
LOAN NUMBER 3094-INO

LOAN AGREEMENT
(Ordinary Operations)

(Coral Reef Rehabilitation and Management Program - Coral Triangle Initiative
(COREMAP – CTI) Project)

between

REPUBLIC OF INDONESIA

and

ASIAN DEVELOPMENT BANK

DATED 23 DECEMBER 2013

INO 46421

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 23 December 2013 between REPUBLIC OF INDONESIA ("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;

(B) the Borrower has also applied to the Global Environment Facility ("GEF") for a grant in an amount not exceeding the equivalent of eight million Dollars (\$8,000,000) to be administered by ADB ("GEF Grant") and upon the terms and conditions set forth in a grant agreement between the Borrower and ADB ("GEF Grant Agreement") for the purposes of the Project as described in Schedule 1 to this Loan Agreement; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit. (a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(b) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(c) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the

Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(b) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(c) "COREMAP II" means ADB's Coral Reef Rehabilitation and Management Project Phase II (Loan number 1962-INO);

(d) "DGCF" means Directorate General of Capture Fisheries within MMAF or any successor thereto;

(e) "DGMCSI" means Directorate General of Marine Coastal and Small Islands within MMAF or any successor thereto;

(f) "EA" or "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MMAF through DGMCSI, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(g) "EAFM" means Ecosystem Approach to Fisheries Management;

(h) "EARF" or "Environmental Assessment and Review Framework" means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(i) "EMP" or "Environmental Management Plan" means each environmental management plan for a Subproject, including any update thereto, incorporated in the IEE;

(j) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(k) "FMA 711" means Fisheries Management Area located within the Karimata Strait, Natuna Sea and South China Sea;

(l) "GAP" or "Gender Action Plan" means the gender action plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

(n) "IAs" or "Project Implementation Agencies" means (i) DGMCSI-Directorate of Area and Fish Species Conservation; (ii) LIPI-Research Center for Oceanography; and (iii) Directorate General of Capture Fisheries-Directorate of Fisheries Resources; or any successors thereto acceptable to ADB, which are responsible for the implementation of the Project;

(o) "IEE" or "Initial Environmental Examination" means each initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB in accordance with the PAM;

(p) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(q) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(r) "IPP" or "Indigenous Peoples Plan" means each indigenous peoples plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the IPPF and cleared by ADB in accordance with the PAM;

(s) "IPPF" or "Indigenous Peoples Planning Framework" means the indigenous peoples framework for the Project, including any update thereto, prepared and submitted by the Borrower through the Project Executing Agency and cleared by ADB;

(t) "LARF" or "Land Acquisition and Resettlement Framework" means the land acquisition and resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(u) "LIPI" or "Lemba0ga Ilmu Pengetahuan Indonesia" means Indonesian Institute of Sciences or any successor thereto;

(v) "LPSTK" or "Lembaga Pengelola Sumberdaya Terumbu Karang" means community coral reef management institution;

(w) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

(x) "MMAF" means the Borrower's Ministry of Marine Affairs and Fisheries or any successor thereto;

(y) "MPA(s)" means marine protected areas;

(z) "O&M" means operations and maintenance;

(aa) "PAM" means the project administration manual for the Project dated 19 November 2013 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(bb) "Procurement Guidelines" means ADB's Procurement Guidelines (2013, as amended from time to time);

(cc) "Procurement Plan" means the procurement plan for the Project dated 19 November 2013 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(dd) "Project Area" means national and district MPAs located in (i) Bintan, Batam, Lingga, and Natuna districts in Kepulauan Riau province; (ii) Central Tapanuli and North Nias districts in North Sumatra province; (iii) Mentawai district in West Sumatra province; (iv) Anambas national MPA in Anambas district, Kepulauan Riau province; (v) Pulau Pieh national MPA in Pariaman district, West Sumatra province; and (vi) Gilimatra national MPA in North Lombok district, West Nusa Tenggara province where the Project outputs will be implemented;

(ee) "Project facilities" means equipment to be provided and the facilities to be constructed, upgraded, or rehabilitated under the Project;

(ff) "RP" or "Resettlement Plan" means each resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the LARF and cleared by ADB in accordance with the PAM;

(gg) "Selection Criteria" means a set of technical, financial, economic, social and safeguards criteria for selection of subprojects, to be financed under the Project, as agreed between the Borrower and ADB and described in the PAM;

(hh) "SPS" or "Safeguard Policy Statement" means ADB's Safeguard Policy Statement (2009);

(ii) "Subproject" means a subproject under the Project that meets the Selection Criteria;

(jj) "Target MPAs" means all MPAs within the Project Area; and

(kk) "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 Services.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of forty five million five hundred twenty thousand Dollars (\$45,520,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 12 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term “grace period” as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR; and
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.20% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 June and 1 December in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a “Conversion”, as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

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 proceeds of the Loan shall be allocated and withdrawn 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, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2019 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

(b) 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. The Borrower shall make available, promptly as needed and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.

Section 4.03. (a) Whenever applicable, in the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors,

acceptable to ADB to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and ADB, as applicable. The Borrower shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 4.04. The Borrower shall cause the Project Executing Agency ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. (a) The Borrower shall cause the Project Executing Agency to (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, 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 fund(s) and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower shall cause the Project Executing Agency to enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Project Executing Agency's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Project Executing Agency, unless the Project Executing Agency shall otherwise agree.

Section 4.06. The Borrower shall enable ADB's representatives to review the Project, inspect the Goods and Works, and obtain any relevant records and documents.

Section 4.07. The Borrower shall cause the Project Executing Agency to ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations: the Borrower shall have failed to perform any of its obligations under the GEF Grant Agreement.

Section 5.02. The following are is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
Directorate General of Debt Management
Frans Seda Building, 6th Floor
Jalan Dr. Wahidin Raya No. 1
Jakarta 10710
Indonesia

For Correspondence

Attn. Directorate of Loans and Grants

Facsimile Number:

(62-21) 3812859.

For Disbursements and Payments:

Attn. Directorate of Evaluation, Accounting and Settlements

Facsimile Number:

(62-21) 3843712.

For ADB

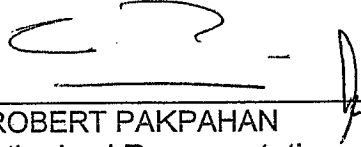
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

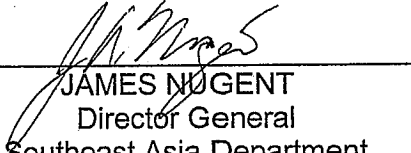
(632) 636-2444
(632) 636-2231.

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 as of the day and year first above written and to be delivered at the principal office of ADB.

REPUBLIC OF INDONESIA

By  _____
ROBERT PAKPAHAN
Authorized Representative

ASIAN DEVELOPMENT BANK

By  _____
JAMES NUGENT
Director General
Southeast Asia Department

SCHEDULE 1

Description of the Project

1. The objective of the Project is enhanced capacity to manage coral reef ecosystems inside and outside the Target MPAs.
2. The Project shall comprise the following outputs in the Project Area:

Output 1: Coral Reef Management and Institutions Strengthened

This output will support:

- (a) incorporation of the roles and responsibilities of LPSTK in village administrative structure through regulations;
- (b) upgrade of the information centers established under COREMAP Phase II into resource centers;
- (c) provision of support and mentoring by the MMAF extension workers to the district level IAs' staff for mainstreaming the Project's community coral reef management approach;
- (d) establishment of learning networks for fishing communities, MPA managers and local government officials for learning and adoption of best practices;
- (e) conduct of socioeconomic and ecological surveys by LIPI;
- (f) development of a decentralized certification program by LIPI for ecological benefit monitoring;
- (g) upgrade of coral reef management information system to include web based user data access and reporting;
- (h) provision of teacher training on local content curriculum;
- (i) a postgraduate program for DGCF staff to develop sustainable fisheries management expertise; strengthening of MPA surveillance by providing equipment, infrastructure, policies, monitoring, control and surveillance and joint patrols;
- (j) training on conservation, coastal management, ecosystem approach for marine and fisheries management, ecosystem monitoring and data management.

Output 2: Ecosystem-Based Resource Management Developed

This output will support:

- (a) development of district level coastal and marine spatial plans;
- (b) improvement of MPA effectiveness, including approval of MPA boundaries, MPA boards and MPA zoning and management plans and provision of MPA goods and equipment;
- (c) provision of integrated coastal zone management training, including climate change adaptation;
- (d) assessments of selected coral fish stock and development of management plans for selected coral fish based on EAFM at FMA 711;

- (e) assessment of district fisheries management performance using EAFM indicators and provision of training on EAFM;
- (f) development and implementation of management plans for six threatened species;
- (g) piloting of ecosystem valuation methodology, strengthening of MPA financial management capacity, mainstreaming biodiversity in policies/plans and piloting of payment for ecosystem services schemes; and
- (h) studies and surveys to support sustainable fishing regulations, EAFM and MPA networks.

Output 3: Sustainable Marine-Based Livelihoods Improved

This output will support:

- (a) development of sustainable eco-system-based coastal and marine enterprises with value chains linked to market;
- (b) provision of basic infrastructure and equipment to MPA management boards and communities for improved income generation, MPA management and social welfare through public private partnerships;
- (c) development of community model enterprises to support sustainable livelihoods, including assistance for feasibility studies and analysis of complete value chain; and
- (d) training of district enterprise staff, community micro enterprises and their beneficiaries on business and sustainable livelihoods and pilot certification regimen.

Output 4: Project Management

This output will provide:

- (a) overall support, through the Project management office for implementation, coordination, management, monitoring, evaluation and reporting of the Project activities; and
- (b) support for institutionalization of national coral reef management arrangements under the Project.

3. The Project will include provision of consulting services to support and provide (a) Project management and administration; and (b) technical expertise in key subject matter areas.

4. The Project is expected to be completed by 31 December 2018.

SCHEDULE 2

Amortization Schedule

(Coral Reef Rehabilitation and Management Program - Coral Triangle Initiative (COREMAP – CTI) Project)

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
1 June 2020	3.091282
1 December 2020	3.168564
1 June 2021	3.247778
1 December 2021	3.328973
1 June 2022	3.412197
1 December 2022	3.497502
1 June 2023	3.584939
1 December 2023	3.674563
1 June 2024	3.766427
1 December 2024	3.860588
1 June 2025	3.957102
1 December 2025	4.056030
1 June 2026	4.157431
1 December 2026	4.261366
1 June 2027	4.367901
1 December 2027	4.477098
1 June 2028	4.589026
1 December 2028	4.703751
1 June 2029	4.821345
1 December 2029	4.941879
1 June 2030	5.065426
1 December 2030	5.192061
1 June 2031	5.321863
1 December 2031	5.454908
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. 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 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

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Coral Reef Rehabilitation and Management Program- Coral Triangle Initiative (COREMAP – CTI) Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Works	15,055,000	100% of total expenditure claimed*
2	Vehicles and Equipment	4,649,000	100% of total expenditure claimed*
3	Materials	1,328,000	100% of total expenditure claimed*
4	Surveys and Studies	10,400,000	100% of total expenditure claimed*
5	Training and Workshops	9,070,000	100% of total expenditure claimed*
6	Consulting Services	4,818,000	100% of total expenditure claimed*
7	Support for Sustainable Livelihoods	200,000	100% of total expenditure claimed*
	Total	45,520,000	

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

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

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

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:
 - (a) National Competitive Bidding;
 - (b) Shopping; and
 - (c) Community Participation in Procurement.
4. 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.

National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Community Participation in Procurement

6. The Borrower may use community participation in procurement for Works contracts to support alternative livelihoods and provide infrastructure for socio-economic development of the communities in accordance with the agreed procedures set out in the Procurement Plan.

Conditions for Award of Contract

7. The Borrower shall not award any Works contract for a Subproject which involves environmental impacts until the Project Executing Agency has:
 - (a) obtained the final approval of the IEE from relevant authority of the Borrower; and

- (b) incorporated the relevant provisions from the EMP into the Works contract.

8. The Borrower shall not award any Works contract involving involuntary resettlement impacts for a Subproject until the Borrower has prepared and submitted to ADB the final RP for such Subproject based on the Subproject's detailed design, and obtained ADB's clearance of such RP in accordance with the PAM.

9. The Borrower shall not award any Works contract for a Subproject which involves impacts on indigenous peoples until the Borrower has prepared and submitted to ADB the final IPP and obtained ADB's clearance of such IPP in accordance with the PAM.

Consulting Services

10. Except as ADB may otherwise agree, and except as set forth in the paragraphs below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

11. The Borrower shall apply the Consultants' Qualifications Selection for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan.

12. The Borrower shall recruit the individual consultants for the specified Consulting Services in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

13. (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.

14. 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.

ADB's Review of Procurement Decisions

15. The first contracts procured under national competitive bidding and shopping procedures and contracts for Consulting Services except contracts under individual consultant selection procedure 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; Financial Matters

Implementation Arrangements

1. The Borrower and the Project Executing Agency shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Project Executing Agency and ADB. In the event of any discrepancy between the PAM, this Loan Agreement or the GEF Grant Agreement, the provisions of this Loan Agreement or the GEF Grant Agreement, as applicable shall prevail.

Selection of Subprojects

2. The Borrower shall cause the EA and the IAs to ensure that (a) the first 2 selected national level and first 2 selected district level Subprojects are submitted for ADB's approval; and (b) select and approve all subsequent Subprojects to be financed under the Project in accordance with the Selection Criteria and detailed procedures as agreed between ADB and the Project Executing Agency and described in the PAM.

Counterpart Financing

3. The Borrower shall, and shall cause the EA to, ensure that: (a) counterpart funds necessary for the smooth and successful completion of the Project are provided in a timely manner; (b) additional funds, as and when needed, are provided to meet any Project shortfall or cost overruns; and (c) adequate funds are provided, in a timely manner, for the O&M of the Project facilities.

O&M of Project Facilities

4. The Borrower shall cause the EA and the IAs to ensure that (a) O&M mechanism for the Project is established; (b) the Project facilities procured, constructed or upgraded are maintained properly; and (c) adequate budget and resources are provided for O&M of the said Project facilities.

Technology and Design of Equipment and Materials

5. The Borrower shall cause the EA and the IAs to ensure that (a) the technology selected for the Project minimizes O&M costs; (b) to the extent possible, materials used are environmentally friendly, cost effective and locally available; and (c) the design of materials and equipment follows requirements in sites specific conditions (e.g., availability of reliable water source, electricity, sea conditions, weather, etc.).

Environment

6. The Borrower shall cause the EA and the IAs to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards as defined in the SPS; (c) all

measures and requirements set forth in the EARF; and (d) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Involuntary Resettlement

7. The Borrower shall cause the EA and the IAs to ensure that all land and all rights-of-way required for the Project are made available to the Works contractor in accordance with the schedule agreed under the related civil works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguard as defined in the SPS; (c) the LARF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

8. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Borrower shall ensure that for any compensation paid to the affected people (a) consultation process for resettlement is agreed with ADB; (b) all applicable policies and laws of the Borrower are followed for such compensation; (c) third-party validation mechanisms are used for calculating the replacement costs of land and other assets affected; and (d) record of compensations made are maintained.

9. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Borrower shall cause the EA and the IAs to ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

Indigenous Peoples

10. The Borrower shall cause the EA and the IAs to ensure that the preparation, design, construction, implementation and operation of the Project, each Subproject and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards as defined in the SPS; (c) the IPPF; and (d) all measures and requirements set forth in the respective IPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

11. The Borrower shall make available or cause the EA to make available necessary budgetary and human resources to fully implement the respective EMP, the RP and the IPP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

12. The Borrower shall cause the EA to ensure that all bidding documents and contracts for civil works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the respective IEE, the EMP, the RP and the IPP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (d) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

13. The Borrower shall cause the EA to do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the respective IEE, EMP, RP or IPP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in respective EMP, RP or IPP promptly after becoming aware of the breach.

Prohibited List of Investments

14. The Borrower shall cause the EA to ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Governance and Anticorruption

15. The Borrower shall cause the EA and the IAs to (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or

coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

16. The Borrower shall cause the EA and the IAs to ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

Grievance Redress Mechanism

17. The Borrower shall cause the EA to ensure that within 4 months of the Effective Date, complaint and problem management mechanisms, acceptable to ADB are established effectively to (a) review and document eligible complaints of Project stakeholders; (b) proactively address grievances; (c) provide the complainants with notice of the chosen mechanism/action; and (d) prepare periodic reports to summarize the number of complaints received and resolved, and final outcomes of the grievances and chosen actions and make these reports available to ADB as part of the quarterly progress reports. Eligible complaints include those related to the Project, any of the service providers, any person responsible for carrying out the Project, complaints on misuse of funds and other irregularities, and grievances due to any social or other issues.

Health and Labor Standards

18. The Borrower shall cause the EA and the IAs to ensure that Works contracts and bidding documents under the Project include specific provisions requiring contractors to comply with all core labor standards and the applicable labor laws and regulations of the Borrower including stipulations related to employment on: (a) prohibition of child labor; (b) equal pay for equal work of equal value regardless of gender, ethnicity or caste; (c) timely payment of wages; (d) elimination of forced labor; (e) use of local unskilled labor, as applicable; and (f) the requirement to disseminate information on sexually transmitted diseases including HIV/AIDS to employees and local communities surrounding the Project sites. The Borrower shall also cause the EA and the IAs to ensure that records of labor employment are properly maintained and tracked in the Project performance management system.

Gender and Development

19. The Borrower shall cause the EA and the IAs to ensure that (a) GAP is implemented and adequately resourced, supervised and monitored in accordance with ADB's Policy on Gender and Development (1998); and (b) measures under the GAP including, but not be limited to the following are implemented effectively: (i) 15% women's participation in LPSTK as officials and 30% as LPSTK members; (ii) women as LPSTK officials and members and as members of community groups (POKMAs) are provided training on coastal management issues, technical skills on business and food safety, among others; (iii) women's participation in postgraduate training is proportionate to the percentage of women staff in , MMAF in relevant positions; (iv) as part of stakeholder process, consultations will include local women on spatial planning and zoning; (v) 30% women's participation in species management and conservation training; (vi) 30% women (as household members and/or female headed households) are

provided with livelihood, financial and/or input assistance; and (vii) 30% women entrepreneurs' participation in model enterprises.