
GRANT NUMBER 0034-CAM(SF)

GRANT AGREEMENT
(Special Operations)

(Tonle Sap Sustainable Livelihoods Project)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 9 MARCH 2006

GAS:CAM 39603

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 9 March 2006 between THE KINGDOM OF CAMBODIA (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to ADB for a grant for the purposes of the Project described in Schedule 1 to this Grant Agreement;

(B) the Recipient has also applied to the Government of Finland for a grant to finance portions of the Project; and

(C) ADB has agreed to provide a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 (the "Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein, subject to the following modifications.

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

(a) "CARD" means the Council for Agricultural and Rural development of the Recipient, and any successor thereto;

(b) "CLF" means the Community Livelihood Fund to be established pursuant to paragraph 7 of Schedule 5 to this Loan Agreement;

(c) "CLFT" means any one of the Community Livelihood Facilitation Team to be established in each of the Project Provinces (as defined below) pursuant to paragraph 3 of Schedule 5 to this Loan Agreement;

(d) "CNMC" means the Cambodia National Mekong Committee of the Recipient, and any successor thereto;

(e) "CPBC" means the Commune Planning and Budgeting Committee;

(f) "DOF" means the Department of Fisheries under the MAFF (as defined below), and any successor thereto;

(g) "IFREDI" means the Inland Fisheries Research and Development Institute;

(h) "MAFF" means the Ministry of Agriculture, Forestry and Fisheries of the Recipient, and any successor thereto;

(i) "MEF" means the Ministry of Economy and Finance of the Recipient, and any successor thereto;

(j) "MOE" means the Ministry of Environment of the Recipient, and any successor thereto;

(k) "MOI" means the Ministry of Interior of the Recipient, and any successor thereto;

(l) "MOWA" means the Ministry of Women's Affairs of the Recipient, and any successor thereto;

(m) "NGO" means non-government organization;

(n) "PLAU" means the Provincial Local Administration Unit within MOI's Department of Local Administration;

(o) "Project Executing Agency" for the Purpose of, and within the meaning of, the Grant Regulations means the MOI which is responsible for carrying out the Project;

(p) "Project facilities" means the buildings, equipment and vehicles provided under the Project;

(q) "Project Provinces" means Battambang, Kampong Thom, Kampong Chhnang, Pursat and Siem Reap;

(r) "TSBR" means the Tonle Sap Biosphere Reserve; and

(s) "TSEMP" means the ADB-financed Tonle Sap Environmental Management Project (Loan No.1939).

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources on terms and conditions set forth in this Agreement an amount of fifteen million dollars (\$15,000,000).

ARTICLE III

Use of Proceeds of the Grant

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

Section 3.02. The goods and services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant among different categories of such goods and services and other items of expenditure shall be in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 and Schedule 4 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of goods and services shall be made only on account of expenditures relating to

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

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2010 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

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

Section 4.02. (a) The Recipient shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts

and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

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

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Grant, and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: A Project Steering Committee headed by the Secretary General of CARD shall have been established and all necessary staff, with qualifications acceptable to ADB, shall have been appointed.

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

ARTICLE VI

Miscellaneous

Section 6.01. MEF of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

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

For the Recipient

Ministry of Economy and Finance
The Royal Government of Cambodia
Phnom Penh, Cambodia

Facsimile Number:

(855 23) 428-424.

For ADB

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

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

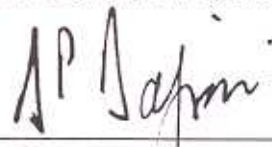
(632) 636-2444
(632) 636-2187.

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

KINGDOM OF CAMBODIA

By 
AUN PORN MONIROTH
Authorized Representative

ASIAN DEVELOPMENT BANK

By 
SHYAM P. BAJPAI
Country Director
Cambodia Resident Mission

SCHEDULE 1

Description of the Project

1. The Project aims to increase access to assets in the Project Provinces. The Project components are as follows:

Component 1: Support to Community-Driven Development

A. Establish a Community Livelihood Fund

establish a CLF to provide grant financing for eligible small-scale community-driven activities.

B. Design and Implement Livelihood Investment Packages

- (i) assist existing demand-based organizations including community fisheries in the formulation of proposals for funding under the CLF;
- (ii) assist to establish village or commune special interest groups; and
- (iii) set up guidelines for proposals for activities eligible under the CLF.

Component 2: Safeguarding of the Core Areas

A. Establish an Information Base on Core Areas

- (i) review and describe the operations of fishing lots in the core areas;
- (ii) establish a database of biological and socioeconomic information as a subset of the TSBR Environmental Information Database; and
- (iii) build the capacity of the TSBR Secretariat to manage the information base.

B. Institute a Management System for Core Areas

- (i) establish the position of Core Areas Coordinator in the TSBR Secretariat;
- (ii) assist the TSBR Secretariat to develop, conclude, and implement a management and protection agreement for core areas between the CNMC, DOF, MOE, and other stakeholders;
- (iii) develop a detailed plan and schedule for the removal of the fishing lots;
- (iv) identify and select means of maximizing the conservation of natural resources in the core areas;

Schedule 1

- (v) identify all current classes of direct users of the core areas and prepare a livelihoods development and support plan, including:
 - (a) priority interventions in support of livelihoods for poorer groups that might be affected by the removal of the fishing lots; and
 - (b) activities to embed the protection and management of the core areas in the livelihoods of neighboring communities;
- (vi) identify and recommend alternative livelihoods for the population of Boeng Tonle Chhmar;
- (vii) assess the operations of the fishing lots and prepare recommendation for mitigation measures to DOF for immediate action and inclusion in the burden books of the lots;
- (viii) plan and propose systems for management of the core areas, as well as monitoring and evaluation;
- (ix) identify, jointly with DOF, IFREDI, MOE, and the TSBR Secretariat the mechanisms to ensure compliance; and
- (x) propose incorporation of the additional potential core areas identified under TSEMP.

C. Institute an Improved Network of Fish Sanctuaries

- (i) assess the function of fish sanctuaries against fish productivity in the Tonle Sap;
- (ii) determine the optimum number, location, and size of fish sanctuaries; and
- (iii) formulate recommendations for use and management of fish sanctuaries.

Component 3: Skills and Awareness Building for Sustainable LivelihoodsA. Improve Coordination for Community-Driven Development

- (i) review and recommend the institutional arrangements, including role, functions, terms of reference, structure, budget, and staff complement, to enable CARD to better coordinate with ministries, facilitate policy formulation, and harmonize external assistance for agricultural and rural development;
- (ii) prepare a work plan and provide training to staff of CARD in updating the work plan; and

- (iii) build the capacity of CARD to enable CARD to complete critical tasks effectively, efficiently, and more inclusively.

B. Enhance the Skills Base for Community-Driven Development

- (i) raise awareness at central, provincial, district, and commune levels with respect to the CLF and establish a project information center in each of the Project Provinces;
- (ii) provide training in participatory development planning and performance management based on the Project's design and monitoring framework to staff of the provincial Departments of Rural Development, Environment, Women's Affairs, and the provincial Office of Fisheries assigned to the CLFTs or otherwise involved in the Project implementation;
- (iii) provide training in specific auditing requirements for staff of the provincial Offices of Economy and Finance;
- (iv) provide training on operations and financial accountability to members of the CPBCs and to the accountants of the Commune Councils; and
- (v) provide training in participatory analysis of livelihood needs and opportunities and mobilization of communities to the commune facilitators for deeper involvement in sustainable development planning, implementation, and performance evaluation.

C. Educate for Protection of Natural Resources

- (i) assemble educational material on natural resource management;
- (ii) hold forums for staff of MAFF, MOE, MRD, MOWA, their provincial departments, and commune leaders on environmental awareness;
- (iii) prioritize villages based on their potential impact on resource extraction;
- (iv) assemble, train, and equip a Mobile Training Team to extend environmental awareness in priority villages;
- (v) deliver the program of environmental awareness; and
- (vi) conduct Project monitoring and evaluation.

2. The Project also includes provision of consulting services, training courses, training materials, vehicles and equipment. The Project is expected to be completed by 31 December 2009.

SCHEDULE 2
Allocation and Withdrawal of Grant Proceeds

General

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

Percentages of ADB Financing

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

Reallocation

3. Notwithstanding the allocation of Grant proceeds set forth in the Table,

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

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

Imprest Account; Statement of Expenditures

4. (a) Except as ADB may otherwise agree, the Recipient shall establish immediately after the Effective Date, a first generation imprest account shall be established in the name of the Recipient at the National Bank of Cambodia and a second generation imprest account shall be established in the name of MOI at a commercial bank acceptable to the Recipient and ADB. The first and the second generation imprest accounts shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Recipient and ADB. The amount to be deposited into the first generation imprest account shall not exceed the equivalent of \$1,000,000. The amount to be deposited into the second generation imprest account shall not exceed the equivalent of \$500,000.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Recipient and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed \$100,000.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Tonle Sap Sustainable Livelihoods Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated \$		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Civil Works	126,000		70 percent of total expenditure
2	Vehicles, Boats & Equipment	499,000		100 percent of total expenditure
2A	Vehicles & Boats		411,000	100 percent of total expenditure
2B	Equipment		88,000	100 percent of total expenditure
3	Training & Workshops	601,000		85 percent of total expenditure
4	Livelihood Grants	11,881,000		100 percent of total expenditure
5	Project Management and Operating Costs	1,745,000		76 percent of total expenditure
6	Unallocated	148,000		100 percent of amount due
	Total	15,000,000		100 percent of amounts due

SCHEDULE 3

Procurement

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of goods and services to be financed out of the proceeds of the Grant. In this Schedule and the Attachment hereto, the term "goods" includes equipment and materials; the term "services" does not include consulting services.

2. Procurement of goods and services shall be subject to the provisions of the "Guidelines for Procurement under Asian Development Bank Loans" dated November 2004 (hereinafter called the Guidelines for Procurement), as amended from time to time, which have been furnished to the Recipient.

3. Procurement of goods and services shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular class of suppliers or contractors, except as otherwise provided in paragraphs 6, 7 and 8 below.

4. (a) Each supply contract for equipment or materials estimated to cost the equivalent of more than \$500,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement.

(b) For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to ADB, as soon as possible, and in any event not later than 90 days before the issuance of the first invitation to bid for the Project, a General Procurement Notice (which ADB will arrange to publish separately) in such form and detail and containing such information as ADB shall reasonably request.

(c) For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by ADB in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. Each draft invitation to bid, to be submitted to ADB for approval under such procedures, shall reach ADB at least 21 days before it is issued and shall contain such information as ADB shall reasonably request to enable ADB to arrange for the separate publication of such invitation.

5. (a) Each supply contract for equipment or materials estimated to cost the between the equivalent of \$500,000 and \$100,000 (other than minor items) shall be awarded on the basis of international shopping as described in Chapter III of the Guidelines for Procurement.

(b) Each draft invitation to bid and related bid document need not be submitted to ADB for approval before they are issued.

(c) Notwithstanding paragraph 3.03(b) of the Guidelines for Procurement, any award of contract shall be subject to prior ADB approval.

Schedule 3

6. In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of the Recipient and in accordance with the provisions of the Attachment to this Schedule, for goods manufactured in the territory of the Recipient, provided that the bidder offering such goods shall have established to the satisfaction of the Recipient and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods.

7. (a) Civil works contracts estimated to cost the equivalent of \$500,000 or less may be awarded on the basis of local competitive bidding among contractors in accordance with the standard procurement procedures of the Recipient and acceptable to ADB. Selection and engagement of contractors shall be subject to the approval of ADB. As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to ADB for approval. For this purpose, ADB shall be furnished with three copies of (i) an account of the public opening of bids; (ii) a summary and evaluation of the bids; (iii) the proposal for award; and (iv) a draft contract or a draft letter of acceptance. Promptly after each contract is awarded, ADB shall be furnished with three copies of the contract as executed.

(b) Each supply contract for equipment and materials estimated to cost the equivalent of \$100,000 or less may be awarded on the basis of local competitive bidding in accordance with the standard procurement procedures of the Recipient and acceptable to ADB.

(c) Minor items, estimated to cost less than the equivalent of \$50,000 per contract may be procured directly from the manufacturers of the original equipment or their agents. Prior to such procurement, a list of individual items to be procured, an estimate of their costs, an indication of potential sources of supply and any related documents shall be submitted to ADB for approval. After award, three copies of each contract for such items shall be furnished to ADB

8. Contracts for preparing guidelines for proposals for activities eligible for funding under the CLF may be awarded on the basis of direct selection. Promptly after each contract is awarded, ADB shall be furnished with three copies of the contract as executed.

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

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

Preference for Domestically Manufactured Goods

1. In the procurement of goods through international competitive bidding, goods manufactured in the territory of the Recipient may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Recipient and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

- (a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:

Category I -- bids offering goods manufactured in the territory of the Recipient which meet the minimum domestic value added requirement;

Category II -- bids offering other goods manufactured in the territory of the Recipient; and

Category III -- bids offering imported goods.

- (b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods.
- (c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract.
- (d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either
- (i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or
 - (ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price.

If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award.

2. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

SCHEDULE 4

Consultants

1. The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to:

- (a) local governance;
- (b) decentralization;
- (c) finance & administration;
- (d) organization & strategy;
- (e) education & training;
- (f) training;
- (g) rural livelihoods;
- (h) community development;
- (i) environment;
- (j) natural resources planning;
- (k) fisheries biology;
- (l) socio-economy;
- (m) policy & planning;
- (n) community education;
- (o) teaching resource development;
- (p) monitoring and evaluation;
- (q) environmental education; and
- (r) graphic design.

The terms of reference of the consultants shall be as determined by agreement between ADB, the Government of Finland and the Recipient.

2. The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development ADB and Its Borrowers" dated January 2005 (hereinafter called the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to the Recipient and the Executing Agency.

3. The international consultants shall be selected and engaged as a firm by the Executing Agency using the quality-and-cost-based selection (QCBS) method in accordance with the following procedures.

(a) Invitation for technical and financial proposals. The invitation to submit technical and financial proposals (hereinafter called the Request for Proposals or RFP) and all related documents shall be approved by ADB before they are issued. For this purpose, three copies of the draft RFP, the names of consultants to be short-listed, the proposed criteria for evaluation of both proposals, a draft consultancy contract, and other related documents shall be submitted to ADB. A period of at least 45 days shall be allowed for submission of both proposals. A copy of the final RFP as issued, together with all related documents, shall be furnished to ADB for information promptly after issuance. The validity period for the technical and financial proposals as provided in the RFP shall usually not exceed three months from the date specified for submission of the technical and financial

proposals. The approval of ADB shall be obtained for any request to extend such validity period. Except as ADB may otherwise agree, the validity period, including any extensions, shall not exceed a maximum total period of six months. If the contract is not signed within the validity period in accordance with the Guidelines on the Use of Consultants, the selection shall be invalid and the selection and engagement process as provided in this paragraph shall be followed again.

(b) Evaluation and scoring of technical proposals. Immediately after the technical proposals have been evaluated and scored, approval of ADB shall be obtained to the evaluation and scoring of the technical proposals. For this purpose, ADB shall be furnished with three copies of the technical proposals.

(c) Public opening of financial proposals. The financial proposals of the firms whose technical proposals meet the minimum qualifying technical score shall be opened publicly after adequate notice is given to such firms or their representatives to attend the opening of the financial proposals.

(d) Evaluation and scoring of financial proposals and ranking of technical and financial proposals. After the financial proposals have been evaluated and scored, the ranking of the technical and financial proposals shall be made. Before negotiations are started with the first-ranked consultants, approval of ADB shall be obtained to the evaluation and scoring of the financial proposals and the ranking of the technical and financial proposals. For this purpose, ADB shall be provided with three copies of (i) the evaluation and scoring of the financial proposals and (ii) the ranking of the technical and financial proposals.

(e) Execution of contract. After the conclusion of negotiations but before the signing of the contract, ADB shall be furnished with the contract as negotiated for approval. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

4. The domestic consultants shall be selected and engaged by the Project Executing Agency using arrangements acceptable to ADB and the Government of Finland.

5. (a) Contract for Component 2 of the Project may be awarded to the Worldfish Center on the basis of direct selection. Promptly after the contract is awarded, ADB shall be furnished with three copies of the contract as executed.

(b) Contract for the education for protection of natural resources under Component 3 of the Project may be awarded to Live and Learn Environmental Education on the basis of direct selection. Promptly after the contract is awarded, ADB shall be furnished with three copies of the Contract as executed.

6. The Recipient shall ensure that all consultants financed under the Project contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

SCHEDULE 5

Execution of Project and Operation of Project Facilities

I. PROJECT IMPLEMENTATION

Central Level

Project Steering Committee

1. A PSC shall be established prior to the Effective Date and shall consist of representatives from MAFF, MEF, MOE, MOI, MRD, MOWA, CNMC and CARD. CARD, through its Secretary General, shall head the PSC, which shall provide policy and strategy guidance. The PSC shall communicate Project outcomes to the Council of Ministers. The PSC shall meet at least twice a year. CARD shall be assisted, on an intermittent basis, by an international consultant.

Project Executing Agency

2. MOI shall be the Project Executing Agency and shall (i) set overall project direction, (ii) resolve implementation problems, (iii) review Project progress and performance against milestones (with 6-monthly reporting), (iv) ensure flow of funds to the communes, (v) ensure the timely and adequate provision of counterpart funding and (vi) undertake procurement for contract supply and civil works under Components 1 and 3. In addition, MOI shall implement Component 1 and Component 3B of the Project.

Implementing Agencies

(a) TSBR Secretariat shall be the IA for Component 2 of the Project and shall carry out day to day activities. In carrying out its duty as the IA, TSBR Secretariat shall work in close consultation and coordination with DOF, IFREDI and MOE.

(b) CARD shall be the IA for Component 3A.

(c) MOE shall be the IA for Component 3C.

Provincial and Commune Levels

Community Livelihood Facilitation Team

3. A CLFT, headed by the Chief of PLAU, shall be established in each of the Project Provinces and shall be responsible for overseeing the implementation of livelihood support at commune and village levels. The CLFTs shall also be responsible for approving the activities, monitoring the procurement carried out by the Commune Councils and report on CLF-related activities to MOI through PLAU. Each CLFT shall have a permanent administration and a representative from each of the provincial Departments of Rural Development, Environment, Women's Affairs, the provincial Office of Fisheries and PLAU. It shall also include commune facilitators, posted in each commune, to assist communities in

carrying out the respective commune's responsibilities under the Project as set out in paragraph 7 of this Schedule 5. PLAU will have the responsibility of overseeing the CLFTs.

Commune Council

4. The Commune Council shall receive support from the commune facilitators organized under the CLFT and shall be responsible for (i) identifying activities suitable for funding under the CLF, and (ii) preparing the proposals for submission to the Planning and Budgeting Committee. A commune bank account shall be set up in each of the communes as the vehicle to transfer funds to the commune level.

II. OTHER MATTERS

Counterpart Funds and Funds Flow

5. The Recipient shall ensure that all necessary counterpart funds for Project implementation are provided in a timely manner and, to such end, the Recipient shall make timely submissions of annual budgetary appropriation requests and take all other measures necessary or appropriate for prompt disbursement of appropriated funds during each year of Project implementation.

6. The Recipient, through MEF and MOI, shall further ensure the smooth flow of funds from central level to the Project provinces and the commune level. MEF shall assist MOI in assuring the smooth transfer of funds from the central to the commune levels. Local Finance Department established by MEF to provide assistance and monitor the performance of sub-national administrations in the management of local finances.

Community Livelihood Fund and Eligibility Criteria

7. The Recipient, through MOI, shall ensure that the CLF is established within 3 months following the Effective Date. The CLF grant funds shall be available for the benefit of the selected 37 communes located within the Project Provinces and shall be managed by the MOI. The 37 communes in the Project Provinces shall be able to access the CLF grant funds through their Commune Councils. The planning of the activities shall follow the procedures of the Commune Development Plan, managed by the Commune Council. Activities endorsed by Commune Council shall be submitted to CLFT for approval. The CLF grant funds shall be transferred from the CLF to the respective bank accounts of the 37 individual commune funds to be established at a commercial bank acceptable to ADB by each of the communes at district level. The CLF shall only be used to finance small-scale community-driven activities that are planned and agreed at village and commune levels relating to (i) social infrastructure, (ii) income generation, and (iii) community fisheries that meet the following eligibility criteria:

- (a) To be funded by the CLF the community-driven activity shall have:
- high priority accorded by community in the village development plan;
 - been included in the commune development plan;
 - been expected not to have adverse environmental impacts;

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- complied with applicable environmental legal and other requirements of the Recipient and ADB's environmental assessment requirements;
 - not disadvantaged any part of the community;
 - had demonstrable benefits to the poor, women, ethnic minorities or other vulnerable groups;
 - entailed only legal activities; and
 - no impact on cultural heritage sites.
- (b) In addition to the criteria set out in item (a) of this paragraph, social infrastructure activities shall also meet the following criteria:
- total cost limit per village shall not exceed \$20,000 per annum;
 - meets technical, financial and economic feasibility; and
 - special clearance from MOE is obtained for road construction.
- (c) In addition to the criteria set out in item (a) of this paragraph, income generation activities shall also meet the following criteria:
- each grant shall not exceed \$5,000;
 - the business plan shall be financially feasible;
 - enterprise shall employ a significant number of persons; and
 - improved technology shall have successfully demonstrated and found to be financially feasible.
- (d) In addition to the criteria set out in item (a) of this paragraph, community fisheries activities shall also meet the following criteria:
- each grant shall not exceed \$5,000; and
 - shall be supported by a majority of the members of the community fisheries.

Environment

8. The Recipient, through MOI, shall ensure that (i) each of the commune implementing activities funded under the CLF adhere to the Recipient's environmental laws and regulations, ADB's *Environment Policy (2002)*, (ii) best environmental practices, acceptable to ADB, are incorporated into all activities and their implementation, and (iii) each of the communes meets the environmental assessment review procedures described in the initial environmental examination prepared for the Project.

Resettlement

9. The Recipient shall ensure that prior to the award of civil works contracts, MOI screens such works for involuntary resettlement effects to make certain that there are no losses of land, income, housing, community facilities, and resources that would require compensation to be paid in accordance with ADB's *Policy on Involuntary Resettlement (1995)*. In the event land acquisition and resettlement is required for any activities or projects funded under the CLF, such land acquisition and resettlement shall be carried out in

accordance with the agreed Land Acquisition and Resettlement Framework prepared for the Project.

Special Interest Groups

10. The Recipient shall ensure that the village or commune level special interest groups established under the Project in each of the Project Provinces will include women's groups and ethnic minorities. There shall be no ethnic discrimination and equal opportunities shall be provided to all minorities.

Gender

11. The Recipient shall ensure that the Project is implemented in accordance with ADB's *Policy on Gender and Development* (1998) and the Gender Action Plan prepared for the Project, as agreed between the Recipient and the ADB.

Project Performance Monitoring and Evaluation

12. The recipient shall ensure that monitoring is undertaken by MOI and reported to ADB through the 6 monthly and annual reporting mechanisms. The basis for project performance monitoring and evaluation shall be the design and monitoring framework and the baseline surveys, as prepared and agreed between the Recipient and ADB.

Project Review

13. The Recipient shall conduct a comprehensive joint midterm review of the Project implementation with ADB. Semi-annual reviews shall also be conducted by ADB with the support of CARD. The semi-annual reviews shall (i) examine the appropriateness of implementation arrangements and schedules of activities, (ii) assess the procedures for village and commune development plans, (iii) review compliance with agreed procurement procedures, (iv) analyze the outcomes of the capacity building and training programs, and (v) monitor the effectiveness of safeguard procedures.