Global Environment Facility
Trust Fund Grant Agreement

(Philippine Rural Development Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated September 8, 2014
GLOBAL ENVIRONMENT FACILITY

TRUST FUND GRANT AGREEMENT

AGREEMENT dated September 8, 2014, entered into between:
REPUBLIC OF THE PHILIPPINES ("Recipient"); and INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as an
implementing agency of the Global Environment Facility ("GEF").

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and
priority of the project described in Schedule I to this Agreement ("Project"), has
requested the Bank to extend a loan in the amount of five hundred one million two
hundred and fifty thousand United States Dollars ($501,250,000) as provided in the Loan
Agreement of even date herewith between the Recipient and the Bank ("Loan
Agreement"), to assist in financing Part 1.1(a) and 1.2, Part 2, Part 3.1(a) and 3.2 and Part
4 of the Project;

(B) the Recipient has also requested the Bank, acting as an implementing entity
of the Global Environment Facility ("GEF") to assist in financing Part 1.1(b) and Part
3.1(b) and 3.2 of the Project, and the Bank, acting in such capacity, has agreed to extend
a grant to the Recipient from the GEF for such purpose in the amount of seven million
United States Dollars ($7,000,000), pursuant to this grant agreement between the
Recipient and the Bank ("GEF Grant Agreement"); and

NOW THEREFORE, the Recipient and the Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various
Funds, dated February 15, 2012 ("Standard Conditions"), constitute an integral
part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this
Agreement have the meanings ascribed to them in the Standard Conditions, in the
Loan Agreement and in this GEF Grant Agreement.
Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through its Department of Agriculture in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to seven million United States Dollars ($7,000,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donor to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Effectiveness; Termination

4.01. This Agreement shall not become effective until the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
Article V
Recipient's Representative; Addresses

5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Secretary of Finance.

5.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Department of Finance
Department of Finance Building
Bangko Sentral Complex
Roxas Blvd.
Manila, Philippines

Facsimile:
(63-2) 523-9216

5.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Manila, Republic of the Philippines, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By

[Signature]
Authorized Representative

Name: CÉSAR V. PURÍSIMA
Title: SECRETARY

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility

By

[Signature]
Authorized Representative

Name: Motoo Konishi
Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

Schedule 1 of the Loan Agreement is hereby incorporated by reference and shall apply, mutatis mutandis, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional and Implementation Arrangements

Section IA of the Loan Agreement is hereby incorporated by reference in this Part A and shall apply, mutatis mutandis, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement, subject, however, to the following qualifications:

(a) all references to ‘Bank’ shall be replaced with “World Bank”;

(b) all references to “Borrower” are replaced with the term “Recipient”; and

(c) all references to “Loan” are replaced with the term “Grant”.

B. Safeguards

The Recipient shall and shall ensure that the Project is carried out in accordance with the requirements and procedures of the ESSF, and shall not assign, amend, abrogate or waive any provisions of the ESSF without prior approval of the World Bank.

C. Sub-projects

Section IC of the Loan Agreement is hereby incorporated by reference in this Part C and shall apply, mutatis mutandis, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement, subject, however, to the following qualifications:

(d) all references to ‘Bank’ shall be replaced with “World Bank”;

(e) all references to “Borrower” are replaced with the term “Recipient”; and

(f) all references to “Loan” are replaced with the term “Grant”.

D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”,

dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines").

Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports; Completion Report**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank and specified in the Operations Manuals. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

3. Without limitation on the provisions in paragraph A.1 of this Section II above, the Recipient shall:
   
   (a) prepare, under terms of reference satisfactory to the World Bank, and furnish to the World Bank, on or about September 15, 2017, a mid-term evaluation report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Part A, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

   (b) review with the World Bank, by November 15, 2017, or such later date as the World Bank shall request, the report referred to in sub-paragraph (a) of this paragraph 2, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the World Bank’s views on the matter.

B. **Financial Management; Financial Reports; Audits**

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works, non-consulting-services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) in the case of goods, works and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding subject to the additional provisions set out in paragraph 3 of this Section; (b) Shopping; (c) Direct contracting; (d) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank; and (e) Community Participation procedures in accordance with the procedures included in the Operations Manuals, which have been found acceptable to the Bank.

3. Additional National Competitive Bidding Provisions. The following provisions shall apply to the procurement of goods, works and non-consulting services under National Competitive Bidding procedures: (a) eligibility screening shall not be applied, provided however that bids that do not contain any of the following documents shall not pass the documentary compliance check: (i) evidence of the required financial, technical or production capability; (ii) audited financial statements; (iii) credit line or cash deposit certificate; (iv) bid security; and (v) authority of the bid signatory; (b) a ceiling may be applied to bid prices provided the following conditions are met: (i) bidding documents are obtainable free of charge on a freely accessible website; (ii) the agency has procedures in place to ensure that the ABC is based on Engineer’s Estimate; (iii) the agency has trained cost estimators on estimating prices and analyzing bid variance; and (iv) the agency has established a system to monitor and report bid prices relative to ABC and Engineer’s Estimate; (c) domestic or regional preferences shall not be applied in the evaluation of bids, and other preference in effect in the Philippines shall not be used except with prior concurrence of the World Bank; (d) foreign suppliers and contractors shall be allowed to participate, if interested, without first being required to associate with, or enter into joint venture, with local firms, and foreign bidders shall be allowed to bid, even without registration, licensing, and other government authorizations, leaving these requirements for after award and before signing of contract; and (e) alternative procurement methods defined in the implementing rules and regulations such as Limited Source Bidding, Direct Contracting and Shopping as acceptable, and the use of the other alternative methods shall require prior World Bank concurrence.
C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in theProcurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Selection based on Consultants’ Qualifications; (d) Single-source Selection of consulting firms; (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants' services and Training for Parts 1.1(b) and Part 3.2 of the Project</td>
<td>3,640,000</td>
<td>100% of the amount disbursed</td>
</tr>
<tr>
<td>(2) Enterprise Development Grants under Part 3.1(b) of the Project</td>
<td>3,360,000</td>
<td>100% of the amount disbursed</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>7,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US$250,000 equivalent may be made for payments made prior to this date but on or after September 15, 2013, for Eligible Expenditures under Category (1).

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is May 31, 2021.
ATTACHMENT 1 TO SCHEDULE 2

IMPLEMENTATION MANAGEMENT AGREEMENT
TERMS AND CONDITIONS

For the purposes of Section IC of Schedule 2 to this Agreement, each Implementation Management Agreement between the Recipient and a Participating LGU shall include, inter alia, the provisions set forth below.

1. The Recipient shall provide a Participating LGU an amount equivalent to eighty percent (80%) of the cost of said LGU’s Sub-project for Sub-projects under Part 3.1 of the Project.

2. Each Participating LGU shall:
   
   (a) maintain, throughout the period of Project implementation, the organization, management and resources, satisfactory to the World Bank, for carrying out Sub-projects; and

   (b) establish, prior to the carrying out of any Sub-projects, and thereafter maintain, a PPMIU throughout the period of Project implementation, with composition, terms of reference, staffing and other resources acceptable to the World Bank, to be responsible for supporting project implementation activities, preparing annual work plans and budgets, undertaking monitoring and evaluation and overall accounting and financial management; and

   (c) carry out the Sub-projects with due diligence and efficiency, and in conformity with appropriate engineering, economic, financial, administrative, technical, and agricultural practices and sound social and environmental standards, as set forth in the Operations Manuals prepared and adopted for the Project, and acceptable to the World Bank, as well as in accordance with the applicable PCIP, and provide promptly as needed, the funds, facilities, services and other resources required therefor.

   (d) submit for prior technical review by the World Bank (i) the first Sub-project proposed for approval in each PSO under Part 3.1 of the Project, and (ii) all Sub-projects proposed for approval under Part 3.1 of the Project that have grant amounts valued at or above 15 million Philippine Pesos.

3. The Participating LGU shall:

   (a) (i) carry out an environmental screening for the proposed Sub-project in accordance with the provisions of the ESSF (including the EMFG);
(ii) prior to the commencement of any works, prepare, hold consultations on and disclose an ESMP, satisfactory to the World Bank; (iii) carry out the Sub-project in accordance with the ESMP; (iv) not amend, suspend or abrogate any of the provisions of the ESMP without the prior approval of the World Bank; and (iv) in the event an environment compliance certificate is required under Philippine law or regulations, such certificate has been obtained from DENR or its instrumentality at the regional level in respect of the activities under said Sub-project; and

(b) if the activities under the proposed Sub-project give rise to Displaced Persons: (i) prepare, hold consultations on and disclose, prior to the commencement of any works, a Resettlement Action Plan ("RAP"), in accordance with the provisions of the ESSF (including the LARRF); (ii) carry out the Sub-project in accordance with the RAP including, unless otherwise agreed with the World Bank, payment in full of compensation to all Displaced Persons prior to the commencement of any related works; (iv) not amend, suspend or abrogate any of the provisions of the RAP without the prior approval of the World Bank; and

(c) if the activities under such proposed Sub-project involve Indigenous Peoples, and if required according to said ESSF (including the IPPF): (i) prepare, hold consultations on and disclose, prior to the commencement of any works, an Indigenous Peoples Plan ("IPP"), in accordance with the provisions of the ESSF (including the IPPF); (ii) carry out the Sub-project in accordance with the IPP; (iv) not amend, suspend or abrogate any of the provisions of the IPP without the prior approval of the World Bank; and

(d) (i) not finance any Sub-project that involves a dam that is fifteen (15) meters or more in height; and (ii) not finance any Sub-project that involves a dam that is between ten (10) and fifteen (15) meters in height, without the prior written approval of the World Bank.

4. Each Participating LGU shall:

(a) procure goods, works and services required for the Project and to be financed out of the proceeds of the Grant in accordance with the provisions of Section III of Schedule 2 to this Agreement;

(b) ensure that said goods are insured against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the purchaser thereof to replace or repair such goods; and
(c) ensure that said goods, works and services are utilized exclusively for the purpose of carrying out the Project.

5. Each Participating LGU shall enable the Recipient and the World Bank to examine all goods, facilities, sites and works included in the Project, the operation thereof, and any relevant records and documents.

6. Each Participating LGU shall ensure that any facilities, equipment and other property relevant to the Project shall at all times be operated and maintained, and that all necessary repairs and renewals thereof shall be promptly made, as needed, all in accordance with sound financial, administrative and technical practices.

7. Each Participating LGU shall:

   (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators referred to in Section II.A.1 of Schedule 2 to this Agreement, the carrying out of the Sub-projects; and

   (b) prepare, under terms of reference satisfactory to the World Bank, a semi-annual report summarizing the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above of this paragraph 6, on progress achieved in the carrying out of the Sub-projects during the preceding calendar semester and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the next semi-annual period following such date and furnish the same to the Recipient to enable the Recipient to consolidate and submit the information to the World Bank pursuant to the provisions in Section II.A.1 of Schedule 2 to this Agreement.

8. Each Participating LGU shall maintain a financial management system and prepare financial reports in a format acceptable to the Recipient and the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to each Sub-project.

9. Each Participating LGU shall have its financial reports for each sub-project referred to above audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each audit of these financial reports shall cover the period of one (1) fiscal year of the Participating LGU. The audited financial reports for each period shall be furnished to the Recipient not later than three (3) months after the end of the period for consolidation by the Recipient and submission to the World
Bank in accordance with the provisions of Section II.B.3 of Schedule 2 to the GEF Grant Agreement.