

JFPR: INO 39116

Proposed Grant Assistance to the
Republic of Indonesia for the
Sustainable Livelihood Development
for Coastal Communities in the
Special Province of Nanggroe Aceh
Darussalam Project (Financed by the
Japan Fund for Poverty Reduction)

August 2005

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 31 July 2005)

Currency Unit	–	rupiah (Rp)
Rp1.00	=	\$0.000105
\$1.00	=	Rp9,490

ABBREVIATIONS

ADB	–	Asian Development Bank
BAPPEDA	–	Badan Perencanaan Pembangunan Daerah (Regional Development Planning Agency)
BRR	–	Badan Rehabilitasi dan Rekonstruksi (Rehabilitation and Reconstruction Agency) for Aceh and Nias
ETESP	–	Earthquake and Tsunami Emergency Support Project
JFPR	–	Japan Fund for Poverty Reduction
MMAF	–	Ministry for Marine Affairs and Fisheries
MOU	–	memorandum of understanding
NAD	–	Nanggroe Aceh Darussalam
NGO	–	nongovernment organization
OISCA	–	Organization for Industrial, Spiritual, and Cultural Advancement
PMU	–	project management unit

GLOSSARY OF TERMS

dinas Kelautan Dan Perikanan	–	Provincial/district Marine Affairs and Fisheries Service
---------------------------------	---	--

NOTE

- (i) The fiscal year of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

JAPAN FUND FOR POVERTY REDUCTION (JFPR) JFPR Grant Proposal

I. Basic Data

Name of Proposed Activity	Sustainable Livelihood Development for Coastal Communities in the Special Province of Nanggroe Aceh Darussalam
Country	Indonesia
Grant Amount Requested	\$2.5 million
Project Duration	24 months
Regional Grant	<input type="radio"/> Yes / <input checked="" type="radio"/> No
Grant Type	<input checked="" type="radio"/> Project / <input type="radio"/> Capacity building

II. Grant Development Objectives and Expected Key Performance Indicators

<p>Grant Development Objectives (GDO): The Project is to provide technical, financial, and production input assistance to small-scale fishers, fish farmers, and other members of fishing communities (especially women) in Aceh Besar and Aceh Utara districts in the Special Province of Nanggroe Aceh Darussalam (NAD) to restore their livelihood assets and income-generating activities.¹</p>
<p>Expected Key Performance Indicators:</p> <ul style="list-style-type: none"> • Capacity of 40 coastal community groups including women is strengthened • 90% of small-scale fishers and fish farmers in 20 coastal villages received technical, financial, and production input assistance and their livelihood activities were restored to pre-tsunami levels • 85% of damaged small-scale fishing boats and equipment, fish ponds, and postharvest facilities in 20 coastal villages are repaired and replaced

III. Grant Categories of Expenditure, Amounts, and Percent of Expenditures

Category	Amount of Grant Allocated in \$	Percentage of Expenditures
1. Civil Works	610,700	24.4
2. Equipment and Supplies	832,400	33.3
3. Training, Workshops, and Seminars	95,600	3.8
4. Consulting Services	256,700	10.3
5. Project Management	107,700	4.3
6. Production Material and Inputs	492,900	19.7
7. Contingencies	104,000	4.2
Total	2,500,000	100.0
Incremental Cost	60,000	2.4

¹ Twenty villages from four subdistricts, namely Baitussalam and Peukan Bada of Aceh Besar district and Samudera and Syamtakira Bayu of Aceh Utara district were identified based on (i) high incidence of poverty among fishers and fish farmers, (ii) lack of extension services, (iii) availability of data and information related to livelihood restoration, (iv) absence of major social and environment issues, and (v) limited external assistance from aid agencies.

**JAPAN FUND FOR POVERTY REDUCTION
JFPR Grant Proposal
Background Information**

A. Other Data

Date of Submission of Application	27 April 2005
Project Officer	Zhou Weidong Senior Agriculture and Natural Resource Management Specialist
Project Officer's Division, E-mail, Phone	Agriculture Environment and Natural Resource Division wzhou@adb.org, tel: (632) 632-5637
Other Staff Needing Access to Edit/Review the Report	Bobur Alimov Project Economist
Sector	Marine and Fisheries
Theme	Poverty/Environment
Was JFPR Seed Money Used to Prepare this Grant Proposal?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Have SRC Comments Been Reflected in the Proposal?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] SRC waived. Interdepartmental comments have been incorporated.
Name of Associated Asian Development Bank-Financed Operations	Earthquake and Tsunami Emergency Support Project Coral Reef Rehabilitation and Management Project Phase II Marine and Coastal Resource Management Project
Executing Agency	Ministry of Marine Affairs and Fisheries
Grant Implementing Agencies	Organization for Industrial, Spiritual and Cultural Advancement (OISCA) Address: Jl. Tebet Timur Dalam II/26, Jakarta Selatan, Indonesia Tel.: (62) 21-829-3787, fax: (62) 21-830-9723. Mr. Tomoji Suzuki, Secretary General, Indonesia E-mail: jisuzuki@cbn.net.id Mr. Kenji Sawada, Chief Representative, Indonesia E-mail: rsawada@indosat.net.id Mr. Adli Abdullah, Secretary General, Panglima Laot Tel. 0651-740-9692

B. Details of the Proposed Grant

1. Description of the Components, Monitorable Deliverables/Outcomes, and Implementation Timetable

Component A

Component Name	Community Empowerment
Cost (\$)	\$417,100
Component Description	This component will support community mobilization and organization of fishers and fish farmers in the communities to enable them to actively participate in livelihood restoration

	<p>activities. Community organizations are critical for helping deliver financial support and technical services provided by the Project. The Project will enhance their capacity to participate in decision-making processes to increase their self-reliance.</p> <p>This component will support (i) social preparation to organize and consolidate community organizations; (ii) rapid participatory assessment of direct beneficiaries, and identification of specific livelihood activities to be restored and livelihood support facilities to be rehabilitated; (iii) participatory planning, skill development, and capacity-building activities that include identification of livelihood activities, livelihood techniques, financial and project management, and environmental conservation.</p>
Monitorable Deliverables/Outputs	<ul style="list-style-type: none"> • 40 coastal community groups, including 10 women's groups, organized • Rapid participatory socioeconomic assessment and livelihood development planning report prepared for 20 villages • 1,500 community members trained on livelihood techniques, financial and project management, and environmental conservation
Implementation of Major Activities: Number of months	20 months

Component B

Component Name	Livelihood Restoration and Development
Cost (\$)	\$ 1,791,400
Component Description	<p>This component will provide technical assistance and financial support or production inputs² to selected small-scale fishers and fish farmers affected by the tsunami to enable them to restart livelihood activities and return their income-generating capacity to pre-tsunami level. Support will be provided to rehabilitate and repair (i) fishing boats, engines, fishing gear, and other equipment; (ii) fish ponds and mariculture facilities; and (iii) community operated fish-landing, storage, and processing areas. The component will provide repair tools and production inputs such as material, fuel, ice and ice boxes, fertilizer, seedlings, feed, and harvest equipment to these small-scale fishers and fish farmers. Specific technical training and supervision will be provided to facilitate the restoration activities and skill development to sustain economically viable livelihood activities.</p>

² A production assistance fund will be allocated to support livelihood restoration activities. It will be utilized and managed by nongovernment organizations (NGOs) and community organizations, including Panglima Laot, to support their identified livelihood activities. The detailed guidelines, criteria, and procedures of use of production assistance funds will be prepared by the selected NGOs in consultation with the communities. At the end of the Project, ownership of the production assistance fund will be based on the decision reached by the NGOs and the communities.

Monitorable Deliverables/Outputs	<ul style="list-style-type: none"> • 200 units of fishing boats (less than five gross ton) repaired and/or replaced • 250 units of fishing equipment and gear repaired/replaced • 200 hectares of small-scale fishponds cleaned, rehabilitated, and in operation; and 10 units of mariculture facilities established • 550 small-scale fishers received production input assistance • 200 fishpond farmers received production input assistance • 5 fish processing facilities and areas repaired and in operation • 10 women's groups received production input assistance for alternative livelihood activities • 1,500 fishers and fish farmers received technical training
Implementation of Major Activities: Number of months	24 months

Component C

Component Name	Project Management Support
Cost (\$)	\$291,500
Component Description	This component will support the following activities: (i) overall project coordination, supervision, management, and monitoring to be assisted by project consultants; (ii) preparation of work plans and major implementation guidelines and procedures for use of project funds for livelihood restoration that adhere to the principles of equity, transparency, and accountability; and (iii) an independent impact assessment and financial audit.
Monitorable Deliverables/Outputs	<ul style="list-style-type: none"> • Comprehensive project work plan, implementation schedule, and guidelines on project support systems prepared • Local nongovernment organizations (NGOs) contracted for community mobilization in 20 villages • Funds budgeted for each component disbursed and utilized • Various reports, including inception, progress, completion, financial, and impact assessment prepared
Implementation of Major Activities: Number of months	24 months

2. Financing Plan for Proposed Grant to be Supported by the JFPR

Source of Finance	Amount (\$)
JFPR	2,500,000.0
Government	110,200.0
Other Sources (NGO contribution)	88,700.0
Total	2,698,900.0

3. Genesis

The 26 December 2004 earthquake and tsunami tragedy brought massive destruction to the otherwise vibrant fisheries sector (including both capture fisheries and aquaculture) in NAD Province. Before the tragedy, fisheries income accounted for 6.5% of Aceh's gross domestic product. It provided employment to about 89,300 or 16% of the province's total coastal population. Most members of the fishing communities are (i) poor artisanal fishers who fish near shore, and (ii) small-scale fish farmers who owned 1–1.5 hectares (ha) of fish ponds and are engaged in less intensive aquaculture activities.

The geographical scale of the disaster is unprecedented, the loss of lives immense, and the level of physical damage significant. The tsunami left at least 126,000 people dead, 94,470 missing, and 412,438 internally displaced. About 600,000 lost their property and economic assets such as fishing boats and equipment, fish ponds, and other infrastructure. Approximately 1 million people in the coastal areas became poorer and worse off as a result of the disaster. Outputs of Aceh's fishing industry are predicted to decrease by 60%. The loss of almost two thirds of the fishing equipment and fishponds, along with the loss of fishers' lives, will significantly lower the capacity to catch and land fish, and reduce the availability of a cheap source of protein to local communities. Recovery of capture/marine fisheries may take longer than 10 years; aquaculture will require approximately 5 years to return to pre-tsunami production levels.

The JFPR Project was conceptualized and developed within this context. It aims to provide technical and financial support to enable poor fishers and small-scale fish farmers to rehabilitate and restore their livelihood activities. The coastal communities became poorer, having lost most if not all of their property and infrastructure, much of their productive capital, and natural resource assets. They need immediate interventions to enable them to support their daily survival needs. The Project was prepared with extensive consultations with the directorates general of the Ministry for Marine Affairs and Fisheries (MMAF), field staff, NGOs, people's organizations, and representatives of local communities.

4. Innovation

The Project will demonstrate innovative processes for identifying, developing, and establishing implementation guidelines for effective livelihood restoration activities for poor fishers and small-scale fish farmers. These processes will enable them to immediately start restoring their income-earning capacity, while comprehensive rehabilitation is under way. Innovative participatory approaches such as participatory appraisals, community planning, and work and production-sharing schemes during project implementation will revitalize fishers and women's groups. They will play crucial roles in the formulation, implementation, and evaluation of community-based management plans for more sustainable use of coastal resources.

5. Sustainability

Project sustainability will be dependent on (i) the capacity of poor fishers, small-scale fish farmers, and women's groups to operate and maintain restored livelihood activities and small-scale production support facilities (i.e., community fish-landing sites and production spaces); (ii) availability of natural resources, capital, and markets; and, (iii) viability of the restored livelihood activities to generate incomes and fuel the economy of local communities. The Project will pilot livelihood restoration activities that use participatory approaches to identify, test, and establish effective livelihood restoration mechanisms and guidelines among the very poor and women's groups. At the same time, conscious efforts will be made to introduce technologies that will not lead to further destruction of the already fragile environment. To ensure continuity of specific

livelihood activities, extensive community mobilization, strengthening of local fishers' organizations, capacity building, marketing assistance, and skills and competency development in project management will be provided.

The Project will support various technical training programs focusing on productivity enhancement in capture, mariculture, and small-scale aquaculture to enable poor fishers and small-scale fish farmers to learn new knowledge and skills. The trained fishers, fish farmers, and women's groups will assume ownership of the Project and continue to expand its gains even after the Project is phased out. The NGOs and communities will determine arrangements for ownership, management, and maintenance of production assistance funds and small-scale production support facilities.

6. Participatory Approach

The Project will adopt participatory processes for restoring and developing livelihood activities. Through regular consultations and dialogue, all stakeholders including national agencies, NGOs, and the members of selected communities will be involved in preparing, selecting, implementing, and monitoring the Project. Local fisher and women's groups will be involved to facilitate key community and local organizational arrangements for project planning, implementation, and evaluation in their own communities. The involvement of local fishers, specifically Panglima Laot, a fishers' organization with members from all over the coastal communities of Aceh, will promote direct participation in decision-making processes and, while doing so, strengthen the capacity of local organizations and groups for community engagement. Local fishers identify closely with Panglima Laot, which forms socioculturally distinct groups in the villages to promote protection of habitats and environments. With the assistance of local government agencies and NGOs, the poor fishers and small-scale fish farmers will be able to identify their specific needs, enhance their ability to design and implement livelihood restoration activities based on their needs, and strengthen their capacity for self-reliance.

Primary Beneficiaries and Other Affected Groups	Other Key Stakeholders
<p>About 1,500 poor fishers, small-scale aquaculture farmers, and women household members from 20 coastal villages of Aceh Besar and Aceh Utara will participate in livelihood restoration and benefit from the immediate technical, financial, and production input assistance provided by the Project.</p>	<ul style="list-style-type: none"> • The project management unit (PMU) under MMAF and the Rehabilitation and Reconstruction Agency (BRR) for Aceh and Nias will be responsible for overall project coordination. • The district coordination unit comprising senior officials of the district government, staff of BAPPEDA (regional development planning agency), Dinas Kelautan dan Perikanan (provincial/district Marine Affairs and Fisheries Service), and other relevant district agencies, will help coordinate project implementation • OISCA and other local NGOs will be responsible for social preparation and mobilization, capacity building, and organizational development. • Panglima Laot will participate actively in preparation, implementation, monitoring, and evaluation, especially at the local level. • 20 coastal communities will be responsible for directly implementing livelihood restoration, rehabilitation, and development activities

7. Coordination

During project preparation, extensive and close consultations were held with other bilateral and multilateral agencies including the World Bank, Food and Agriculture Organization of the United Nations, and the embassy of Japan in Indonesia. Presently, the Food and Agriculture Organization has an assistance program supporting small-scale fishers in Nias, and the World Bank is in the process of preparing a tsunami assistance project for affected coastal villages. Close liaison will be maintained during project implementation; project information will be disseminated to interested bilateral and multilateral agencies in a timely manner.

8. Detailed Cost Table

Please refer to Appendix 1 for detailed cost estimates.

C. Linkage to Asian Development Bank Emergency Assistance Plan

The Earthquake and Tsunami Emergency Support Project (ETESP), approved on 7 April 2005 by the Asian Development Bank (ADB) Board of Directors, provided \$290 million grant financing from the Asian Tsunami Fund to meet disaster management, rehabilitation, and reconstruction needs. About \$30 million is allocated for fisheries. The fisheries component of the ETESP and the JFPR Project have similar focuses, i.e., the provision of technical and financial support for production inputs for fishers and fish farmers to rehabilitate fisheries production systems, infrastructure, and service facilities. However, the ETESP only provides assistance to meet about 25% of the rehabilitation needs of the sector in NAD Province. The JFPR Project will supplement the ETESP by covering additional villages and establishing effective and prompt assistance systems for emergency situations to restore livelihood activities for the very poor and women's groups.

Two ADB-supported projects have been reprogrammed to address similar tsunami-related issues: the ongoing Marine and Coastal Resource Management Project and Coral Reef Rehabilitation and Management Project Phase II³. The memorandums of understanding (MOUs) were signed on 27 January 2005. The reprogrammed funds from these two projects in the amount of \$8 million equivalent are available for restoration and development of livelihoods of fisherfolk and assessment of coastal ecosystems in North Sumatra and Aceh coasts using facilities of the research vessel Baruna Jaya. The livelihood activities will be undertaken in selected coastal villages in Nias and Nias Selatan districts in North Sumatra, and Simeuleue and Sabang districts in Aceh Province and do not have any geographical overlap with the JFPR-financed Project. The assessment of coastal ecosystems will cover the areas of the JFPR-financed Project.

In parallel with this Project, another JFPR grant (\$1.5 million) proposal for the Rehabilitation of Coral Reef and Mangrove Resources in the Special Province of Nanggroe Aceh Darussalam is being prepared to help coastal communities in Banda Aceh and Aceh Besar to restore coastal natural resources. This proposed JFPR project has three components: community organization, community-based coastal resource rehabilitation and management, and project management support. The Project will rehabilitate about 300 ha of mangroves and 30 ha of coral reefs in 30 coastal villages. Although both projects will cover Aceh Besar, they will assist different coastal

³ ADB. 2000. *Report and Recommendation to the President to the Board of Directors on a Proposed Loan to the Republic of Indonesia for the Marine and Coastal Resource Management Project*. Manila (Loan 1770[Sf]-INO); and ADB. 2002. *Report and Recommendation to the President to the Board of Directors on a Proposed Loan to the Republic of Indonesia for the Coral Reef Rehabilitation and Management Project, Phase II*. Manila (Loan 1962[Sf]-INO).

communities, thus avoiding overlap of assistance. However, both projects will have the same executing agency, MMAF, and lead NGO; this will facilitate better coordination and monitoring.

Document	Document Number	Date of Last Discussion	Objectives
Earthquake and Tsunami Emergency Support Project	ADB Grant 0002 – INO (SF)	ADB Board approval on 7 April 2005	The overall objective of the ETESP is to help rebuild the affected regions and support their economic revival to meet the Millennium Development Goals. Its purpose is to (i) facilitate economic revival in the affected regions, through restoration of livelihoods; and (ii) alleviate constraints faced by the lack of adequate public goods and facilities, through restoration of essential public services and rebuilding of infrastructure.
Marine and Coastal Resource Management Project	ADB Loan 1770(SF)-INO	MOU between the Government and ADB on reprogramming signed on 27 January 2005	The project objective is to achieve sustainable management of marine and coastal resources and biodiversity, and protection of the environment in Indonesia. The project is being implemented in priority areas of 15 provinces.
Coral Reef Rehabilitation and Management Project (Phase II)	ADB Loan. 1962(SF)-INO	MOU between the Government and ADB on reprogramming signed on 27 January 2005	The project objectives are to (i) enhance national and local capacity to manage the country's coral reef resources, and (ii) rehabilitate and effectively manage priority coral reef ecosystems, thereby raising income levels and improving living conditions of poor coastal communities. The project is being implemented in Riau, North Sumatra, and West Sumatra.
Rehabilitation of Coral Reef and Mangrove Resources in the Special Province of Nanggroe Aceh Darussalam	Proposed JFPR grant	The grant proposal was endorsed by the Government of Japan on 11 July 2005	The principal objective of the Project is to raise incomes of poor coastal communities in Aceh Besar district and Banda Aceh in the Special Province of Nanggroe Aceh Darussalam (NAD) by rehabilitating and sustainably managing coral reef and mangrove resources damaged by the December 2004 tsunami

D. Implementation of the Proposed Grant

MMAF is the Executing Agency for the JFPR Project. It has the mandate for marine and fisheries development and coastal resource management, including coastal community development. The PMU, established at MMAF for the ETESP, will be responsible for overall coordination of the Project. The PMU will also coordinate with the Rehabilitation and Reconstruction Agency (BRR) for Aceh and Nias to facilitate project implementation. The implementing agencies will be the lead NGO (OISCA), local NGOs, and fisher associations (Panglima Laot) in project districts.

NGOs, fisheries associations, and academic institutions will be contracted to implement the Project. They will be responsible for preparing, managing, and monitoring livelihood projects; and providing assistance to poor fishers, fish farmers, and their communities to access financial and marketing systems. Organized fishers, fish farmers, and other community groups will be given priority for contracts for rehabilitation and repair work under the component.

ADB will administer the grant in accordance with supervisory fiduciary responsibilities for due diligence, economy and efficiency, and compliance with the simplified and expedient procedures permitted under the ADB Disaster and Emergency Assistance Policy, Loan Disbursement Handbook, Guidelines for Procurement, and Guidelines on the Use of Consultants. To ensure sustainability and to achieve the Project's social objectives, procurement, specifications, and contract packaging will be adapted to involve local communities and NGOs, use local knowledge and materials, and use labor-intensive and other technologies. The funds flow arrangement is presented in Appendix 2. MMAF and the implementing agencies were advised of the need to maintain transparency and accountability when procuring goods and services, as required under the ADB Anticorruption Policy. The detailed implementation arrangements are described in Appendix 3.

1. Implementing Agencies

<p>OISCA</p>	<p>Organization for Industrial, Spiritual and Cultural Advancement (OISCA), a Japanese international NGO, to be recruited by ADB under direct selection procedures in accordance with the Guidelines on the Use of Consultants, will be responsible for the day-to-day implementation of the Project as the lead NGO.</p> <p>Established in 1961, OISCA is a voluntary organization that contributes to environmentally sustainable development through a holistic approach emphasizing the interconnectedness of agriculture, ecological integrity, human spirit, and community development. To accomplish this, OISCA implements and advocates hands-on experiential programs for people of all ages, such as transmitting knowledge and skills, and cultivating such spiritual qualities as dedication, self-reliance, and universal brother- and sisterhood.</p> <p>OISCA's major sources of financial support include the Government of Japan (ministries of Foreign Affairs; of Agriculture, Forestry, and Fisheries; of Manpower; and of Economy and Industry); the private sector; and members' fees.</p> <p>As of end-2004, OISCA had a total of \$12 million equivalent for its operations. In view of its extensive experience and established networks and resources, OISCA is considered by ADB to be the most appropriate organization to lead the implementation of the proposed Project to be financed by the JFPR grant.</p>
---------------------	---

Panglima Laot	Panglima Laot, a traditional fishers' organization that existed prior to the disaster, will be engaged at the local level to work with the lead and local NGOs contracted for this Project. There are 147 local autonomous chapters throughout NAD, but overall coordination and synchronization of organizational activities are done at the provincial level. The members are spread throughout the coastal villages of the province and are represented by 173 group leaders. The traditional role of Panglima Laot is mainly resolving conflicts among fisher communities, organizing rescue at sea, serving as liaison between fishers and government agencies, and establishing local rules and regulations for fishers. The credibility of Panglima Laot in rendering services to fisher communities will be crucial in social mobilization activities and in determining transparent and open mechanisms for the delivery of project benefits.
----------------------	--

2. Risks Affecting Grant Implementation

Type of Risk	Brief Description	Measure to Mitigate the Risk
Political and Institutional	<p>Political instability due to the history of prolonged conflicts in NAD</p> <p>Lack of capacity and adequate qualified local staff assigned to the Project</p>	<p>The mitigating factor is the level of seriousness and commitment that the Government has shown in providing relief and humanitarian assistance and coordination, preparing the rehabilitation and reconstruction strategy, being sensitive to the need for involvement of Acehnese, and mobilizing external assistance. The political risk will be mitigated by adoption of a fully participatory approach for design and implementation of the rehabilitation and reconstruction program. All parties, including central and district governments, NGOs, fisher associations, and communities expressed their strong support of the Project.</p> <p>Assurances have been received from MMAF and participating local governments to assign qualified staff for the Project and tsunami activities. The institutional capacity risk will be mitigated with the help of the ETESP, which includes support for local government capacity</p>

Type of Risk	Brief Description	Measure to Mitigate the Risk
	<p>Coordination and cooperation among government, NGOs, and local communities</p>	<p>building in all sector and subproject interventions, and provides adequate technical assistance support for project management and implementation.</p> <p>Clearly defining roles and functions of government, NGOs, and communities, and carefully selecting local NGOs will help project implementation. This risk will be mitigated by aligning implementation arrangements with the ETESP. The project management consultant will be placed in the PMU, which will coordinate with Rehabilitation and Reconstruction Agency (BRR) for Aceh and Nias. The role and functions of national, provincial, and district governments; NGOs; fisher associations; and local communities in project implementation will be clearly defined.</p>
<p>Governance</p>	<p>Problems of corruption. Transparency and accountability of the implementing agencies, and organized communities.</p>	<p>Transparency and audits will mitigate the risk of corruption. Guidelines for accounting and accountability and record keeping will be established by the lead NGO with sound accounting principles. An independent public accountant will be engaged by the EA to conduct yearly financial audits related to project implementation. Annual audits will be undertaken at the end of each year of implementation. Audit reports should include a separate audit opinion on the use of the special account and statement of expenditure procedures. In addition to these measures, ADB and project consultant will closely monitor the use of grant funds and approval of specific project activities and budget. All records, receipts, certificates and other documents related to cash and in-kind</p>

Type of Risk	Brief Description	Measure to Mitigate the Risk
		assistance will be properly maintained and made available to ADB for verification. Random performance audits will be conducted to ensure funds have need used properly. Disclosure of information to the public will be provided through posting of project inputs on community bulletin boards. The Project will use grievance review and resolution mechanisms adopted under the ETESP.
Infrastructure and Support Facilities	The tsunami destroyed an estimated 55% of fishing ports and fish-landing sites. MMAF lost almost 90% of its support facilities. Likewise, roads and bridges are damaged. The lack of infrastructure may affect livelihood opportunities, especially if production input materials must be sourced from outside of the community.	The social infrastructure developed under the ETESP will help mitigate the risk. The Project will also rehabilitate small-scale infrastructure (i.e., community fish-landing and fish processing spaces) that require less civil works and can be put to use immediately.

3. Incremental ADB Costs

Component	Incremental Cost
Amount Requested	\$60,000
Justification	The services of a project management and implementation expert are required for proper monitoring and supervision of JFPR-funded activities. The incremental costs will cover one staff consultant—project management and financial specialist—to coordinate overall implementation and financial management, work with OISCA; and develop guidelines, procedures, and project supporting systems to implement and monitor livelihood restoration activities. The consultant will be required for 18 person-months of intermittent inputs over 2 years at an estimated cost of \$60,000.
Type of Work to be Rendered by ADB	The project staff consultant will (i) develop a project implementation manual; (ii) help set up a project implementation unit; (iii) together with OISCA, prepare a work plan and implementation and financial schedule; (iv) work with OISCA to procure project equipment and materials, and recruit local NGOs based on relevant ADB policies and guidelines; (v) monitor, supervise, and coordinate overall project implementation, financial systems, and progress; (vi) coordinate with ADB, the project implementation unit, and OISCA; and (vii) assist ADB in conducting inception and regular review missions.

4. Monitoring and Evaluation

Key Performance Indicator	Reporting Mechanism	Plan and Timetable
<ul style="list-style-type: none"> • 40 coastal community groups including 10 women's groups reorganized • Rapid participatory socioeconomic and skill development assessment, and livelihood development planning report prepared for 20 villages • 1,800 community members trained on livelihood techniques, financial and project management, and environmental conservation • 200 units of fishing boats (less than 5 gross ton) repaired and replaced • 250 units of fishing equipment and fishing gear repaired and replaced • 200 ha of small-scale fishponds cleaned out, rehabilitated, and in operation • 550 small-scale fishers received production input assistance • 200 fishpond farmers received production input assistance • 5 fish-processing facilities and areas repaired and in operation • 10 women's groups received production input assistance for other alternative livelihood • 1,500 fishers and fish farmers, including women, received technical training • Comprehensive project work plan and implementation schedule prepared • Criteria, guidelines, and procedures prepared and implemented • Various reports, including inception, progress, completion, financial, and impact assessment prepared 	<ul style="list-style-type: none"> • Inception report • Quarterly progress reports • Annual project review reports • Implementation completion memorandum • Socioeconomic and skill assessment and development report • Impact assessment report 	<p>Project inception stage, annual review missions, and project completion report at the project completion</p> <p>Implementing agency will prepare and submit quarterly progress reports during project implementation. A poverty impact assessment will be conducted at the end of the Project.</p>

5. Estimated Disbursement Schedule

Fiscal Year (FY)	Amount (\$)
FY2005	600,000
FY2006	1,600,000
FY2007	300,000
Total Disbursements	2,500,000

Appendixes

1. Detailed Cost Estimates
2. Fund Flow Arrangement
3. Implementation Arrangements

SUMMARY OF COST ESTIMATES (\$)

<div style="text-align: center;"> <p>Inputs / Expenditure Category</p> <p>Grant Components</p> </div>	Component A Community Empowerment	Component B Livelihood Restoration and Development	Component C Project Management Support	Total (Input)	Percent
1. Civil Works	107,200	503,500		610,700	24.4
2. Equipment and Supplies	61,600	675,000	95,800	832,400	33.3
3. Training, Workshops, and Seminars	30,000	40,000	25,600	95,600	3.8
4. Consulting Services	125,400	45,000	86,300	256,700	10.3
5. Project Management and Coordination	58,800	48,900		107,700	4.3
6. Other Inputs and Materials	22,100	399,000	71,800	492,900	19.7
7. Contingencies (0-10% of total estimated grant fund)	12,000	80,000	12,000	104,000	4.2
Subtotal JFPR Grant Financed	417,100	1,791,400	291,500	2,500,000	100.0
Government Contribution	19,800	33,000	57,400	110,200	
Nongovernment Organization and Fisher Association Contributions	36,100	52,600		88,700	
Total Estimated Costs	473,000	1,877,000	348,900	2,698,900	
Incremental Costs				60,000	2.4

DETAILED COST ESTIMATES (\$)

Code Supplies and Services Rendered		Costs				Contributions			
		Unit	Quantity Units	Cost Per Unit	Total \$	JFPR		Government	NGOs
						Amount	Method of Procurement		
Component A. Community Empowerment				Subtotal	473,000	417,100		19,800	36,100
1.1	Civil Works								
1.1.1	Demonstration Plot								
	a. Aquaculture	Unit	4	6,000	24,000	19,200	DP		4,800
	b. Mariculture and Silviculture	Unit	4	6,000	24,000	19,200	DP		4,800
	c. Hatchery	Unit	4	3,000	12,000	10,800	DP		1,200
	d. Others and Storage	Unit	4	5,000	20,000	16,000	DP		4,000
1.1.2	Other Community Facilities								
	a. Community Meeting Halls	Unit	20	2,000	40,000	28,000	DP	8,000	4,000
	b. Community Storage Rooms	Unit	20	1,000	20,000	14,000	DP	4,000	2,000
1.2	Equipment and Supplies								
1.2.1	Demonstration Equipment								
	a. Aquaculture (pumps and aerators)	Unit	4	1,000	4,000	4,000	DP		
	b. Mariculture and Silviculture	Unit	4	500	2,000	2,000	DP		
	c. Hatchery (filter and aerators)	Unit	4	500	2,000	2,000	DP		
	d. Gears and Nets	Unit	4	500	2,000	2,000	DP		
	e. Processing (freezers, processors, etc.)	Unit	4	2,500	10,000	10,000	DP		
	f. Tanks, Containers, and Others	Unit	4	1,500	6,000	6,000	DP		
1.2.2	Boats and Generators								
	a. Operational and Demonstration Boats	Unit	4	3,000	12,000	12,000	DP		
	b. Generator Set	Unit	4	1,500	6,000	6,000	DP		
1.2.3	Material and Supplies								
	a. For Demonstration Activities	Unit	4	3,000	12,000	9,600	DP	2,400	
	b. For Equipment and Supplies	Unit	4	2,000	8,000	8,000	DP		
1.3	Training, Workshops, Seminars								
1.3.1	Community Training	Unit	20	1,000	20,000	20,000	DP		
1.3.2	Workshop	Unit	10	1,000	10,000	10,000	DP		

		Costs				Contributions			
Code	Supplies and Services Rendered	Unit	Quantity Units	Cost Per Unit	Total \$	JFPR		Government	NGOs
						Amount	Method of Procurement		
1.4	Consulting Services								
1.4.1	PRA and Community Mobilization								
	a. Sociologist/Gender Specialist	Person-month	3	1,500	4,500	4,500	SICS		
	b. Social Economist/Community Development	Person-month	6	1,500	9,000	9,000	SICS		
	c. Training Specialist	Person-month	3	1,500	4,500	4,500	SICS		
	c. Community Workers/Village Facilitators	Person-month	480	200	96,000	86,400	SICS		9,600
1.4.2	Skill/Livelihood Development								
	a. Financial Management Specialist	Person-month	2	1,500	3,000	3,000	SICS		
	b. Fishing Boat Operation Specialist	Person-month	2	1,500	3,000	3,000	SICS		
	c. Aquaculture/Mariculture Specialist	Person-month	2	1,500	3,000	3,000	SICS		
	d. Small Industry Specialist	Person-month	2	1,500	3,000	3,000	SICS		
	e. Fish Processing Specialist	Person-month	2	1,500	3,000	3,000	SICS		
	f. Marketing Specialist	Person-month	2	1,500	3,000	3,000	SICS		
	g. Marine Environmental Specialist	Person-month	2	1,500	3,000	3,000	SICS		
1.5	Management and Coordination of this Component								
1.5.1	Project Administration and Management								
	a. Field Management and Reports	Unit	4	3,000	12,000	10,200	DP	1,200	600
	b. Travel and Per Diem	Unit	4	4,000	16,000	13,600	DP	1,600	800
	c. Financial Management, Audits, and Evaluation	Unit	4	2,000	8,000	8,000	DP		
	d. Organized Community Management and	Unit	20	1,500	30,000	27,000	DP		3,000
1.6	Other Project Inputs								
1.6.1	Production Inputs (feeds, seeds & fertilizers, materials, and labor)	Unit	4	3,000	12,000	10,200	DP	1,200	600
1.6.2	O&M (fuel, ice, etc.)	Unit	4	3,500	14,000	11,900	DP	1,400	700
1.7	Contingencies	Unit	4	3,000	12,000	12,000			
Component B. Livelihood Restoration and Development				Subtotal:	1,877,000	1,791,400		33,000	52,600
2.1	Civil Works								
2.1.1	Aquaculture Restoration								
	a. Fish Pond and Related Facilities	Unit per hectare	200	2,000	400,000	380,000	DP		20,000
	b. Mariculture and Related Facilities	Unit	10	3,000	30,000	28,500	DP		1,500
	c. Hatchery	Unit	4	5,000	20,000	19,000	DP		1,000

		Costs				Contributions			
Code	Supplies and Services Rendered	Unit	Quantity Units	Cost Per Unit	Total \$	JFPR		Government	NGOs
						Amount	Method of Procurement		
2.2	Equipment and Supplies								
2.2.1	Fishing Boats and Related								
	a. Boats	Unit	200	2,000	400,000	400,000	DP		
	b. Engines	Unit	250	500	125,000	125,000	DP		
	c. Gears	Unit	250	200	50,000	50,000	DP		
2.2.2	Aquaculture and Related								
	a. Pumps, Aerators, and Others	Unit	200	300	60,000	60,000	DP		
2.2.3	Fish Processing and Related								
	a. processors (dryers, cookers, freezers, ice boxes, etc.)	Group	40	1,000	40,000	40,000	DP		
2.3	Training, Workshops, Seminars								
2.3.1	Training	Unit	20	1,000	20,000	20,000	DP		
2.3.2	Workshops	Unit	10	2,000	20,000	20,000	DP		
2.4	Consulting Services								
2.4.1	Technical Supervision and Assistance								
	a. Fishing Boat Operation Specialist	Person-month	6	1,500	9,000	9,000	SICS		
	b. Aquaculture/Mariculture Specialist	Person-month	6	1,500	9,000	9,000	SICS		
	c. Fisheries Infrastructure Engineers	Person-month	6	1,500	9,000	9,000	SICS		
	d. Fish Processing Specialist	Person-month	6	1,500	9,000	9,000	SICS		
2.4.2	e. Microenterprise and Marketing Development	Person-month	6	1,500	9,000	9,000	SICS		
2.5	Management and Coordination of this Component								
2.5.1	Wages								
	a. Local Advisory Support (Technical coordination)	Person-month	6	1,500	9,000	9,000	DP		
	b. Market Information Grading	Person-month	6	1,000	6,000	6,000	DP		
2.5.2	Project Management and Supervision								
	a. NGO supervision	Unit	6	2,000	12,000	8,400	DP		3,600
	b. Travel and Per Diem	Lump sum	1	30,000	30,000	25,500	DP	3,000	1,500
2.6	Other Project Inputs (production inputs and O&M)								
2.6.1	Production Inputs Assistance (feeds, seeds, fertilizers, material, and labor.) and Labor								
	a. Capture Fisheries	Unit	200	1000	200,000	180,000	DP	10,000	10,000
	b. Aquaculture	Unit per hectare	200	1,000	200,000	180,000	DP	10,000	10,000
	c. Processing and Others	Unit	20	1,000	20,000	18,000	DP	1,000	1,000
2.6.2	Extension Service Support	Person-month	20	1,500	30,000	21,000	DP	9,000	
2.7	Contingencies	Unit	20	4,000	80,000	80,000			

		Costs				Contributions			
Code	Supplies and Services Rendered	Unit	Quantity Units	Cost Per Unit	Total \$	JFPR		Government	NGOs
						Amount	Method of Procure- ment		
Component C - Project Management Support				Subtotal:	348,900	291,500		57,400	
3.1	Equipment and Supplies								
3.1.1	Equipment								
	a. Computer and Accessories (PMU, lead and local NGOs)	Unit	6	2,000	12,000	12,000	DP		
	b. Laser Printer	Unit	4	1,000	4,000	4,000	DP		
	c. Photocopiers	Unit	4	1,500	6,000	6,000	DP		
	d. Communication Equipment	Unit	6	1,000	6,000	6,000	DP		
	e. Furniture	Unit	6	1,000	6,000	6,000	DP		
	f. Office Rental	Unit	4	5,000	20,000	12,000	DP	8,000	
	j. Cameras and Scuba diving (PMU, national and local NGOs)	Unit	2	1,500	3,000	3,000	DP		
3.1.2	Vehicles and Motorcycles								
	a. Vehicles (local use)	Unit	1	25,000	25,000	25,000	DP		
	b. Motorcycles (local use)	Unit	6	1,500	9,000	9,000	DP		
3.1.3	Materials and Supplies								
	a. Office Supplies	Lump sum	1	8,000	8,000	6,400	DP	1,600	
	b. Materials	Lump sum	1	8,000	8,000	6,400	DP	1,600	
3.2	Training, Workshops, Seminars								
3.2.1	Workshop	Unit	8	2,000	16,000	16,000	DP		
3.2.2	Training	Unit	8	1,200	9,600	9,600	DP		
3.3	Consulting Services (project management, monitoring and evaluation)								
3.3.1	External Audit/Public Accountant	Person-month	3	5,000	15,000	15,000	SICS		
3.3.2	Technical and environmental assessment	Person-month	3	3,000	9,000	9,000	SICS		
3.3.3	Project Supervision and Monitoring	Person-month	24	1,200	28,800	28,800	SICS		
3.3.4	Technical Supervision Team	Team	1	20,000	20,000	20,000	SICS		
3.3.5	Impact Assessment	Team	1	13,500	13,500	13,500	SICS		
3.4	Other Project Inputs (PMU, IA and two districts Administration Expenses)								
3.5.1	Communications	Lump sum	4	3,000	12,000	8,400	DP	3,600	
3.5.2	Administration	Lump sum	4	3,000	12,000	8,400	DP	3,600	
3.5.3	Reporting	Lump sum	4	2,000	8,000	8,000	DP		
3.5.4	Travel and Per diem	Lump sum	4	10,000	40,000	24,000	DP	16,000	
3.5.5	O&M	Lump sum	4	11,500	46,000	23,000	DP	23,000	

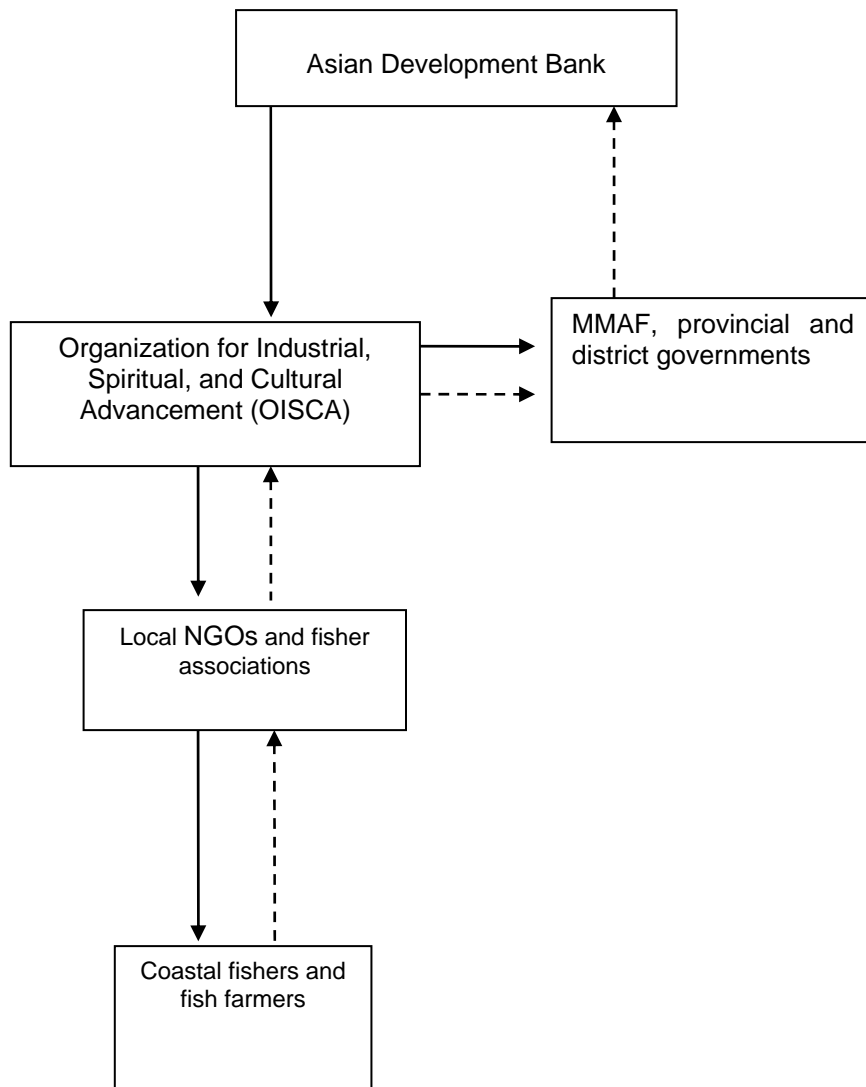
		Costs				Contributions			
Code	Supplies and Services Rendered	Unit	Quantity Units	Cost Per Unit	Total \$	JFPR		Government	NGOs
						Amount	Method of Procurement		
3.5	Contingencies	Unit	4	3,000	12,000	12,000			
	Subtotal (A+B+C)			Subtotal:	2,698,900	2,500,000		110,200	88,700
	Contingency (Maximum 10% of total JFPR Contribution)				104,000				
	Total Grant Costs			Total:		2,500,000			
	Incremental Cost Details:				60,000				
	Total Incremental Costs				60,000				

DP=direct procurement NGO= nongovernment organization SICS=standard individual consultant selection
Source: Asian Development Bank estimates.

FUND FLOW ARRANGEMENTS

1. An imprest account will be opened in a commercial bank and operated by the lead implementing agency (lead nongovernment organization [NGO]) through the project management unit established under the Ministry of Marine Affairs and Fisheries, under the statement of expenditure procedures. The special account will be established, managed, replenished, and liquidated in accordance with the provisions set forth in ADB's *Loan Disbursement Handbook*. Local NGOs and fisher associations will prepare budget requirements based on the proposed rehabilitation activities and submit the budget requirements to the lead NGO. The lead NGO with help of a project management consultant will consolidate the budget requirements and forward them to the Executing Agency (EA) for review and approval. Upon its approval, the EA will send a formal request to the Asian Development Bank (ADB) for fund release. The approved budget will be disbursed to the lead NGO, which will maintain separate JFPR accounts for both the lead and local NGOs. The initial fund deposit will be based on the estimated expenditures for 6 months, but will not exceed the equivalent of \$500,000. Future replenishment of the imprest account held by the lead NGO will be based on the liquidation of the special account, while the ceiling of the special account will be adjusted based on the evaluation of previous funds absorption and revised contractual arrangements. The ceiling for the statement expenditures is \$30,000. The funds-flow and disbursement arrangement is shown in Figure A2.
2. The interest earned on JFPR accounts can be used, subject to ADB's approval within the approved total amount of JFPR grant, and any unutilized interest should be returned to the JFPR fund account maintained in ADB, upon completion of the Project and before closing of the JFPR accounts with the implementing agency.
3. Transfers to the independent public accountant will be based on contractual arrangements between that accountant, the EA, and the lead implementing agency, and will be endorsed by ADB.

Figure A2: Funds-Flow Arrangement



Notes:

- - -> Budget approval and reporting
- > Funds flow

MMAF = Ministry of Marine Affairs and Fisheries; NGO = nongovernment organization.

IMPLEMENTATION ARRANGEMENTS

A. Executing and Implementing Agency

1. The Executing Agency (EA) for the Project will be the Ministry of Marine Affairs and Fisheries (MMAF). The coordination of all project activities will be the responsibility of the project management unit (PMU), which will be established in MMAF to support implementation of the Asian Development Bank (ADB)-financed Earthquake and Tsunami Emergency Support Project. The PMU will coordinate with the Rehabilitation and Reconstruction Agency (BRR) for Aceh and Nias established by the Government with responsibility for all disaster management, rehabilitation, and reconstruction activities supported by funding agencies.

2. At a regional level, a regional coordination unit under the overall tsunami emergency assistance coordination body will have senior officials of provincial and district governments, staff of BAPPEDA (regional development planning agency), *dinas Kelautan Dan Perikanan* (provincial/district Marine Affairs and Fisheries Service) and other relevant provincial and district agencies involved in coastal community development, nongovernment organizations (NGOs), or local academic institution representatives and representatives of coastal communities.

3. The implementing agencies of the Project will be the lead NGO (Organization for Industrial, Spiritual and Cultural Advancement [OISCA]), local NGOs, and fisher associations in project areas. OISCA will be directly recruited by ADB as lead implementing agency to implement the JFPR-financed project by providing required capacity building, interregional marketing assistance, and overall local NGO coordination. Local NGOs will be recruited by OISCA to assist in implementation of project activities. Panglima Laot, a fisher association in Aceh, will also be directly selected by OISCA to implement coastal natural resource rehabilitation and alternative livelihood activities. Organized fisher groups will be given priority to be contracted to carry out the rehabilitation and repair work under the JFPR-financed project.

B. Procurement and Consulting Services

4. The grant will be administered by ADB in accordance with supervisory fiduciary responsibilities for due diligence, economy and efficiency, and compliance with the simplified and expedient procedures permitted under the ADB *Disaster and Emergency Assistance Policy*, ADB's *Loan Disbursement Handbook*, *Guidelines for Procurement* and the *Guidelines on the use of Consultants*. A project management consultant will be recruited by ADB. The terms of reference for local NGOs, research institutions, and consultant will be summarized in the project implementation manual to be prepared before project inception.

5. All procurement will be conducted in accordance with ADB *Guidelines for Procurement*. Goods and services below \$100,000 will be procured using direct purchase procedure. Goods and services above \$100,000 will be procured using international shopping procedure. For civil works, direct negotiation/single tender or local competitive bidding procedure will be applied. No international competitive bidding is envisaged under the Project.

6. The Project will require consulting services (project management, small-scale capture fisheries and aquaculture, fisheries infrastructure and processing, financial management, social development, environment, and marketing specialists) to support project management, technical supervision, and skills development; to conduct detailed technical, environmental, and impact assessments; and to design rehabilitation activities. To ensure sustainability and to achieve the social objectives of the Project, procurement, specifications, and contract packaging of project

components will be adapted to involve local communities and NGOs, to use local knowledge and materials, and to use labor-intensive and other technologies.

C. Reporting and Project Monitoring

7. The local NGOs will prepare quarterly progress reports. The lead NGO will be responsible for compiling quarterly progress and annual review reports with the assistance of a project management consultant. These reports will be submitted to the EA and ADB. The quarterly progress reports will include descriptions and evaluations of various project activities implemented during the reporting period. Recommended solutions will be included to address constraints affecting project implementation. An implementation completion memorandum and a project impact assessment report will be prepared by the implementing agency and submitted to the EA and ADB within 3 months after the project has ended.

8. An independent public accountant will be engaged by the EA to conduct yearly financial audits related to project implementation, undertaken at the end of each year of implementation. Audit reports should include a separate audit opinion on the use of the special account and statement of expenditure procedures.

9. Within ADB, a project officer will be assigned to administer the JFPR Project, monitor progress reports, and undertake project review missions. The project officer will be assisted by a project management consultant. Overall administration of the Project and project status reports will be the responsibility of the Agriculture, Environment and Natural Resources Division of the Southeast Asia Department.

D. Implementation Schedule

10. The project will be implemented over 2 years starting in August 2005 and ending in August 2007.