIA.*

FIT *has the meaning provided in paragraph 7 of Schedule 1 to Annex I.*

Generasi *has the meaning provided in paragraph 1 of Schedule 2 to Annex I.*

Generasi Plus *has the meaning provided in paragraph 1 of Schedule 2 to Annex I.*

Goal Indicators *has the meaning provided in paragraph 3(a) of Annex III.*

Governance Guidelines *means MCC's Guidelines for Accountable Entities and Implementation Structures, as such may be posted on MCC's Website from time to time.*

Government *has the meaning provided in the Preamble.*

GP Facility *has the meaning provided in paragraph 1 of Schedule 1 to Annex I.*

GP Facility Activity *has the meaning provided in paragraph 1 of Schedule 1 to Annex I.*

GP Facility Manager *has the meaning provided in paragraph 1(c) of Schedule 1 to Annex I.*

GP Objective *has the meaning provided in Section 1.2(a).*

GP Project *has the meaning provided in Schedule 1 to Annex I.*

NOTE: It appears that this page and the following four page numbers are in Annex V.

Grant *has the meaning provided in Section 3.6(b).*

Green Knowledge Activity *has the meaning provided in paragraph 1 of Schedule 1 to Annex I.*

IFC Performance Standards *means the performance standards on environmental and social sustainability promulgated by the International Finance Corporation from time to time.*

Implementing Entity *has the meaning provided in paragraph 5 of Part C of Annex I.*

Implementing Entity Agreement *has the meaning provided in paragraph 5 of Part C of Annex I.*

Implementation Letter *has the meaning provided in Section 3.5.*

Implementing Regulations *has the meaning provided in paragraph 2 of Part C of Annex I.*

Implementing Team *has the meaning provided in paragraph 3 of Part C of Annex I.*

Indicators *has the meaning provided in paragraph 3(a) of Annex III.*

Inspector General *has the meaning provided in Section 3.7(d).*

Intellectual Property *means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using MCC Funding.*

Investment Criteria *has the meaning provided in paragraph 1(c) of Schedule 1 to Annex I.*

ISP3 *has the meaning provided in paragraph 4 of Schedule 3 to Annex I.*

LKPP *has the meaning provided in paragraph 1 of Schedule 3 to Annex I.*

M&E Plan *has the meaning provided in Annex III.*

MCA Act *has the meaning provided in Section 2.2(a).*

MCA-Indonesia *has the meaning provided in Section 3.2(b).*

MCC *has the meaning provided in the Preamble.*

MCC Environmental Guidelines *has the meaning provided in Section 2.7(c).*

MCC Funding *has the meaning provided in Section 2.3.*

MCC Gender Policy *means the MCC "Gender Policy" (including any guidance documents issued in connection with the guidelines) posted from time to time on the MCC Website or otherwise made available to the Government.*

MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs *has the meaning provided in Annex III.*

MCC Program Procurement Guidelines *has the meaning provided in Section 3.6(a).*

MCC Website *has the meaning provided in Section 2.7.*

MOH *has the meaning provided in paragraph 6 of Schedule 2 to Annex I.*

MOHA *has the meaning provided in paragraph 1 of Schedule 2 to Annex I.*

Monitoring Component *has the meaning provided in paragraph 1 of Annex III.*

Multi-Year Financial Plan Summary *has the meaning provided in paragraph 1 of Annex II.*

Nutrition Objective *has the meaning provided in Section 1.2(b).*

OP 4.12 *has the meaning provided in paragraph 3 of Part A of Annex I.*

Operations Manual *has the meaning provided in paragraph 1(c) of Schedule 1 to Annex I.*

Participatory Land Use Planning Activity *has the meaning provided in paragraph 1 of Schedule 1 to Annex I.*

Party *and* ***Parties*** *have the meaning provided in the Preamble.*

Periodic Report *means the periodic reports and information required by the Reporting Guidelines.*

Permitted Account *has the meaning provided in Section 2.4.*

Phase One *has the meaning provided in paragraph 1 of Schedule 3 to Annex I.*

Phase Two *has the meaning provided in paragraph 1 of Schedule 3 to Annex I.*

Plan *has the meaning provided in paragraph 1 of Schedule 1 to Annex I.*

PLN *means Perusahaan Listrik Negara, the Indonesian state electricity company.*

PNPM *means the Government's National Community Empowerment Program (Program Nasional Pemberdayaan Masyarakat).*

Policy and Procedure Activity *has the meaning provided in paragraph 1 of Schedule 3 to Annex I.*

PPPs *has the meaning provided in paragraph 1 of Schedule 3 to Annex I.*

Principal Representative *has the meaning provided in Section 4.2.*

Procurement Agent *has the meaning provided in paragraph 7 of Part C of Annex I.*

Procurement Agent Agreement *means the agreement between MCA-Indonesia and the Procurement Agent, in form and substance satisfactory to MCC, which sets forth the roles and responsibilities of the Procurement Agent with respect to the conduct, monitoring, and review of procurements and other appropriate terms and conditions.*

Procurement Modernization Objective *has the meaning provided in Section 1.2(c).*

Procurement Modernization Project *has the meaning provided in Schedule 3 to Annex I.*

Procurement Professionalization Activity *has the meaning provided in paragraph 1 of Schedule 3 to Annex I.*

Program *has the meaning provided in the Preamble.*

Program Assets *means any assets, goods or property (real, tangible or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.*

Program Funding *has the meaning provided in Section 2.1.*

Program Guidelines *means collectively the Audit Guidelines, the MCC Environmental Guidelines, the MCC Gender Policy, the Governance Guidelines, the MCC Program Procurement Guidelines, the Reporting Guidelines, the MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs, the MCC Cost Principles for Government Affiliates Involved in Compact Implementation (including any successor to any of the foregoing) and any other guidelines, policies or guidance papers relating to the administration of MCC-funded compact programs and as from time to time published on the MCC Website.*

Program Implementation Agreement *and* ***PIA*** *have the meaning provided in Section 3.1.*

Project(s) *has the meaning provided in Section 1.2.*

Project Objective(s) *has the meaning provided in Section 1.2.*

Project Objectives Indicators *has the meaning provided in paragraph 3(a) of Annex III.*

Project Outcome Indicators *has the meaning provided in paragraph 3(a) of Annex III.*

Provider *has the meaning provided in Section 3.7(c).*

PSF *has the meaning provided in paragraph 1 of Schedule 2 to Annex I.*

PSUs *has the meaning provided in paragraph 1 of Schedule 3 to Annex I.*

REDD+ *means reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.*

Reporting Guidelines *means the MCC "Guidance on Quarterly MCA Disbursement Request and Reporting Package" posted by MCC on the MCC Website or otherwise publicly made available.*

SC *has the meaning provided in paragraph 1(a) of Part A of Annex I.*

Service Providers *has the meaning provided in paragraph 1 of Schedule 2 to Annex I.*

SME *means small and medium-sized enterprises.*

Social and Gender Integration Plan *has the meaning provided in paragraph 3 of Part A of Annex I.*

Stakeholders Group *has the meaning provided in paragraph 4 of Part C of Annex I.*

SUN *has the meaning provided in paragraph 4 of Schedule 2 to Annex I.*

Supplemental Agreement *means any agreement between: (a) the Government (or any Government affiliate) and MCC (including, but not limited to, the PIA); or (b) MCC and/or the Government (or any Government affiliate), on the one hand, and any third party, on the other hand, including any of the Providers, in each case, setting forth the details of any funding, implementing or other arrangements in furtherance of and in compliance with this Compact.*

Supply Side Activity *has the meaning provided in paragraph 1 of Schedule 2 to Annex I.*

Target *has the meaning provided in paragraph 3(a) of Annex III.*

Targeted Gender Activities *has the meaning provided in paragraph 3 of Part A of Annex I.*

Taxes *has the meaning provided in Section 2.8(a).*

Technical Assistance and Oversight Activity *has the meaning provided in paragraph 1 of Schedule 1 to Annex I.*

Training Program *has the meaning provided in paragraph 1(b)(i) of Schedule 2 to Annex I.*

Transfer Agreement *has the meaning provided in paragraph 1 of Schedule 2 to Annex I.*

United States Dollars *or* ***US$*** *means the lawful currency of the United States of America.*

USAID *has the meaning provided in paragraph 5 of Schedule 1 to Annex I.*

US Government *means the government of the United States of America.*