

**CONFORMED COPY**

**LOAN NUMBER 7205-PH**

# **Loan Agreement**

**(Laguna De Bay Institutional Strengthening and Community Participation Project)**

**between**

**REPUBLIC OF THE PHILIPPINES**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated January 26, 2004**

**LOAN NUMBER 7205-PH**

**LOAN AGREEMENT**

AGREEMENT, dated January 26, 2004, between REPUBLIC OF THE PHILIPPINES (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; and

WHEREAS (B) the Borrower has requested the Government of the Netherlands (The Netherlands) to provide additional financing assistance towards financing the Project and by, an agreement of even date herewith between the Laguna Lake Development Authority (LLDA) and the Bank as administrator of those grant funds (the Netherlands Grant Agreement), The Netherlands is agreeing to provide such assistance in an aggregate principal amount equivalent to five million Dollars (\$5,000,000) (the Netherlands Grant), to assist in financing Parts A.1, A.3 and B of the Project on the terms and conditions set forth in the Netherlands Grant Agreement;

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble 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) "Barangay" means an administrative unit within a municipality and "Barangays" means, collectively, the plural thereof;

(c) "DOF" means the Borrower's Department of Finance or any successor thereto;

(d) “DENR” means the Borrower’s Department of Environment and Natural Resources or any successor thereto;

(e) “Environmental and Social Safeguards Framework” means the protocol adopted as part of the Operations Manual by LLDA on October 10, 2003, that sets forth procedures and standards to ensure that environmental and social impacts are addressed by LGUs and LLDA in a manner and substance satisfactory to the Bank, as such framework may be amended from time to time in agreement with the Bank;

(f) “Environmental User Fee System” and the acronym “EUFS” mean the program carried out by LLDA to implement a charge levied by LLDA on polluters in the Laguna de Bay Watershed;

(g) “Financial Monitoring Report” and the acronym “FMR” mean each report prepared in accordance with Section 4.02 of this Agreement;

(h) “Institutional Memorandum of Agreement” means the memorandum of agreement entered into among DOF, DENR, and LLDA on October 19, 2003, pursuant to Section 3.01(c) of this Agreement, as the same may be amended from time to time;

(i) “Laguna de Bay Watershed” means the area of land within which water drains to the Laguna de Bay;

(j) “LIDO” means the Borrower's Letter of Institutional Development Objectives dated November 4, 2003, to the Bank that provides the policy and institutional framework for the Project and confirms the Borrower’s long-term strategy for the institutional arrangements in the Laguna de Bay watershed;

(k) “LLDA’s Re-engineering Program” means the program of actions to be implemented by LLDA for the purpose of improving LLDA’s effectiveness and efficiency as a integrated watershed management agency, approved by LLDA’s Board of Directors on September 29, 2001 and referred to in the LIDO and in paragraph 6 of Schedule 4 to the Netherlands Grant to this Agreement;

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

(m) “Micro-Watershed” means a subdivision of the Laguna de Bay Watershed that consists of a smaller catchment or drainage area designated as a Micro-Watershed by LLDA for purposes of better resource management and conservation, and “Micro-Watersheds” mean, collectively, the plural thereof;

(n) “Monitoring and Evaluation Framework” means the framework adopted by LLDA on October 10, 2003, satisfactory to the Bank, to assist LLDA with monitoring and evaluation of Project implementation in accordance with the performance indicators

set forth in Schedule 6 to the Loan Agreement, as such framework may be amended from time to time in agreement with the Bank;

(o) “MDFO” means the Borrower’s Municipal Development Fund Office or any successor thereof;

(p) “MDFO-PGB” means the MDFO Policy Governing Board established pursuant to Section 4 of the Borrower’s President’s Decree No. PD-1914 dated March 29, 1984, and any successor thereto;

(q) “NG-LGU Cost Sharing Scheme” means the co-payment scheme approved by the NEDA Board and effective by January 1, 2003 and updated from time to time, for the finance of eligible Subprojects, in which LGUs will need to provide equity in the range of 10 to 20% to complement the amount to be financed out of the proceeds of the Loan, through a combination of Subgrants and Subloans, depending on the income class of the respective LGU;

(r) “NEDA” means the Borrower’s National Economic Development Authority established under Executive Order No. 230 of 1987, and any successor thereto;

(s) “Operations Manual” and the acronym “OM” mean the manual adopted by the Borrower and LLDA on October 10, 2003, satisfactory to the Bank, to assist both the Borrower and LLDA in the implementation of the Project, through the description of, *inter alia*, procurement procedures to be followed by LLDA and by LGUs (including the special provisions on national competitive bidding procedures), as set forth in Annex 2 of Schedule 4 to this Agreement and Schedule 3 of the Netherlands Grant Agreement; reporting requirements, financial management procedures, including audit procedures to be followed by LLDA and by LGUs, as set forth in Article IV to this Agreement and Section 3.03 of the Netherlands Grant Agreement, as the case may be; and environmental and social procedures and standards under the Environmental and Social Safeguards Framework to be followed by LLDA and by LGUs, as set forth in paragraph 4(e) of Schedule 4 to this Agreement, as such manual may be amended from time to time in agreement with the Bank;

(t) “PCO” means the Project coordination office established under LLDA Memorandum Order No. 2003-53 and referred to in paragraph 1 of Schedule 4 to this Agreement and in paragraph 1 of Schedule 4 to the Netherlands Grant Agreement;

(u) “Project Implementation Plan” and the acronym “PIP” mean the plan adopted by LLDA on October 10, 2003, to assist LLDA and LGUs in the implementation of the Project, which includes the capacity building plan, the Operations Manual, and the Monitoring and Evaluation Framework, collectively;

(v) “River Council” and the acronym “RC” mean a non-profit entity registered in the Borrower’s Security and Exchange Commission and operating within a Micro-Watershed in the Laguna de Bay Watershed to promote multi-sector partnership between the government and the private sector for the protection, rehabilitation and sustainable development of the natural environment in the Laguna de Bay Watershed,

specifically the tributary river systems that drain into the Laguna de Bay, and "River Councils" and the acronym "RCs" mean, collectively, the plural thereof;

(w) "Special Account" means the account referred to in Section 2.02(b) of this Agreement;

(x) "Subgrant" means a grant made by MDFO under Part A.2 of the Project out of the proceeds of the Loan to an LGU, under the provisions of a Subproject Agreement, this Agreement and the NG-LGU Cost Sharing Scheme, to finance in part the carrying out of a Subproject, and "Subgrants" means, collectively, the plural thereof;

(y) "Subloan" means a loan made by MDFO under Part A.2 of the Project out of the proceeds of the Loan to an LGU, under the provisions of a Subproject Agreement, this Agreement and the NG-LGU Cost Sharing Scheme, to finance in part the carrying out of a Subproject, and "Subloans" means, collectively, the plural thereof;

(z) "Subproject" means a demand-driven environmental protection project carried out by an LGU under Part A of the Project and financed in part out of the proceeds of a Subloan or a Subgrant as the case may be, and "Subprojects" means, collectively, the plural thereof;

(aa) "Subproject Agreement" means an agreement to be entered into between MDFO and an LGU for the carrying out of a Subproject, and "Subproject Agreements" means, collectively, the plural thereof; and

(bb) "TRP" means the Borrower's Technical Review Panel established under DENR Administrative Order No. 2003-48, and any successor thereto.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to LLDA and to Participating LGUs.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to five million Dollars (\$5,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of Subloans and Subgrants made under Part A.2 of the Project to meet the reasonable cost of goods, works and services required for an eligible Subproject and in respect of which the

withdrawal from the Loan Account is requested; (ii) the front-end fee referred to in Section 2.04 of this Agreement; and (iii) any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

(b) The Borrower may, for the purposes of Part A.2 of the Project, open and maintain in Dollars a separate special deposit account in a commercial bank specifically authorized for this purpose by the Bangko Sentral ng Pilipinas on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty-five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions up to but not including the fourth anniversary of such date; and (ii) seventy-five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;

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

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion" as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. Without limitation upon the provisions of paragraph (a) of Section 2.09 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

### **ARTICLE III**

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

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall: (i) carry out Part A.2 of the Project through MDFO; and (ii) cause LLDA to carry out Parts A.1, A.3 and B of the Project, in accordance to the provisions of the Institutional Memorandum of Agreement, all with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices and sound environmental and social standards acceptable to the Bank, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the execution of the Project, and shall not take or permit to be taken any action which would prevent or interfere with such performance;

(b) through MDFO, carry out Part A.2 of the Project and shall cause LLDA to perform Parts A.1, A.3 and B of the Project in accordance with: (A) the

Implementation Program set forth in Schedule 4 to this Agreement; and (B) the Operations Manual.

(c) shall enter into an Institutional Memorandum of Agreement with DOF, DENR and LLDA, setting forth their respective responsibilities for the implementation of the Project, under terms and conditions satisfactory to the Bank;

(d) exercise its rights and comply with its obligations under the Institutional Memorandum of Agreement in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not change, assign, amend, abrogate or waive the Institutional Memorandum of Agreement, or any provision thereof. In case of any conflict between the provisions of this Agreement and those of the Institutional Memorandum of Agreement, the provisions of this Agreement shall prevail.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and services required for Part A.2 of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Annex 1 to Schedule 4 to this Agreement.

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

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

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

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall and shall cause LLDA to maintain 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 related to the Project.

(b) The Borrower shall and shall cause LLDA to:

(i) have the financial statements referred to in paragraph (a) of this Section for each 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 (6) 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 paragraph (a) of this Section for such year (or 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 may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower 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 Loan 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 expenditures are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph C(1) of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Bank a FMR, in form and substance satisfactory to the Bank, which:

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

(b) The first FMR shall be furnished to the Bank not later than 45 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 Part A of the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 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) Republic Act No. 4850 of the Borrower (“The Laguna Lake Development Authority Act of 1966”), as amended by Presidential Decree No. 813 (October 17, 1975) and Executive Order No. 927 (December 16, 1983), shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of LLDA to perform any of its obligations under the Project Agreement.

(b) The Borrower has amended, suspended, abrogated or waived the LLDA’s Re-engineering Program, or any provision thereof without the concurrence of the Bank.

(c) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the Netherlands Grant made to the Borrower for the financing of Parts A.1, A.3 and B of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Netherlands Grant Agreement.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, or termination is not caused by the failure of the Borrower to perform any of its obligations under the Netherlands Grant Agreement; and (B) adequate funds for Parts A.1, A.3 and B of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) Any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(b) Any event specified in paragraph (c)(i) of Section 5.01 of this Agreement shall occur, subject to the provision of paragraph (c)(ii) of that Section.

## ARTICLE VI

### Effective Date; Termination

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

(a) the Borrower, through DENR, has adopted the LLDA's Re-engineering Program; and

(b) LLDA has commenced implementation of the second phase of its Re-engineering Program, as described in LIDO.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Institutional Memorandum of Agreement has been duly authorized or ratified by each of the parties thereto and is legally binding upon said parties in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. The Secretary of Finance of the Borrower is designated as representative of the Borrower 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 Borrower:

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

Cable address:

SECFIN  
Manila

Facsimile:

(63-2) 526-9990

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Facsimile:

(1-202) 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

By /s/ Robert V. Pulley

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Loan**

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

<u>Category</u>	<u>Amount of the Loan (Expressed in Dollars)</u>	<u>% of Expenditures Financed</u>
(1) Subgrants and Subloans	4,950,000	100 % of amounts of Subloans and Subgrants Disbursed.
(2) Front-end fee	50,000	Amount due under Section 2.04 of this Agreement
(3) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09 (c) of this Agreement
TOTAL	<u>5,000,000</u>	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for sub-loans and sub-grants in an amount of less than \$300,000 each, under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower to improve the environment quality of the Laguna de Bay Watershed.

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

#### Part A: Micro-watershed Environmental Interventions

Carrying out a program of environmental management and improvement of the Laguna de Bay watershed at the micro-watershed level, said program consisting of:

1. Preparation of small-scale investment sub-projects which are parts of an integrated program at the micro-watershed level, in waste management and sanitation, natural resource development and management, eco-tourism, soil erosion and localized flood prevention;
2. Provision of Subloans and Subgrants to selected LGUs for the implementation of the Subprojects; and
3. Monitoring and supervision of the implementation of the Subprojects referred to in paragraph 2 above.

#### Part B: Institutional Development

Carrying out a program to strengthen institutions and develop instruments to effectively manage the Laguna de Bay Watershed environment, said program consisting of:

1. Enhancement of the capacity of the Laguna Lake Development Authority, through: (a) the development, piloting and strengthening of regulatory instruments and approaches to control environmental pollution and degradation; (b) the strengthening of its policy and planning capacity; (c) the development and implementation of information, education and communication programs; and (d) the formulation of a strategy for trunk infrastructure development;

2. Development of the environmental protection and management capacity of stakeholders in the micro-watersheds, through: (a) the preparation, on a participatory basis, of about twenty-four Laguna micro-watershed environmental action plans; and (b) provision of training and skill development assistance to LGUs, River Councils and community groups within the Laguna de Bay Watershed;
3. Provision of support for Project coordination and management; and
4. Establishment of a Monitoring and Evaluation Framework, and dissemination of lessons learnt.

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The Project is expected to be completed by July 31, 2008.

### SCHEDULE 3

#### Amortization Schedule

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

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each April 15 and October 15 Beginning October 15, 2011 through October 15, 2022	4.17%
On April 15, 2023	4.09%

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

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

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

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



(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

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

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

## SCHEDULE 4

### Implementation Program

1. The Borrower shall and shall cause LLDA to maintain until completion of the Project, the PCO under the direction of an assistant general manager and headed by a Project coordinator, to be responsible for day to day management of the implementation of their respective Parts of the Project, including procurement and financial management; said Unit to be provided with adequate resources, and staffed with qualified personnel in adequate number, including *inter alia*, two assistant project managers for technical and operational support functions, a procurement specialist, a financial management specialist, a social safeguards specialist, an environmental safeguards specialist and two technical support staff, all in a manner satisfactory to the Bank.

2. For purposes of Section 3.01 (a)(i) of this Agreement and Part A.2 of the Project, and without limitation thereto:

A. The Borrower shall: (a) cause LGUs to propose and prepare Subprojects; (b) cause LLDA to select and screen said Subprojects; (c) through TRP, appraise and endorse the technical, environmental and financial viability of said Subprojects; (d) through MDFO-PGB approve said Subprojects; (e) thereafter, through MDFO, make Subloans and Subgrants, to eligible LGUs, to finance said Subprojects; and (f) cause LLDA to monitor and submit the necessary reports related to said Subprojects, all in accordance with the criteria and procedures, and on terms and conditions set forth in the Operations Manual, including the following:

#### Subproject criteria

1. A Subproject may be selected and approved for financing only if:

(a) it is incorporated into an integrated environmental management program for a micro-watershed within the Laguna de Bay Watershed, said program as developed through a Laguna de Bay Micro-watershed Environmental Action Plan; and

(b) the respective LGU, with the assistance of LLDA, has completed a feasibility study thereof.

2. (a) The first six Subprojects and (b) any Subproject where the aggregate amount of Subloan and Subgrant for the financing thereof is estimated to be equal to or more than \$300,000 equivalent shall be submitted to the Bank for its no objection, prior to approval of any Subloan and Subgrant to finance the relevant Subprojects.

3. In case a Subproject has been found to be feasible and the LGU is able to comply with the borrowing capacity requirement set by the Borrower, and thereafter the LGU does not elect to proceed with the implementation of said Subproject, the Borrower shall cause LLDA to require said LGU to refund the cost of the services rendered for the feasibility studies related to said Subproject.

### Eligibility of LGUs

3. An LGU may be eligible to receive financing for its Subproject only if:
  - (a) it has provided a written commitment to the implementation of the integrated environmental management program for its respective micro-watershed and of its respective Subproject therein;
  - (b) it has entered into a memorandum of agreement with all other LGUs covered by the same integrated environmental management program, and with LLDA and MDFO, for the implementation of said program and its respective Subproject; and
  - (c) it has complied with the Borrower's borrowing capacity requirement.

### Terms and Conditions of Subproject Agreements

4. In respect of each eligible Subproject the Borrower, through MDFO, shall enter into a Subproject agreement with the relevant LGU, whereby the Borrower shall obtain rights adequate to protect the interests of the Borrower and the Bank, including without limitation the rights to:
  - (a) require the LGU to carry out its respective Subproject with due diligence and efficiency, and in accordance with appropriate managerial, technical and financial practices, and sound social and environmental standards acceptable to the Borrower and to the Bank;
  - (b) require said LGU to establish prior to disbursement of the Subloan and Subgrant and thereafter, until completion of its respective Subproject, maintain a Subproject management team with responsibilities and adequate resources satisfactory to the Borrower and the Bank, and managed and staffed with qualified personnel in adequate number to manage the implementation of its respective Subproject.
  - (c) require said LGU to: (i) establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Borrower and the Bank, adequate to reflect, separately, the operations, resources and expenditures related to its respective Subproject; (ii) have the records and accounts and financial statements referred to in clause (i) above for each fiscal year audited, in accordance with auditing standards acceptable to the Borrower and the Bank, consistently applied, by independent auditors acceptable to the Bank; and (iii) furnish to the Borrower and the Bank, copies of the financial statements referred to in clause (i) above as so audited together with an opinion on such statements, records and accounts and report of such audit by said auditors;
  - (d) require that the goods, works and services to be financed out of the proceeds of the Subloan and Subgrant shall be procured in accordance with the provisions of Annex 1 to this Schedule 4 and shall be used exclusively in the carrying out of the respective Subproject;

(e) require said LGU to carry out the Environmental and Social Safeguards Framework in a manner satisfactory to the Bank, including, whenever required pursuant to said Framework, to prepare and implement an environmental management plan, resettlement action plan and program of consultation with and informed participation by indigenous peoples, all in a manner satisfactory to the Bank;

(f) inspect by itself, or jointly with representatives of the Bank the goods and the sites, works, plans and construction included in the respective Subproject, the operation thereof and any relevant records and documents;

(g) require said LGU to submit a plan and take all necessary action, including the provision of funding and other resources for the operation and maintenance of its respective Subproject in accordance with appropriate technical, financial, administrative, social and environmental standards satisfactory to the Borrower and the Bank;

(h) require said LGU to provide the Borrower and the Bank all such information as the Borrower or the Bank may reasonably request relating to the foregoing and to the administration, operations and financial condition of said LGU and to the benefits to be derived from its respective Subproject; and

(i) suspend or terminate the right of said LGU to the use of the proceeds of the Subloan and Subgrant upon failure of said LGU to perform its obligation under its respective Subproject Agreement with the Borrower, through MDFO.

B. To assist the Participating LGUs in planning, prioritizing, designing and implementing their respective Subprojects, the Borrower shall, and shall cause LLDA to, take all necessary action and provide sufficient resource to:

1. support the preparation of Laguna de Bay Micro-watershed Environmental Action Plans with the participation of the relevant LGUs, River Councils, community groups and other stakeholders within such micro-watersheds;

2. strengthen the capacity of the LGU staff in, *inter alia*, environmental management, watershed monitoring, social safeguards, and project management, operation and maintenance, including financial management and procurement; and to this end, to provide training to said staff in accordance with a training program satisfactory to the Bank;

3. assist the LGUs in the preparation of feasibility studies for their respective Subprojects;

4. monitor the LGUs in the implementation of their respective Subprojects, including in the procurement of goods, works and services, supervision of construction, the preparation and carrying out of the operation and maintenance plan of their respective Subprojects.

C. Monitoring and Reporting

1. The Borrower shall cause LLDA to:

(a) maintain, and cause to be maintained, policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank and set forth in Schedule 6 of this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare under terms of reference satisfactory to the Bank, and furnish to the Bank by January 31 and July 31 of each year, commencing July 31, 2004, semi-annual reports in each case integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph and consolidating therewith the reports to be prepared and submitted by LLDA pursuant to paragraph 10(b) of Schedule 4 to the Netherlands Grant Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of each such 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

(c) promptly review with the Bank each report referred to in sub-paragraph (b) above, and thereafter, take all measures required to ensure the efficient implementation of the Project and the achievements of the objectives thereof, based on the conclusions and recommendations of each said report and the Bank's views on the matter.

**Annex 1 to Schedule 4**

**Procurement of Goods, Works and Services  
for Sub-projects under Part A.2 of the Project**

Section I: Procurement of Goods and Works

Part A: General

Goods and works 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

1. Except as otherwise provided in Part C of this Section, goods and works 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 \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$360,000 equivalent, and works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 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 of Annex 2 to Schedule 4 to this Agreement.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$425,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines

3. Community Participation

Goods and works required for Part A.2 of the Project, estimated to cost less than \$25,000 equivalent per contract, may be procured in accordance with procedures acceptable to the Bank.

4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,235,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

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) each contract for goods or works estimated to cost the equivalent of \$100,000 or more, and (ii) the first contract for goods or works to be procured in accordance with the procedure referred to in paragraph 1 of Part C above, 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 or works to be procured in accordance with each of the procedures referred to in paragraphs 2 and 4 of Part C above, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, the LGU 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 LGU 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 D, 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 this Section.

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

Selection Based on Consultants' Qualifications

Services for construction supervision and monitoring, estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 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. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank.

2. Prior Review

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.



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 2 to Schedule 4**

### **National Competitive Bidding Procedures**

With respect to goods and works to be procured by LGUs in accordance with the procedures referred to in paragraph 1 of Part C of Annex 1 to Schedule 4, the National Competitive Bidding (NCB) procedures of the Borrower 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 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. Eligibility screening may be carried out prior to bidding with the prior concurrence of the Bank.
4. 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.
5. 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.
6. The Bank's domestic preferences shall not be applied in the evaluation of bids, and other preferences in effect in the Philippines shall also not be used, except with the prior concurrence of the Bank.
7. 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.
8. 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.
9. Within 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.

10. Suppliers and contractors shall not be required to purchase only local goods or supplies, or to hire local labor, except for unskilled labor.
11. Explicit bid evaluation criteria shall be set forth in the bid documents based on monetarily quantifiable elements.
12. Modifications exceeding 15% of the contract amount and material changes in the conditions during implementation require prior concurrence of the Bank.
13. 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 stopped from asserting such requirement where this is mandated under national law.
14. 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.
15. 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.
16. Two-envelope system procedures shall not be used unless prior concurrence by the Bank has been obtained.
17. 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.
18. The use of GEPS for procurement of goods may be allowed with the prior concurrence of the Bank.

## **SCHEDULE 5**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “Eligible Category” means Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “Eligible Expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for Part A.2 of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means an amount equal to \$500,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to \$150,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments in respect of Part A.2 of the Project entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$360,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
  - (b)
    - (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
    - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule 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 Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have

requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Category, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the Eligible Category minus the total amount of all outstanding special commitments in respect of Part A of the Project entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the Eligible Category shall follow such procedures as the Bank shall specify by notice to the Borrower. 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 Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall

otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

## SCHEDULE 6

### Performance Indicators

	Baseline Start 2004	Mid-Term Review	Project Completion
<b>Planning:</b> Integrated and decentralized watershed-wide policy making and planning			
1. Laguna de Bay Watershed Environmental Action Plans			
a. Conduct of LEAP	4	22-24	-
b. LEAPs adopted and incorporated in watershed-wide and LGU level planning	2	14-16	18-20
2. Improved data management systems (EUF, Expanded DSS/Shoreland, Financial Management, Legal, M & E)	1	2-3	4-5
3. Annual Publication of Laguna de Bay Environment Monitor	-	3	5
<b>Regulatory:</b> Modernized regulatory and economic instruments to achieve higher level of performance of stakeholders			
1. Increased coverage of EUFS			
a. Increase in the number of establishments covered by EUF	1000	1065-1080	1380-1400
b. Parameters introduced and operational	1	2	3
2. % reduction in BOD loading of all regulated sources and parameters	202.2 mt <sup>1</sup>	0	At least 10%
<b>Revenue Management:</b> Improved revenue management and leverage investments by national government agencies, local governments, private sector and communities to improve the environmental quality of Laguna de Bay watershed			
1. Increased revenue from EUFS and fishpens	55million <sup>2</sup>	10-15%	16-25%
2. Revenues reinvested in environmental projects through PDF and other instruments by LGUs and private sector, (million Peso)	-	12-15 million	16-18 million
<b>River Councils and Communities:</b> Strengthened and institutionalized engagement of civil society in the River Councils (RC) as a consultative, advisory and advocacy group in micro-watershed protection and development.			
An autonomous, sustainable and organizational mature network of non-profit organizations, civil society-led, actively pursuing conservation, protection and restoration activities at the micro-watershed level.  (Detailed baseline data to be determined during the "Organizational Maturity Assessment Survey")	1 RC office established and 24 RCs at various stages of organizational maturity	4-6 RC Offices established under civil society leadership	10-12 RC Offices established under civil society leadership
Annual Conference/learning forum	-	3	5

	<b>Baseline Start 2004</b>	<b>Mid-Term Review</b>	<b>Project Completion</b>
<b>Local Government:</b> Improved responsiveness of LGUs towards Laguna de Bay watershed environmental problems			
1. Number of SB resolutions related to watershed management, approved and/or enforced	2	14-16	18-20
2. Signing of sub-project loan agreement	-	18-20	-
3. Sub-project completed	-	2-4	18-20
4. Disbursement of Loan Proceeds	-	21-23%	85-90%