

**CONFORMED COPY**

**GEF TRUST FUND GRANT NUMBER 052188-PH**

# **Global Environment Facility Trust Fund Grant Agreement**

**(Rural Power Project)**

**between**

**REPUBLIC OF THE PHILIPPINES**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**acting as an Implementing Agency of the Global Environment Facility**

**Dated December 8, 2003**

## **GEF TRUST FUND GRANT NUMBER 052188-PH**

### **GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT**

AGREEMENT, dated December 8, 2003 , between THE REPUBLIC OF THE PHILIPPINES (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the third replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 2002-0005 of December 19, 2002, of the Executive Directors of the Bank (Resolution No. 2002-0005);

(D) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund: (a) in an amount equivalent to nine million Dollars (\$9,000,000) (the Bank-GEF Grant) for funding Parts A.4 and C of the Project on the terms and conditions set forth in this Agreement; and (b) in an amount equivalent to one million Dollars (\$1,000,000) (the UNDP-GEF Grant) for funding Part B of the Project on the terms and conditions set forth in the UNDP-GEF Grant Agreement; and said requests having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 2002-0005, which may include funds carried over from the second replenishment of the GEF Trust Fund under Resolution No. 98-2;

(E) by an agreement of even date herewith between the Recipient and the United Nations Development Programme (UNDP) acting as an implementing agency of the GEF (the UNDP-GEF Grant Agreement) the Recipient has undertaken certain obligations as set forth therein in respect of the carrying out of Part B of the Project;

(F) Part C.1 of the Project will be carried out by the Development Bank of the Philippines (DBP), through its Project Management Office, with the Recipient's assistance and, as part of such assistance, the Recipient will make available to DBP the proceeds of the Bank-GEF Grant as provided for in this Agreement;

(G) the Development Bank of the Philippines has also requested the Bank to provide additional financing towards the financing of Part A of the Project (except for Part A. 4 of the Project) by an agreement of even date herewith entered into between the Bank, acting in its own capacity, and DBP (in such capacity, the Borrower) (the Loan Agreement), the Bank has agreed to provide such assistance in an aggregate principal amount equivalent to one billion, one hundred eighty-eight million, two hundred thousand Yen (JPY1,188,200,000) (the Loan);

(H) by an agreement (the Guarantee Agreement) of even date herewith entered into between the Republic of the Philippines (in such capacity, the Guarantor) and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan; and

WHEREAS, the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Bank-GEF Grant to the Recipient upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Bank and DBP (the GEF Project Agreement);

NOW, THEREFORE, the parties hereto hereby agree as follows:

## **ARTICLE I**

### **General Conditions; Definitions**

Section 1.01 (a) The following provisions of the "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank, dated September 1, 1999, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (5), (6), (15), (16), (19), (34), (35), and (45), 2.02 and 2.03;
- (iii) Sections 3.01, 3.08, and 3.11;
- (iv) Article V;

- (v) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i), (k), (m), (n), (o), and (p), 6.03, 6.04 and 6.05;
  - (vi) Section 8.01 (b);
  - (vii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
  - (viii) the second sentence of Section 10.01 and Sections 10.03 and 10.04;
  - (ix) Article XI; and
  - (x) Sections 12.01 (c), 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) Section 2.01 (1) is modified to read as follows: “Currency” includes the currency of a country, the Special Drawing Right of the International Monetary Fund, and any unit of account which represents a debt service obligation of the Bank to the extent of such obligation. “Currency of a country” means the coin or currency which is legal tender for the payment of public and private debts in that country”;
  - (ii) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (1) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;
  - (iii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
  - (iv) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
  - (v) the term “Loan” and “loan”, wherever used in the General Conditions, means the Bank-GEF Grant;
  - (vi) the term “Loan Account”, wherever used in the General Conditions, means the Bank-GEF Grant Account;
  - (vii) a new subparagraph (q) is added to Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have

arisen in which any further disbursement under the Bank-GEF Grant would exceed the resources available for disbursement from the GEF”; and

- (viii) Section 10.04 is modified to read as follows: “Any dispute arising out of or relating to this Agreement which is not settled by agreement of the parties shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules in force on the date of this Agreement. The place of arbitration shall be Washington, D.C. In the event of a conflict between UNCITRAL Arbitration Rules and the terms of this Agreement, the terms of this Agreement shall govern”.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions (as herein defined) and in the Recitals to this Agreement have the respective meanings therein set forth; and the following additional terms have the following meanings:

(a) “Bangko Sentral ng Pilipinas” means the Central Bank of the Republic of the Philippines, and any successor thereto.

(b) “DBP Charter” means the charter of the Development Bank of the Philippines, dated December 3, 1986, as amended to the date of this Agreement.

(c) “DBP-GEF Memorandum of Agreement” means the agreement to be entered into between the Recipient and DBP for implementing Part C.1 of the Project, including all schedules, and supplemental agreements, as said agreement may be amended from time to time with the prior agreement of the Bank;

(d) “DBP-GEF Project Implementation Plan” means the time-bound action plan adopted by DBP on September 1, 2003, satisfactory to the Bank, for the carrying out of Part C.1 of the Project, as such plan may be amended from time to time with the prior agreement of the Bank.

(e) “DBP Project Management Office” and the acronym “DBP-PMO” mean the project management office established by DBP in July 2002, and to be maintained pursuant to paragraph 1 of Schedule 2 to the GEF Project Agreement.

(f) “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse

impacts on the livelihood of such person, and “Displaced Persons” means, collectively, the plural thereof.

(g) “DOE” means the Recipient’s Department of Energy and any successor thereto.

(h) “DOE Operational Manual” means the manual, satisfactory to the Bank, to be adopted by the Recipient in accordance with paragraph 3 of Schedule 4 to this Agreement, which manual shall provide, inter alia, for: (i) environmental requirements for GEF-Assisted Subprojects; (ii) eligibility criteria for the carrying out of GEF-Assisted Subprojects, including those set forth in paragraph 4 of Schedule 4 to this Agreement; (iii) the procedure and criteria for appraisal and selection of GEF-Beneficiaries and GEF-Assisted Subprojects, including those set forth in paragraph 5 of Schedule 4 to this Agreement; (iv) terms and conditions governing the GEF Sub-grant Agreements, including those set forth in Schedule 5 to this Agreement; (v) procurement procedures for goods, works and services under GEF-Assisted Subprojects; (vi) financial management and disbursement arrangements; (vii) the DOE Project Implementation Plan; (viii) the Environmental Policy Framework; (ix) the Policy Framework: Land Acquisition, Resettlement and Rehabilitation of Displaced Persons; and (x) the Project Policy Framework on Indigenous People; as said manual may be revised from time to time with the prior agreement of the Bank.

(i) “DOE Project Implementation Plan” means the time-bound action plan adopted by the Recipient on September 1, 2003, satisfactory to the Bank, for the carrying out of Parts C.2, C.3, and C.4 of the Project, as such plan may be amended from time to time with the prior agreement of the Bank.

(j) “DOE Project Management Office” and the acronym “DOE-PMO” mean the project management office established within the Recipient’s Department of Energy on July 16, 2003, and to be maintained with responsibilities for purposes of the carrying out of Parts A.4, C.2, C.3, and C.4 of the Project, pursuant to paragraph 1 of Schedule 4 to this Agreement.

(k) “Environmental Policy Framework” means the framework, satisfactory to the Bank, which was adopted by the Recipient on June 30, 2003, describing the rules, guidelines and procedures to assess environmental impacts under Parts A and B of the Project and defining measures to reduce, mitigate or offset adverse environmental impacts and enhance positive impacts of Parts A and B of the Project, as such framework may be amended from time to time with the prior agreement of the Bank.

(l) “Fiscal Year” and the acronym “FY” mean the twelve (12)-month period corresponding to any of the Recipient’s financial years, which period commences on January 1 and ends on December 31 in each calendar year, and the term “Fiscal Years” means, collectively, each of said Fiscal Year.

(m) “GEF-Assisted Subproject” means a specific renewable energy technology project under Part A.4 of the Project to be carried out by a GEF Beneficiary utilizing the proceeds of a GEF Sub-grant, in accordance with the provisions of Schedule 5 to this Agreement, and “GEF-Assisted Subprojects” means, collectively, the plural thereof.

(n) “GEF Beneficiary” means an individual, LGU, or other legal entity, which meets the eligibility criteria set forth in paragraph 5 of Schedule 4 to this Agreement, to receive a GEF Sub-grant from DOE, out of the proceeds of the Bank-GEF Grant, for purposes of market development, sales, and installation of renewable energy technology (RET) systems, and “GEF Beneficiaries” means, collectively, the plural thereof.

(o) “GEF Category” means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and “GEF Categories” means, collectively, the plural thereof.

(p) “GEF-DBP Financial Monitoring Report” and the acronym “GEF-DBP FMR” mean each report prepared in accordance with Section 4.02 of the GEF Project Agreement.

(q) “GEF-DOE Financial Monitoring Report” and the acronym “GEF-DOE FMR” mean each report prepared in accordance with Section 4.02 of this Agreement.

(r) “GEF Eligible Categories” means: (i) in respect of the GEF-DOE Special Account, Categories (1), (2)(b), (3)(b), (4)(b), (4)(c), and (5)(b), all set forth in the table in paragraph 1 of Part A of Schedule 1 to this Agreement; and (ii) in respect of the GEF-DBP Special Account, Categories (2)(a); (3)(a); (4)(a); and (5)(a), all set forth in said table.

(s) “GEF Eligible Expenditures” means the expenditures in respect of the reasonable cost of goods and services required for Parts A.4, C.2, C.3, and C.4 of the Project and to be financed out of the proceeds of the Bank-GEF Grant allocated from time to time to the GEF Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement.

(t) “GEF Project Agreement” means the agreement of even date herewith between the Bank and DBP for the carrying out of Part C.1 of the Project, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to said agreement;

(u) “GEF Sub-grant” means a grant made or proposed to be made by the Recipient, through DOE, to a GEF Beneficiary, out of the proceeds of the Bank-GEF Grant, through a GEF Sub-grant Agreement, satisfactory to the Bank, to finance the

carrying out of a GEF-Assisted Subproject, in accordance with the relevant provisions of the DOE Operational Manual.

(v) “GEF Sub-grant Agreement” means the agreement to be entered into between the Recipient, through DOE, and a GEF Beneficiary for purposes of providing a GEF Sub-grant, as the same may be amended from time to time with the prior agreement of the Bank, and “GEF Sub-grant Agreements” means, collectively, the plural thereof.

(w) “Indigenous Peoples” means social groups with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language, often different from Pilipino, the Recipient’s national language; (iv) presence of customary social and political institutions; and (v) primarily subsistence-oriented production.

(x) “Loan Agreement” means the agreement of even date herewith entered into between the Bank and DBP for the carrying out of Part A of the Project (except Part A.4 of the Project), as such agreement may be amended from time to time; and such term includes the “General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans” of the Bank, dated September 1, 1999, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement.

(y) “Local Government Unit” and the acronym “LGU” mean a local government unit which is a political subdivision of the Republic of the Philippines at the provincial, city, municipal, or Barangay level, and “Local Government Units” and the acronym “LGUs” mean, collectively, the plural thereof.

(z) “Policy Framework: Land Acquisition, Resettlement and Rehabilitation of Displaced Persons” means the framework, satisfactory to the Bank, which was adopted by the Recipient on June 30, 2003, providing procedures, rules, and guidelines for: (i) the involuntary taking of land and other assets from Displaced Persons, (ii) resettlement and rehabilitation of, and compensation to, Displaced Persons, and (iii) reporting and monitoring arrangements to ensure compliance with such framework, as such framework may be amended from time to time with the prior agreement of the Bank.

(aa) “Project Policy Framework on Indigenous Peoples” means the framework, satisfactory to the Bank, which was adopted by the Recipient on June 30, 2003, providing procedures, rules, and guidelines for: (i) the informed involvement of Indigenous Peoples, through a process of informed consultation, in the design and implementation of Part A of the Project in locations in which such people reside or which they use for their livelihood, and (ii) designing and implementing measures to provide benefits which are socially and culturally acceptable to them, and reduce, mitigate and



offset adverse impacts, under Part A of the Project, as such framework may be amended from time to time with the prior agreement of the Bank.

(bb) “Project Supervisory Committee” and the acronym “PSC” mean the committee to be established and maintained in accordance with the provisions of Section 3.03 of the Guarantee Agreement, to be responsible for the overall policy direction, guidance, and supervision of policy and institutional reforms under the Program.

(cc) “Renewable Energy Technologies” and the acronym “RET” mean an energy system using renewable energy resources including wind, hydro, biomass, and solar energy.

(dd) “Report-Based Disbursement” means a withdrawal of funds from the Bank-GEF Grant Account made on the basis of reports as referred to in Part A.5 of Schedule 1 to this Agreement, and “Report-Based Disbursements” means, collectively, the plural thereof.

(ee) “Respective Part of the Project” means, for: (i) DOE, the activities to be carried out under Parts A.4, C.2, C.3 and C.4 of the Project; and (ii) DBP, the activities to be carried out under Part C.1 of the Project.

(ff) “Special Accounts” means, collectively, the GEF-DOE Special Account, and the GEF-DBP Special Account, all referred to in Part B of Schedule 1 to this Agreement, and “Special Account” means any of said Special Accounts.

(gg) “Technical Working Group” means the group to be established and maintained by the Recipient in accordance with the provisions of Section 3.04 of the Guarantee Agreement, to serve as a secretariat to the Project Supervisory Committee and to be responsible for the overall coordination and supervision of the implementation of the Project.

## **ARTICLE II**

### **The Bank-GEF Grant**

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Bank-GEF Grant in an amount equal to nine million Dollars (\$9,000,000).

Section 2.02. The amount of the Bank-GEF Grant may be withdrawn from the Bank-GEF Grant Account in accordance with the provisions of Schedule 1 to this Agreement for:

(a) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the carrying out of Part C of the Project and to be financed out of the proceeds of the Bank-GEF Grant; and

(b) amounts paid (or, if the Bank shall so agree, to be paid) by the Recipient on account of withdrawals made by DOE on account of a GEF Sub-grant to meet the reasonable cost of goods, works and services required for a GEF-Assisted Subproject and in respect of which the withdrawal from the Bank-GEF Grant Account is requested.

Section 2.03. The Closing Date shall be December 31, 2009, or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:

- (i) shall carry out Parts A.4, C.2, C.3 and C.4 of the Project through DOE-PMO with due diligence and efficiency and in conformity with appropriate financial, economic, administrative, management, banking, and engineering practices, and with due regard to ecological, social and environmental standards, acceptable to the Bank, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the carrying out of Parts A.4, C.2, C.3 and C.4 of the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall: (A) cause DBP to carry out Part C.1 of the Project and perform in accordance with the provisions of the GEF Project Agreement all of its obligations therein set forth, all with due diligence and efficiency and in conformity with appropriate financial, economic, administrative, management, banking, and engineering practices, and with due regard to ecological, social and environmental standards, acceptable to the Bank; (B) take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable DBP to perform such obligations; and (C) not take or permit to be taken any action which would prevent or interfere with such performance.

(b) For purposes of the carrying out of Part C.1 of the Project, the Recipient shall, out of the proceeds of the Bank-GEF Grant, make available to DBP, on a grant basis, a principal amount not to exceed the aggregate amount allocated from time to time to GEF-Categories (2)(a); (3)(a); (4)(a); and (5)(a), all set forth in the table under paragraph 1 of Schedule 1 to this Agreement, under the DBP-GEF Memorandum of Agreement, satisfactory to the Bank, to be entered into between the Recipient and DBP, under terms and conditions which shall have been approved by the Bank.

(c) The Recipient shall exercise, and cause DBP to exercise, its rights under the DBP-GEF Memorandum of Agreement in such manner as to protect the interests of the Recipient, DBP and the Bank, comply with its respective obligations under the DBP -GEF Memorandum of Agreement, and accomplish the purposes of the Bank-GEF Grant , and, except as the Bank shall otherwise agree, the Recipient shall not abrogate, amend, assign, repeal, suspend or waive the DBP-GEF Memorandum of Agreement or any provision thereof without the prior agreement of the Bank.

(d) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall:

- (i) carry out Parts A.4, C.2, C.3 and C.4 of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement; and
- (ii) cause DBP to carry out Part C.1 of the Project in accordance with the Implementation Program set forth in Schedule 2 to the GEF Project Agreement.

Section 3.02. Except as the Bank shall otherwise agree: (a) procurement of goods, works and consultants' services required for the carrying out of GEF-Assisted Subprojects under Part A.4 of the Project and to be financed out of the proceeds of the Bank-GEF Grant through a GEF Sub-grant shall be governed by the provisions of paragraph 2 (iii) and (iv) of Schedule 5 to this Agreement; and (b) procurement of the goods and consultants' services required for Parts C.2, C.3 and C.4 of the Project and to be financed out of the proceeds of the Bank-GEF Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

Section 3.04. The Bank and the Recipient hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part C.1 of the Project shall be carried out by DBP pursuant to Section 2.03 of the GEF Project Agreement.

## **ARTICLE IV**

### **Financial Conditions**

Section 4.01. (a) The Recipient shall establish and, thereafter, maintain or cause to be maintained a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures in respect of Parts A.4, C.2, C.3 and C.4 of the Project of the departments or agencies of the Recipient responsible for the carrying out of Parts A.4, C.2, C.3 and C.4 of the Project.

- (b) The Recipient shall:
- (i) commencing with the fiscal year in which the Bank-GEF Grant becomes effective to and including the fiscal year in which the last withdrawal from the Bank-GEF Grant Account is made, have the financial statements referred to in subparagraph (a) above for each such fiscal year or other period agreed to by the Bank, audited, in accordance with consistently applied auditing standards, acceptable to the Bank, by independent auditors acceptable to the Bank;
  - (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year or such other period agreed to by the Bank, (A) certified copies of the financial statements referred to in subparagraph (a) above for such year or such other period agreed to by the Bank, as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
  - (iii) furnish to the Bank such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Bank shall have reasonably requested.

(c) For all expenditures with respect to which withdrawals from the Bank-GEF Grant Account were Report-based Disbursements or were made on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Bank has received the audit report for or covering the fiscal year in which the last withdrawal from the Bank-GEF Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year, or other period agreed to by the Bank, referred to in subparagraph (b) above.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set forth in paragraph 8 of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Bank a GEF-DOE FMR, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for Parts A.4, C.2, C.3 and C.4 of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Bank-GEF Grant and explains variances between the actual and planned uses of such funds;
- (ii) describes progress in implementation of Parts A.4, C.2, C.3 and C.4 of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned implementation of Parts A.4, C.2, C.3 and C.4 of the Project; and
- (iii) sets forth the status of procurement under Parts A.4, C.2, C.3 and C.4 of the Project, as at the end of the period covered by said report.

(b) The first GEF-DOE FMR shall be furnished to the Bank not later than sixty (60) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under Parts A.4, C.2, C.3 and C.4 of the Project through the end of such first calendar quarter; thereafter, each GEF-DOE FMR shall be furnished to the Bank not later than sixty (60) days after each subsequent calendar quarter, and shall cover such calendar quarter.

## ARTICLE V

### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) DBP shall have failed to perform any of its obligations under the Loan Agreement, the GEF Project Agreement, or the DBP-GEF Memorandum of Agreement.

(b) As a result of events which have occurred after the date of the GEF Trust Fund Grant Agreement, an extraordinary situation shall have arisen which shall make it improbable that DBP will be able to perform its obligations under the Loan Agreement, the GEF Project Agreement, or the DBP-GEF Memorandum of Agreement.

(c) the legal framework or the principal corporate and organizational documents governing DBP, including the DBP Charter, shall have been abrogated, amended, assigned, repealed, suspended or waived so as to affect materially and adversely the operations or the financial condition of DBP or DBP's ability to carry out Part C.1 of the Project or perform any of its obligations under the Loan Agreement, the GEF Project Agreement, or the DBP-GEF Memorandum of Agreement.

(d) the Recipient or any appropriate legal or regulatory authority within its jurisdiction shall have taken any action for the dissolution or disestablishment of DBP or for the suspension of its operations so as to affect materially and adversely the operations or the financial condition of DBP or DBP's ability to carry out Part C.1 of the Project or perform any of its obligations under the Loan Agreement, the GEF Project Agreement, or the DBP-GEF Memorandum of Agreement.

(e) DBP's right to withdraw the proceeds of the Loan shall have been suspended, cancelled or terminated, in whole or in part, by the Bank pursuant to the terms of the Loan Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional events are specified:

(a) any of the events specified in paragraphs (a), (b) and (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of thirty days after notice thereof shall have been given by the Bank to the Recipient; and

(b) any of the events specified in paragraph (e) of Section 5.01 of this Agreement shall occur.

## **ARTICLE VI**

### **Effectiveness, Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the GEF Trust Fund Grant Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) the Loan Agreement and the UNDP-GEF Grant Agreement have been executed and delivered and all conditions precedent to the effectiveness of said Loan Agreement and said UNDP-GEF Grant Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;

(b) the financial management system has been adopted by the Recipient in accordance with paragraph 2 of Schedule 4 to this Agreement;

(c) the DOE Operational Manual has been adopted by the Recipient in accordance with paragraph 3 of Schedule 4 to this Agreement; and

(d) the DBP-GEF Memorandum of Agreement has been entered into between the Recipient and DBP in accordance with Section 3.01(b) of this Agreement.

Section 6.02. This Agreement shall continue in effect until the Bank-GEF Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

## **ARTICLE VII**

### **Representative of the Recipient; Addresses**

Section 7.01. The Secretary of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

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

Cable address:	Telex:	Facsimile:
SECFIN Manila	40268CB-CONF	(63-2) 526-9990 (63-2) 523-9216

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) 64145 (MCI)	(202) 477-6391



IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Manila, Republic of the Philippines, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By /s/ Juanita D. Amatong

Authorized Representative

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

By /s/ Robert Vance Pulley

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Bank-GEF Grant

#### Part A: General

1. The table below sets forth the GEF Categories of items to be financed out of the proceeds of the Bank-GEF Grant, the allocation of the amounts of the Bank-GEF Grant to each GEF Category and the percentage of expenditures for items so to be financed in each GEF Category:

<u>GEF Category</u>	<u>Amount of the Bank-GEF Grant Allocated (Expressed in Dollars Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) GEF Sub-grants	1,600,000	100% of Sub-grant amount disbursed
(2) Consultants' services:		82% for individual consultants, 87% for consulting firms, and 100% for tax-exempt consultants
(a) under Part C.1 of the Project	300,000	
(b) under Parts C.2, C.3 and C.4 of the Project	4,090,000	
(3) Training, workshops and study tours:		100%
(a) under Part C.1 of the Project	250,000	
(b) under Parts C.2, C.3, and C.4 of the Project	900,000	

<u>GEF Category</u>	<u>Amount of the Bank-GEF Grant Allocated (Expressed in Dollars Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Goods:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(a) under Part C.1 of the Project	200,000	
(b) under Parts C.2 and C.3 of the Project	100,000	
(c) under Part C.4 of the Project	250,000	
(5) Incremental operating costs:		80%
(a) under Part C.1 of the Project	150,000	
(b) under Parts C.2, C.3, and C.4 of the Project	270,000	
(6) Unallocated	<u>890,000</u>	
TOTAL	<u>9,000,000</u>	

2. For the purposes of this Schedule, the term:

(a) “foreign expenditures” means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(b) “local expenditures” means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient;

(c) “incremental operating costs” means reasonable expenditures directly related to the Project, incurred by the Recipient under Parts C.2, C.3, and C.4 of the Project and by DBP under Part C.1 of the Project (which expenditures would not have been incurred absent the Project), including expenditures for the cost of office supplies, maintenance of equipment, rental of facilities, and travel of Project staff, but excluding salaries of Project staff; and

(d) “tax-exempt consultants” means consultants who are: (i) retained under the Project; and (ii) exempt from payment of taxes in accordance with the relevant laws of the Republic of the Philippines, as certified by the Recipient’s Department of Finance, in a manner satisfactory to the Bank.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$500,000, may be made in respect of Categories (1), (2), (3), (4) and (5) on account of payments made of expenditures before that date but after March 1, 2003; and

(b) Category (4)(c) set forth in the table in paragraph 1 of this Schedule unless and until the Recipient, through DOE, shall have furnished to the Bank a report, satisfactory to the Bank, on the design and technical specifications of the information technology database system for the integration of renewable energy technology in the missionary electrification program.

4. The Bank may require withdrawals from the Bank-GEF Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) GEF Sub-grants; (b) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent per contract; (c) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent per contract; (d) training, workshops, and study tours; (e) goods estimated to cost less than \$200,000 equivalent per contract; and (f) incremental operating costs, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. The Recipient may request withdrawals from the Bank-GEF Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the GEF-DOE FMR, or GEF-DBP FMR, as the case may be, and any other information as the Bank shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the Bank-GEF Grant Account, the Recipient shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six (6)-month period following the date of such request.

6. If the Bank shall have determined at any time that any payment made from the Bank-GEF Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the Bank-GEF Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.

Part B: Special Accounts

1. The Recipient may: (a) open and maintain in Dollars a special deposit account for purposes of Parts A.4, C.2, C.3 and C.4 of the Project, (the GEF-DOE Special Account); and (b) cause DBP to open and maintain in Dollars a special deposit account for purposes of Part C.1 of the Project (the GEF-DBP Special Account); each in a commercial bank specifically authorized for this purpose by the Bangko Sentral ng Pilipinas, acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the respective Special Account has been opened, withdrawals from the Bank-GEF Grant Account of amounts to be deposited into the respective Special Account shall be made as follows:

(a) if the Recipient is not making, or not causing DBP to make, Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making, or causing DBP to make, Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the respective Special Account shall be made exclusively for GEF Eligible Expenditures. For each payment made, or caused to be made, by the Recipient out of the respective Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish, or cause DBP to furnish, to the Bank such documents and other evidence showing that such payment was made exclusively for GEF Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the respective Special Account:

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of GEF Eligible Expenditures should be made, or cause to be made, by the Recipient directly from the Bank-GEF Grant Account; or

(c) if the Recipient shall have failed to furnish, or cause DBP to furnish, to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement and Section 4.01 (b)(ii) of the GEF Project Agreement, respectively, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the respective Special Account; or (B) the

records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into any Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Bank-GEF Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into any Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Bank determines at any time that any payment out of any Special Account was made for an expenditure which is not a GEF Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank, provide, or cause DBP to provide, such additional evidence as the Bank may request, or deposit into the respective Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the respective Special Account shall be made until the Recipient has provided, or cause DBP to provide, such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in any Special Account will not be required to cover payments for GEF Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Bank, refund, or cause DBP to refund, to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund, or cause DBP to refund, to the Bank all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Bank-GEF Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

**Annex A  
to  
Schedule 1**

**Operation of Special Account When Withdrawals Are Not  
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equivalent to: (a) \$200,000 in respect of GEF-DOE Special Account; and \$50,000 in respect of GEF-DBP Special Account; in each case to be withdrawn from the Bank-GEF Grant Account and deposited into the respective Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the respective Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the respective Authorized Allocation, the Recipient, shall furnish, or cause DBP to furnish, to the Bank a request or requests for deposit into the respective Special Account of an amount or amounts which in the aggregate do not exceed the respective Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the Bank-GEF Grant Account and deposit into the respective Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the respective Special Account, the Recipient shall furnish, or cause DBP to furnish, to the Bank requests for deposit into the respective Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Recipient shall furnish, or cause DBP to furnish, to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient withdraw from the Bank-GEF Grant Account and deposit into the respective Special Account such amount as the Recipient shall have requested, or cause DBP to request, and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for GEF Eligible Expenditures. Each such deposit into the respective Special Account shall be withdrawn by the Bank from the Bank-GEF Grant Account under one or more of the GEF Eligible Categories.

3. The Bank shall not be required to make further deposits into any Special Account, once the total unwithdrawn amount of the Bank-GEF Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the respective Authorized Allocation. Thereafter, withdrawal from the Bank-GEF Grant Account of the remaining unwithdrawn amount of the Bank-GEF Grant shall follow such procedures as the Bank shall specify by notice to the Recipient and DBP. Such

further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for GEF Eligible Expenditures.



**Annex B  
to  
Schedule 1**

**Operation of Special Account When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the Bank-GEF Grant Account shall be deposited by the Bank into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the respective Special Account shall be withdrawn by the Bank from the Bank-GEF Grant Account under one or more of the GEF Eligible Categories.
  
2. Upon receipt of each application for withdrawal of an amount of the Bank-GEF Grant, the Bank shall, on behalf of the Recipient, withdraw from the Bank-GEF Grant Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance GEF Eligible Expenditures during the six-month period following the date of such reports.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to support the implementation of the first phase of the Program aimed at supporting reforms and priority investments to improve quality of life in rural areas through the provision of adequate, affordable and reliable energy services, in partnership with the private sector.

The Project consists of the following parts, subject to such modifications thereof as the Guarantor, the Borrower, and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Rural Electrification Subprojects

1. Carrying out of Type A Subprojects through the provision of Type A Subloans.
2. Carrying out of Type B Subprojects through the provision of Type B Subloans.
3. Carrying out of Type C Subprojects through the provision of Type C Subloans.
4. Carrying out of GEF-Assisted Subprojects through the provision of GEF Sub-grants.
5. Carrying out of Type D Subprojects through the provision of Type D Subloans.

#### Part B: Partial Credit Guarantee Fund

Provision of grant funds to RET system financiers to partially cover loan losses incurred in the provision of loans to RET system purchasers and RET system suppliers.

#### Part C: Capacity Building

1. Fostering the reduction of market barriers to the commercialization of renewable energy technologies suitable for off-grid electrification by building capacity on selected renewable energy technology matters, including appraisal, selection, procurement, and supervision related to renewable energy technology subprojects, within the Borrower.
2. Fostering the reduction of market barriers to the commercialization of renewable energy technologies suitable for off-grid electrification by building capacity on selected

renewable energy technology matters, including appraisal, selection, procurement, and supervision related to renewable energy technology subprojects, in selected public and private sector entities including Department of Energy, Participating Financial Intermediaries, RET system suppliers, ECs, and NGOs, and excluding the Borrower.

3. Fostering the reduction of investment risks in the rural power sector by carrying out surveys and assessments of the rural electricity services market including renewable energy technologies, and applying the findings of such surveys and assessments.

4. Developing and implementing policies on energy tariffs and subsidies, regulation, and integration of renewable energy technologies in the missionary electrification program pursuant to the Guarantor's Electric Power Industry Reform Act of 2001, Republic Act No. 9136, including the provision of computer hardware and software.

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The Project is expected to be completed by June 30, 2009.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. Procurement of Goods

###### Part A: General

Goods shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

###### Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

Goods estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$175,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines, and the provisions set forth in the Annex to this Schedule 3 required to comply with the provisions of the Guidelines.

###### 2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$175,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraph 3.5 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) the first contract for goods procured in accordance with the procedures referred to in paragraph 1 of Part C of this Section, regardless of the cost; and (ii) each contract for goods estimated to cost the equivalent of \$200,000 or more; the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract for goods procured in accordance with the procedures referred to in paragraph 2 of Part C of this Section, regardless of the cost, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, the Recipient shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Recipient shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of Section II of this Schedule.

### Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

### Part C: Other Procedures for the Selection of Consultants

#### 1. Quality-based Selection

Services for the carrying out of Parts C.2, C.3 and C.4 of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

#### 2. Selection Based on Consultants' Qualifications

Services for the carrying out of Parts C.2, C.3 and C.4 of the Project estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

#### 3. Single Source Selection

Services for: (a) the carrying out of administration, coordination, supervision, procurement, disbursement, accounting, financial and project management, and monitoring the implementation of Parts A.4, C.2, C.3 and C.4 of the Project, within DOE Project Management Office; and (b) the provision of training under Parts C.2, C.3 and C.4 of the Project estimated to cost less than \$100,000 equivalent per contract, may, with

the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every twelve (12) months during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.



**Annex  
to  
Schedule 3**

With respect to goods to be procured in accordance with the procedures referred to in paragraph 1 of Part C of Section I of Schedule 3 to this Agreement, the National Competitive Bidding (NCB) procedures of the Republic of the Philippines shall apply, except that, unless otherwise agreed by the Bank in writing, the following procedures shall apply:

1. National Competitive Bidding (NCB) opportunities shall be advertised in national newspapers of general circulation, with sufficient time for bidders to prepare offers, which shall not be less than thirty (30) days, unless a different time is specifically agreed upon by the Bank. Posting shall also be done in the Government Electronic Procurement System (GEPS) or the Procuring Entity's website.
2. Foreign suppliers and contractors from eligible countries shall be allowed to participate, if interested, without first being required to associate with, or enter into joint ventures with, local firms. However, joint ventures will be encouraged.
3. Except for major or complex works, as defined in the Loan Agreement, where prequalification is required, prequalification of contractors shall only be undertaken upon prior Bank approval.
4. Eligibility screening may be carried out prior to bidding with the prior concurrence of the Bank.
5. If any bidder is to be denied access to the bidding process for reasons unrelated to its financial and technical qualifications to perform the contract, prior concurrence of the Bank shall be sought.
6. A ceiling may be applied to bid prices, with the prior concurrence of the Bank in advance of bidding. The Approved Budget Estimate may be disclosed in the advertisement or in the bidding documents.
7. The Bank's domestic preferences shall not be applied in the evaluation of bids, and other preferences in effect in the Republic of the Philippines shall also not be used, except with the prior concurrence of the Bank.

8. Price negotiation shall not be allowed. However, in the case of a budget limitation, an adjustment in the quantities of goods or the scope of work may be agreed upon, subject to the prior concurrence of the Bank.
9. Bid opening shall be open to those who wish to attend, and the deadline for submission of bids shall be the same as that for bid opening. All bids received on time shall be opened and read publicly.
10. Within seventy two (72) hours from bid opening, but prior to bid evaluation, a copy of the certified minutes of bid opening shall be furnished to the Bank, which shall contain the following: (a) names of the bidders provided with bid documents; (b) original amount (unevaluated) of the bid of each bidder, as read; (c) date, time and place of bid opening; (d) summary of bid proceedings; and (e) names of the bidders' representatives and other persons present.
11. Suppliers and contractors shall not be required to purchase only local goods or supplies, or to hire local labor, except for unskilled labor.
12. Explicit bid evaluation criteria shall be set forth in the bid documents based on monetarily quantifiable elements.
13. Modifications exceeding fifteen percent (15%) of the contract amount and material changes in the conditions during implementation require prior concurrence of the Bank.
14. For foreign suppliers and contractors, prior registration (such as with the Bureau of Food and Drugs for the registration for drugs, agency accreditation, etc.), licensing (such as licensing by the Philippine Contractors Accreditation Board, etc.), and/or other government authorizations (such as a Mayor's permit, etc.), shall not be a requirement for purposes of participating in bidding competitions. Such registration, licensing and/or other government authorizations may, however, be required from the selected bidder as a condition of signing of the contract, and the Borrower shall not be estopped from asserting such requirement where this is mandated under national law.
15. Bid and performance securities shall be specified in the bidding documents, which may be in the form of a certified check, letter of credit, or bank guarantee from a reputable bank.
16. To obtain the best market prices available, open competitive bidding shall be maximized. For this purpose, requirements shall not include restrictive importation permits from private associations or protective preferences for Philippine Flag vessels.

17. Two-envelope system procedures shall not be used unless prior concurrence by the Bank has been obtained.

18. Privileges granted to Provincial bidders to match the lowest bid submitted by a contractor with the principal office address outside the province in which the project is located, shall not be allowed.

19. The use of GEPS for procurement of goods may be allowed with the prior concurrence of the Bank.

## **SCHEDULE 4**

### **Implementation Program**

#### Project Management

1. The Recipient shall maintain within the Department of Energy until completion of the Project the DOE Project Management Office, headed by a qualified and experienced manager, assigned with qualified staff in adequate numbers, including an administrative agency staffed with a coordinator, a procurement officer, an accountant, and an administrative assistant, and provided with such powers, responsibilities, organization and funding as shall be required to enable it to carry out the administration, coordination, supervision, procurement, disbursement, accounting, financial and project management, and monitoring the implementation of Parts A.4, C.2, C.3 and C.4 of the Project.

#### Project Implementation

2. The Recipient shall establish, within DOE, and thereafter maintain until completion of Parts A.4, C.2, C.3 and C.4 of the Project, a financial management system for Parts A.4, C.2, C.3 and C.4 of the Project, acceptable to the Bank.

3. The Recipient shall adopt the DOE Operational Manual, satisfactory to the Bank, which manual shall provide, inter alia, for: (a) environmental requirements for GEF-assisted Subprojects; (b) eligibility criteria for the carrying out of GEF-Assisted Subprojects, including those set forth in paragraph 4 of Schedule 4 to this Agreement; (c) the procedure and criteria for appraisal and selection of GEF Beneficiaries, including those set forth in paragraph 5 of Schedule 4 to this Agreement; (d) terms and conditions governing the GEF Sub-grant Agreements; (e) procurement procedures for goods, works and services under GEF-assisted Subprojects as provided for in subparagraphs (iii) and (iv) of paragraph 2 of Schedule 5 to this Agreement; (f) financial management and disbursement arrangements as set forth in Articles II, IV and Schedule 1 to this Agreement; (g) the DOE Project Implementation Plan; (h) the Environmental Policy Framework; (i) the Policy Framework: Land Acquisition, Resettlement and Rehabilitation of Displaced Persons; and (j) the Project Policy Framework on Indigenous People; as said manual may be revised from time to time with the prior agreement of the Bank.

4. The following criteria is specified as an additional criteria to the appraisal and selection of GEF-Assisted Subprojects by the Recipient in accordance with the eligibility criteria set forth in the DOE Operational Manual, namely, that the GEF-Assisted Subproject shall be for purposes of market development for renewable energy technology (RET) systems, sales and installation of RET systems.

5. The Recipient shall appraise and select GEF Beneficiaries, in accordance with the procedure and criteria set forth in the DOE Operational Manual, including the following:

(a) have a business plan for implementing GEF-Assisted Subprojects acceptable to DOE and the Bank;

(b) have annual, audited accounts which include power system sales demonstrating that the company is financially sound; and

(c) have a written agreement to abide by competitive code of norms for dealing with customers, employees, and other companies, including the provision of product and service information, and participation in open competition.

6. In the carrying out of Part A.4 of the Project, the Recipient shall:

(a) take all such actions as shall be necessary to apply and cause to be applied:

(i) the Environmental Policy Framework,

(ii) the Policy Framework: Land Acquisition, Resettlement and Rehabilitation of Displaced Persons, and

(iii) the Project Policy Framework on Indigenous Peoples; and

(b) not abrogate, amend, assign, repeal, delete, suspend, or waive any of such frameworks, or any provision thereof, without the prior consent of the Bank.

7. The Recipient shall: (a) carry out Part A.4 of the Project in accordance with the DOE Project Implementation Plan, satisfactory to the Bank; and (b) not abrogate, amend, assign, repeal, delete, suspend, or waive the DOE Project Implementation Plan or any provision thereof, without the prior consent of the Bank.

#### Monitoring and Evaluation

8. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators as set forth in Schedule 6 to

this Agreement, the carrying out of Parts A.4, C.2, C.3 and C.4 of the Project and the achievement of the objectives thereof;

(b) prepare, in scope and format satisfactory to the Bank, and furnish to the Bank: (i) a quarterly progress report pertaining to the three (3)-month period ending on March 31, June 30, September 30, and December 31 of each calendar year, each such report to be furnished to the Bank within sixty (60) days after the end of the period reported upon, commencing December 31, 2003; and (ii) a mid-term report on or about March 31, 2006, in each case integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph 8, reporting on the progress achieved in the carrying out of Parts A.4, C.2, C.3 and C.4 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 Parts A.4, C.2, C.3 and C.4 of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by April 30, 2006, or such later date as the Bank shall request, the report referred to in paragraph (b)(ii) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Parts A.4, C.2, C.3 and C.4 of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

## SCHEDULE 5

### Terms and Conditions of the GEF Sub-grant Agreements

1. For purposes of the carrying out of Part A.4 of the Project, the Recipient shall enter into a GEF Sub-grant Agreement with each GEF Beneficiary on terms and conditions satisfactory to the Bank, for purposes of providing GEF Sub-grants for the carrying out of GEF-Assisted Subprojects, including the respective provisions set forth in the DOE Operational Manual and those set forth in this Schedule.
2. Each GEF Sub-grant Agreement shall provide inter alia the following rights and obligations:
  - (i) the transfer as grant of such part of the proceeds of the Bank-GEF Grant to the GEF Beneficiary as shall be required by such GEF Beneficiary for the carrying out of the GEF-Assisted Subproject;
  - (ii) the obligation of the GEF Beneficiary to carry out the GEF-Assisted Subproject with due diligence and efficiency and in conformity with appropriate financial, economic, administrative, management, banking, and engineering practices, and with due regard to ecological, social and environmental standards, acceptable to the Bank, including requirements pursuant to the Environmental Policy Framework; the Policy Framework: Land Acquisition, Resettlement and Rehabilitation of Displaced Persons; and the Project Policy Framework on Indigenous Peoples; as the case may be, and to maintain adequate records to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the GEF-Assisted Subproject;
  - (iii) the requirement that goods, works and services under contracts estimated to cost the equivalent of \$500,000 or more per contract shall be procured: (A) in respect of goods and works, under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); provided, however, that the provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower, and with respect to all such contracts the procedures set forth in paragraph 2 of Appendix 1 to the Guidelines shall apply; provided further, that the provisions of the Annex to Schedule 3 to this Agreement shall apply as applicable; and (B) in respect of services, under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the

Bank in January 1997 and revised in September 1997, January 1999, and May 2002 (the Consultant Guidelines).

- (iv) the requirement that goods, works and services, other than those set forth in sub-paragraph (iii) above and: (A) to be procured by a GEF Beneficiary other than an LGU, shall be purchased at a reasonable price following the established commercial procedures, account being taken also of other relevant factors such as: (1) in the case of goods, timely delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor; (2) in the case of works, the technical quality and the competitive cost therefor; and (3) in the case of services, of their quality and the competence of the parties rendering them; and with respect to all such contracts the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply; (B) to be procured by a GEF Beneficiary that is an LGU, shall be purchased in accordance with the relevant provisions of Schedule 3 to this Agreement;
- (v) the right of the Recipient to inspect, each by itself, or jointly with representatives of the Bank, if the Bank shall so request, such goods and the facilities, sites, works, plants and construction included in the GEF-Assisted Subproject, the operations thereof and any relevant records and documents;
- (vi) the right of the Recipient to obtain all such information as the Bank shall reasonably request regarding the foregoing, the administration, operations and financial condition of the GEF-Assisted Subproject and the benefits to be derived from the GEF-Assisted Subproject;
- (vii) the right of the Recipient to suspend or terminate the right of the GEF Beneficiary to use the proceeds of the GEF Sub-grant for the GEF-Assisted Subproject upon failure by such GEF Beneficiary to perform any of its obligations under the GEF Sub-grant Agreement;
- (viii) respective obligations under its GEF Sub-grant Agreement; and the specific goods, works and services to be provided by the GEF Beneficiary to be involved in the GEF-Assisted Subproject and, in particular, where applicable the GEF Beneficiary's obligation to operate and maintain the facilities constructed by such GEF Beneficiary under a GEF-Assisted Subproject; and
- (ix) require that in the case of each GEF Beneficiary that is an LGU, the municipal council and mayor of the LGU shall have passed resolutions to participate in the Project and to execute a GEF Sub-grant Agreement with the Recipient, satisfactory to the Recipient.



**SCHEDULE 6**

**Performance Indicators**

	<b>Midterm Review</b>	<b>Closing Date</b>
Loan disbursements	40%	100%
New customers in rural areas provided with mini-grid electrical connection or individual RET services	4000	10,000
New RET suppliers accredited by DOE and operating	2	4
New electrical mini-grid system established and operating	1	2
Participating ECs have achieved satisfactory financial performance as indicated by an actual debt service coverage ratio of at least one (1) time	70%	85%
CO <sub>2</sub> tons avoided per year	6000 tons	20,000 tons