
LOAN NUMBER 2285-INO(SF)

LOAN AGREEMENT
(Special Operations)

(Sustainable Aquaculture Development for Food Security and Poverty Reduction Project)

between

REPUBLIC OF INDONESIA

and

ASIAN DEVELOPMENT BANK

DATED 15 MARCH 2007

LAS:INO 35183

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 15 March 2007 between REPUBLIC OF INDONESIA (the "Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

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

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

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

(a) "BAPPENAS" means the National Development Planning Agency of the Borrower, or any successor thereto;

(b) "CBOs" means community-based organizations;

(c) "CEWs" means community extension works;

(d) "Consulting Guidelines" means ADB's "Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers" dated April 2006, as amended from time to time;

(e) "DGA" means the Directorate General of Aquaculture under the MMAF (as defined below) of the Borrower, or any successor thereto;

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

(g) "MMAF" means the Ministry of Marine Affairs and Fisheries of the Borrower, or any successor thereto;

(h) "MOF" means the Ministry of Finance of the Borrower, or any successor thereto;

(i) "NGOs" means nongovernmental organizations;

(j) "NSC" means the National Steering Committee established by the Borrower in accordance with paragraph 3 of Schedule 5 to this Loan Agreement;

(k) "PIU" means the Project Implementation Unit established by the Project Executing Agency (as defined below) in accordance with paragraph 6 of Schedule 5 to this Loan Agreement;

(l) "PMO" means the Project Management Office established by the Project Executing Agency (as defined below) in accordance with paragraph 4 of Schedule 5 to this Loan Agreement;

(m) "PPMS" means the project performance monitoring system;

(n) "Procurement Guidelines" means ADB's "Procurement Guidelines" dated April 2006, as amended from time to time;

(o) "Procurement Plan" means the procurement plan for the Project dated 15 November 2006 and agreed between the Borrower and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(p) "Project Executing Agency" for the purposes, and within the meaning, of the Loan Regulations means DGA, which is responsible for the carrying out of the Project in accordance with paragraphs 1 and 2 of Schedule 5 to this Loan Agreement;

(q) "Project Districts" refers to Langkat, Ogan Komering Ilir, Karawang, Sumedang, and Buton districts, located within the Project Provinces (as defined below);

(r) "Project Provinces" refer to North Sumatera, South Sumatera, West Java, and Southeast Sulawesi provinces;

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

(t) "RAC" means the Regional Advisory Committee established by the Borrower in accordance with paragraph 5 of Schedule 5 to this Loan Agreement; and

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

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to twenty two million three hundred fifty two thousand Special Drawing Rights (SDR22,352,000).

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

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

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 June and 1 December in each year.

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

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

ARTICLE III

Use of Proceeds of the Loan

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

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

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

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

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

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2013 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

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

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

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

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

ARTICLE V

Effectiveness

Section 5.01. The following is specified as additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the NSC and RAC shall have been established in accordance with paragraph 3 and paragraph 5, respectively, of Schedule 5 to this Loan Agreement.

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

ARTICLE VI

Miscellaneous

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

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

For the Borrower

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

Facsimile Number:

(62-21) 381-2859.

For ADB


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

Facsimile Numbers:

(632) 636-2444
(632) 636-2231.


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

REPUBLIC OF INDONESIA

By 

DR. RAHMAT WALUYANTO
Authorized Representative

ASIAN DEVELOPMENT BANK

By 

EDGAR A. CUA
Country Director
Indonesia Resident Mission

SCHEDULE 1

Description of the Project

1. The Project aims to (i) increase the production of fish and other aquatic products from aquaculture and (ii) improve the income, nutrition, and employment status of poor fish farmers and coastal communities.

2. The Project consists of the following components:

Component 1: Aquaculture Production Enhancement

(A) Social Preparation and Community Empowerment.

- (i) assist in social preparation of fish farmers to facilitate the formation of fish farmers organizations;
- (ii) provide training to the members of fish farmers organizations in the establishment and management of aquaculture-based or related microenterprises, including on nutrition, child care and family financial management; and
- (iii) provide basic social infrastructure, such as community water supply facilities, village pathways and access roads.

(B) Fish Production Enhancement

- (i) rehabilitate key public aquaculture system facilities and access roads;
- (ii) establish demonstration facilities or model enterprises to promote the adoption of appropriate, environment-friendly, community-managed aquaculture practices by the small-scale fish farmers and medium-scale prospective private investors;
- (iii) invite privately owned fish firms to provide experts to prepare models of demonstration facilities and supervise fish farmers organizations in managing and operating the facilities; and
- (iv) develop or rehabilitate community-based fish and shrimp hatcheries and nurseries.

(C) Community-managed Culture-based Fisheries

Provide support to community-managed culture-based fisheries to enhance the fishery resources, replenish natural stocks, and maximize the productivity of a water body.

Component 2: Aquaculture Support Services(A) Extension Services

- (i) Provide extension services to fish farmers and private sector in aquaculture production enhancement and processing activities by:
 - (a) strengthening the capacity of extension services;
 - (b) establishing site-specific demonstration facilities;
 - (c) introducing new aquaculture and processing technologies; and
 - (d) providing production inputs assistance.
- (ii) Recruit community extension workers (CEW) to strengthen the capacity of the districts fisheries extension services and to provide training to fish farmers on the establishment and management of sustainable aquaculture enterprises.

(B) Processing and Post-harvest Handling

- (i) establish fish processing demonstration units;
- (ii) establish small-scale post-harvest handling and processing facilities; and
- (iii) provide training to fish farmers on operation and maintenance of the facilities.

(C) Fish Marketing Development

- (i) assist fish farmers, as well as private sectors in the marketing of their products;
- (ii) identify specific marketing needs and develop marketing strategies for various aquaculture commodities;
- (iii) establish fish marketing and distribution networks;
- (iv) establish a fish collection points close to major production areas;
- (v) design and install a market information system in the district governments and linked to the DGA;
- (vi) develop and launch a multimedia marketing campaign in the Project Provinces; and
- (vii) assist in organizing trade fairs mainly for the benefit of fish traders and fish exporters to be held on a regular basis.

(D) Environmental and Fish Health Management.

Adopt measures to minimize risks due to disease outbreaks and mitigate any possible adverse impact from aquaculture enterprises:

- (i) use of extensive monoculture or polyculture systems or rotation of milkfish and shrimp cropping in the same ponds;
- (ii) use of the disease resistant shrimp species in low-density shrimp monoculture;
- (iii) introduction of environment-friendly practices and aquaculture systems;
- (iv) establishment of water quality and fish health laboratories in the Project Districts;
- (v) monitoring the quality of fish fingerlings or prawn or shrimp post-larvae for stocking in the ponds;
- (vi) monitoring the water quality in ponds and in supply and drain canals to detect fish/shrimp disease occurrence;
- (vii) training of the district fisheries personnel, CEWs, fish farmers, and private investors on proper pond and culture system management, fish disease prevention and control; and
- (viii) issue of regulations to require medium to large-scale private enterprises involved in intensive fish and shrimp culture system to incorporate settling or sedimentation tanks in design of the aquaculture system.

(E) Applied Research

- (i) assist in research activities developed by DGA in such areas as:
 - (a) adaptive research and field verification trials on improved culture techniques for various species;
 - (b) addressing site specific technical problems and issues; and
 - (c) exploratory research on other species with commercial potential;
- (ii) disseminate the research outcome for future replication by fish farmers and the private sector; and
- (iii) establish research-extension linkages between the provincial and district fisheries services.

Component 3: Institutional Strengthening and Project Management(A) Institutional Strengthening

- (i) assist in institutional assessment activities to determine priority areas of strengthening;
- (ii) assist in the developing and implementing human resource development and training program for DGA, the provincial and district fisheries services, CEWs, and CBOs, including women and disadvantaged groups;
- (iii) assist in developing and installing an aquaculture information system in DGA with links to the Project Districts; and
- (iv) provide support to DGA in the drafting of legal documents, regulation, and conduct policy dialogue with provincial and district governments on issues relating to sustainable aquaculture development and environmental management.

(B) Project Management

Provide Project management support, including:

- (i) operation of the PMO and the PIUs;
- (ii) engagement of consultants to assist the PMO and the PIUs;
- (iii) procurement of equipment, vehicles, and supplies and materials; and
- (iv) establishment of accounting, monitoring, reporting and evaluation system.

3. The Project also includes provision of consulting services. The Project is expected to be completed by 30 June 2013.

SCHEDULE 2

Amortization Schedule (Sustainable Aquaculture Development for Food Security and Poverty Reduction Project)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01-Jun-2015	465,667
01-Dec-2015	465,667
01-Jun-2016	465,667
01-Dec-2016	465,667
01-Jun-2017	465,667
01-Dec-2017	465,667
01-Jun-2018	465,667
01-Dec-2018	465,667
01-Jun-2019	465,667
01-Dec-2019	465,667
01 June 2020	465,667
01-Dec-2020	465,667
01-Jun-2021	465,667
01-Dec-2021	465,667
01-Jun-2022	465,667
01-Dec-2022	465,667
01 June 2023	465,667
01-Dec-2023	465,667
01-Jun-2024	465,667
01-Dec-2024	465,667
01-Jun-2025	465,667
01-Dec-2025	465,667
01-Jun-2026	465,667
01-Dec-2026	465,667
01-Jun-2027	465,667
01-Dec-2027	465,667
01-Jun-2028	465,667
01-Dec-2028	465,667
01-Jun-2029	465,667
01-Dec-2029	465,667
01-Jun-2030	465,667
01-Dec-2030	465,667
01-Jun-2031	465,667

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

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in Special Drawing Rights)*</u>
01-Dec-2031	465,667
01-Jun-2032	465,667
01-Dec-2032	465,667
01-Jun-2033	465,667
01-Dec-2033	465,667
01-Jun-2034	465,667
01-Dec-2034	465,667
01-Jun-2035	465,667
01-Dec-2035	465,667
01-Jun-2036	465,667
01-Dec-2036	465,667
01-Jun-2037	465,667
01-Dec-2037	465,667
01-Jun-2038	465,667
01-Dec-2038	465,651
TOTAL	<u>22,352,000</u>

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

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

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

Percentages of ADB Financing

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

Interest Charge

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

Reallocation

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

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

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

Disbursement Procedures

5. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the Loan proceeds shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2001 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

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

(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 and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$100,000.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS				
(Sustainable Aquaculture Development for Food Security and Poverty Reduction Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated (SDR)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	5,919,000		84 percent of total expenditure
2	Equipment and Materials	9,527,000		
2A	Equipment		1,710,000	100 percent of total expenditure*
2B	Materials		7,817,000	100 percent of total expenditure*
3	Consulting Services	2,992,000		100 percent of total expenditure*
4	Training/Workshops	1,329,000		100 percent of total expenditure*
5	Surveys, Studies and Research	719,000		100 percent of total expenditure*
6	Interest Charge	782,000		100 percent of amount due
7	Unallocated	1,084,000		
	Total	22,352,000		

* Exclusive of local taxes and duties

SCHEDULE 4

Procurement of Goods and Works, and Consulting Services

A. General

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

B. Procurement for Goods and Works

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

National Competitive Bidding
Shopping
Community Participation in Procurement

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

4. Domestic Preference. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.
5. Community Participation in Procurement. The Borrower may use community participation in procurement for small Works contracts which are expected to cost the equivalent of \$10,000 - \$25,000 in accordance with the agreed procedures set out in the Procurement Plan.
6. National Competitive Bidding. The procedures to be followed for national competitive bidding shall be those set forth in Presidential Decree No.80/2003 of the Borrower, dated 3 November 2003, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines:
 - i. Registration (a) Bidding shall not be restricted to pre-registered firms and such registration shall not be a condition for participation in the bidding process.
 - (b) Where registration is required prior to award of contract, bidders:
 - (i) shall be allowed a reasonable time to complete the registration process; and
 - (ii) shall not

Schedule 4

be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

ii. Prequalification Post qualification shall be used unless prequalification is explicitly provided for in the loan agreement/procurement plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.

iii. Joint Ventures A bidder declared the lowest evaluated responsive bidder shall not be required to form a joint venture or to sub-contract part of the supply of goods as a condition of award of the contract.

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

(b) Regulations issued by a sectoral ministry, provincial regulations and local regulations which restrict national competitive bidding procedures to a class of contractors or a class of suppliers shall not be applicable.

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

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

(c) Bidders domiciled outside the area/district/province of the unit responsible for procurement shall be allowed to participate regardless of the estimated value of the contract.

(d) Foreign bidders from ADB member countries shall not be precluded from bidding.

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

vii. Bid Opening and Bid Evaluation (a) Bids shall be opened in public, immediately after the deadline for submission of bids.

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

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

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

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

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

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

ix. ADB Member Country Restrictions Bidders must be nationals of member countries of ADB, and offered goods and services must be produced in and supplied from member countries of ADB.

C. Selection of Consulting Services

7. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in paragraph 7 below, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

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

Least-Cost Selection for surveys, studies and research, and for NGO services
Single Source Selection for surveys, studies and research in selected areas

D. Industrial or Intellectual Property Rights

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

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

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

E. ADB's Review of Procurement Decisions

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

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

I. PROJECT IMPLEMENTATION

Central Level

Project Executing Agency

1. DGA of MMAF shall be the Project Executing Agency (EA) and shall be responsible for the overall management of the Project.
2. DGA, with the support of relevant directorates within MMAF and academic institutions, shall also be responsible for the (i) formulation of policy and regulations, (ii) establishment and operation of an aquaculture management information system, (iii) development of aquaculture technical and environmental guidelines, (iv) launching of human resource and training programs, (v) aquaculture research, and (vi) technology and information dissemination.

National Steering Committee

3. Prior to the Effective Date NSC shall have been established to provide guidance on the overall direction of the Project and ensure inter-agency coordination between the Project's activities and the Borrower's policy on aquaculture development. The NSC shall be chaired by the Director General of DGA and shall comprise a secretary and senior officials from BAPPENAS, MOF, and local government officials from the Project Provinces. Project District governments shall be invited to attend NSC meetings on issues that require their participation. NSC shall be assisted by a national technical committee (NTC), which shall comprise of technical staff of NSC member agencies and the Ministry of Home Affairs, and headed by NSC Secretary.

Project Management Office

4. The PMO, established within DGA, shall have the responsibility to oversee the day-to-day implementation of the Project, including (i) Project coordination and implementation, (ii) preparation and submission of all necessary reports to NSC and ADB, (iii) close monitoring of Project implementation, (iv) conduct procurement at the central level for specific goods and services, (v) select and engage consultants, and (vi) design and undertake a baseline survey, midterm and Project completion survey. The PMO shall be headed by a dedicated Project Director and supported by a dedicated Project Manager, with experience and expertise acceptable to ADB, and an adequate number of the required technical, administrative and financial staff.

Provincial and District Level

Regional Advisory Committee

5. Prior to the Effective Date and RAC shall have been established in each Project Province to oversee Project coordination between the various agencies in the

respective Project Province and liaise with the NSC as required. The RACs shall consist of representatives of the Project District governments, other agencies concerned and institutions at the provincial and district levels.

Project Implementation Units

6. The PIUs, established in each Project District, shall be responsible for (i) implementing the Project activities at the district level, (ii) carrying out procurement at district level for certain goods and services and civil works, (iii) coordinating with other relevant government agencies at the district level, and (iv) prepare and submit all necessary reports for submission to the PMO and RAC. Each PIU shall be headed by a dedicated PIU Head, with experience and expertise acceptable to ADB, and an adequate number of the required technical, administrative and financial staff

District Governments

7. District governments shall be responsible for cross-sector coordination and implementation of the Project's activities, including provision of support to the (i) development and rehabilitation of sustainable aquaculture farming systems and post-harvest facilities; (ii) development and implementation of programs in hatchery production, culture-based fisheries, and lake and river management; (iii) aquaculture technology demonstration and extension; and (iv) small-scale infrastructure development in support of local aquaculture.

II. OTHER MATTERS

Counterpart Funds

8. Without prejudice to the provisions of Section 6.06 of the Loan Regulations, the Borrower shall ensure, and shall cause each of the Project Districts to ensure, that (i) counterpart funds for the Project implementation are provided on time; and (ii) annual budgetary appropriation request is submitted in a timely manner and appropriated funds are promptly disbursed during each year of Project implementation.

Selection Criteria

9. Within one year of the Effective Date, the Borrower shall develop detailed criteria for selection of the Project beneficiaries in accordance with the general criteria listed below. To be eligible Project beneficiaries, the small-scale fish farmers:

- (i) must belong to the poor income groups as defined in the Borrower's Medium Term Development Plan and Annual Development Plan;
- (ii) must belong to organized fish farmer groups;
- (iii) must have some prior experience in fish farming;
- (iv) must be willing to undergo training in improved methods and practices of aquaculture;
- (v) must demonstrate willingness to share their new skills with other fish farmers in the community; and
- (vi) must be willing to be supervised and monitored by the Project personnel.

10. The general criteria for the subprojects are as follows:
- (i) selection criteria for culture species:
 - (a) the species must have been previously cultured in the territory of the Borrower and must not be harmful to indigenous species in the Project Provinces;
 - (b) its rate of growth must be sufficiently high;
 - (c) it must be able to reproduce successfully under culture conditions;
 - (d) it must accept and thrive on abundant and cheap artificial feeds;
 - (e) it must be acceptable to the target consumers;
 - (f) it should be able to support a high population density in ponds or cages;
 - (g) it must have high resistance to disease; and
 - (h) seeds must be available and easy to obtain.
 - (ii) selection criteria for technology to be adopted:
 - (a) the technology must be simple, low-cost, and low-level to facilitate transfer to, and adoption by, fish farmers and have greater chances of success; and
 - (b) more complex technologies which require higher capital and other inputs are better suited to medium- and large-scale private entrepreneurs with the capability to engage the services of technical specialists in running their operations.
 - (iii) criteria for the siting of brackishwater aquaculture and mariculture subprojects:
 - (a) the subproject must not be located in environmentally critical areas, such as protected forests, marine sanctuaries, or nature reserves;
 - (b) the subproject must not involve the conversion of mangrove forests into fishponds;
 - (c) the subproject must not involve the destruction of coastal habitats such as coral reefs, seagrass beds and associated flora and fauna;
 - (d) ample attention must have been paid to site selection, culture installation design, and the management of culture operations to preserve the integrity of the environment;
 - (e) integrated aquaculture, such as maintaining mangroves along fishpond dikes and in nearby areas, should be encouraged for environmental conservation; and
 - (f) will involve minimal land acquisition and resettlement.

Involuntary Resettlement

11. The Borrower shall ensure and shall cause each of the Project Districts to ensure that prior to the award of civil works contracts, it shall screen for involuntary resettlement effects, to ensure 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 funded under the Project, such land acquisition and resettlement shall be carried out in accordance with the agreed Compensation Policy Framework and Procedural Guidelines prepared for the Project and as endorsed by the Borrower by letter dated October 31, 2005.

Gender

12. The Borrower shall ensure, and shall cause each of the Project Districts to ensure, that the agreed Gender Action Plan is complied with, in order to ensure (a) equal opportunities for men and women in all Project activities, including aquaculture development, processing, marketing, resource management and livelihood programs; (b) equal opportunity for women to access financial assistance; and (c) inclusion of an adequate portion of women in the Project's training programs.

13. The Borrower shall further ensure that one PMO staff member is designated as the gender focal point, with responsibility for organizing gender training, coordinating gender-related activities, advising on how gender concerns can be incorporated in Project activities, and monitoring the extent to which this is done.

Environment

14. The Borrower shall ensure that the site selection, design, construction and operation of the aquaculture facilities and social infrastructure are implemented in accordance with the relevant regulations and standards of the Borrower as well as the ADB's *Environment Policy* (2002). Further, all aquaculture facilities, social infrastructure, and microenterprise activities shall be subject to an environmental screening and procedural requirements in accordance with the environmental monitoring plan prepared for the Project prior to their establishment.

Indigenous People

15. The Borrower shall ensure that all necessary measures are taken under the Project with regard to indigenous peoples in accordance with the Indigenous Peoples' Development Framework dated October 31, 2005 prepared for this Project and ADB's *Policy on Indigenous Peoples* (2003).

Anticorruption Policy

16. ADB shall have the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project. Relevant provisions of ADB's anticorruption policy shall be included in the bidding documents for the Project and all contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit Project-related records and accounts of DGA

and all contractors, suppliers, consultants, and other service providers working under the Project.

Project Performance Monitoring System

17. Within one year of the Effective Date, MMAF shall establish a PPMS, which shall encompass (a) monitoring of physical and financial progress as well as economy and efficiency of key activities such as recruitment of consultants, procurement of equipment and materials, training arrangements, conduct of surveys and special studies, policy development, drafting of implementation guidelines, and the like; (b) monitoring of the level and adequacy of participation of various stakeholders, including local communities, in Project activities; (c) monitoring of the Project's social, environmental, and economic impacts, including the establishment of benchmark information and data; and (d) setting a mechanism for making necessary adjustments in the project design and implementation arrangements and incorporating lessons learned from similar projects in project planning.

Monitoring & Evaluation

18. The Borrower shall introduce participatory monitoring and evaluation (M&E), at the community level, as part of the Project's comprehensive participatory development approach. The M&E shall be prepared in the form and substance agreed between the Borrower and ADB and shall be submitted to ADB on a quarterly basis, together with the Project progress report.