
GEF GRANT NUMBERTF TF094704

Global Environment Facility Grant Agreement

**(Mindanao Rural Development Program Phase II -
Natural Resource Management Project)**

between

REPUBLIC OF THE PHILIPPINES

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

(acting as an Implementing Agency of the Global Environment Facility)

Dated _____ **, 2009**

GLOBAL ENVIRONMENT FACILITY GRANT AGREEMENT

AGREEMENT dated _____, 2009, entered into between: the Republic of the Philippines (“the Recipient”); and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“the World Bank”), acting as an implementing agency of the Global Environment Facility (“GEF”).
The Recipient and the World Bank hereby agree as follows:

Article I

Standard Conditions; Definitions

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various _____ Funds, dated July 1, 2008 (“Standard Conditions”) constitute an integral part of _____ this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this _____ Agreement have the meanings ascribed to them in the Standard Conditions or in _____ the Appendix to this Agreement.

Article II

The Project

- 2.01. The Recipient declares its commitment to the objectives of the Program and of _____ the project described in Schedule 1 to this Agreement (“Project”). To this end, _____ the Recipient shall carry out the Project in accordance with the provisions of _____ Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and _____ except as the Recipient and the World Bank shall otherwise agree, the Recipient _____ shall ensure that the Project is carried out in accordance with the provisions of _____ Schedule 2 to this Agreement.

Article III

The Grant

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to Six Million Three Hundred and Fifty One Thousand Dollars (\$6,351,000) (“the Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the GEF for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV

Recipient’s Representative; Addresses

- 4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Secretary of Finance
- 4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:
Department of Finance
Department of Finance Building
Bangko Sentral Complex
Roxas Blvd.
Manila, Philippines
- 4.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
- | | | |
|------------------|------------------|-------------|
| Cable: | Telex: | Facsimile: |
| INTBAFRAD 248423 | (MCI) or | 1-202- |
| 477-6391 | Washington, D.C. | 64145 (MCI) |

AGREED at Manila, Republic of the Philippines, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By

Authorized Representative

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

By

Authorized Representative

SCHEDULE 1

Project Description

The global environment objective of the Project is to assist the Recipient in conserving critical coastal and marine biodiversity, supported by sustainable land management in linked upland areas, by removing the barriers to mainstreaming marine and coastal biodiversity conservation; through co-management of critical marine habitats; and by the introduction of improved, upstream land management practices that would simultaneously arrest land degradation and benefit landholders who are predominately poor farmers, fisher folk, and/or indigenous people.

The Project consists of the following parts:

Part A. Participatory NRM Planning and Policy Development

Strengthening the capacity of Participating LGUs to manage their natural resources through:

1. Carrying out of a participatory natural resource and social assessment of Participating LGUs and local community groups.
2. Provision of technical assistance and training to Eligible POs and Participating LGUs to strengthen their capacity to carry out participatory natural resource management planning.
3. Provision of technical assistance and training to Eligible POs and Participating LGUs to enable them to formulate or, as the case may be, enhance their barangay land use plans, and integrate such plans with municipal development plans or land use plans using participatory approaches.
4. Formulating or, as the case may be, reviewing and enhancing local policies and instruments for conservation of upland, coastal, and marine natural resources including the development of an environmental code.

Part B. Selective on-the-Ground Investments (OGI) on Coastal/Marine and Sustainable Land Management Practices

Financing of sub-projects (OGI Sub-Projects) to support the establishment and management of marine protected areas and sanctuaries and to pilot sustainable land management practices including riverbank stabilization, agroforestry, upland rehabilitation and assisted natural regeneration.

Part C. Sustainable Income Generating Activities (SIGA) Sub-Projects

Carrying out a program to address diverse investment priorities of rural communities, consisting of the financing of sub-projects (SIGA Sub-Projects) which meet community preferences and respond to local priorities, relieve pressure on the natural resource base, including food security interventions, community managed livelihood and agribusiness activities, alternative income-generating activities, and small infrastructure.

Part D. Strengthening Community Partnerships in Monitoring

Building and strengthening community-based resources monitoring through stakeholders partnerships and application of appropriate tools and technologies, through:

1. Provision of support for the active participation of the Fisheries and Aquatic Resource Management Councils (FARMCs), Bantay Dagat/Gubat (local monitoring groups), and community volunteers in surveillance and enforcement activities.
2. Forging partnership agreements with academe, community, church and religious groups and enforcement agencies in monitoring.
3. Provision of technical assistance to local stakeholders to enable them to conduct regular monitoring of on-site improvements.
4. Review of rules, regulations and ordinances regarding natural resources use and management.

Part E. NRM Knowledge Management Program

Enhancing, managing and disseminating knowledge on biodiversity conservation, sustainable land management, and integrated management of linked coastal and upland ecosystems, including increasing community awareness through:

1. Provision of training to LGUs and to communities in environmental awareness; coastal and marine biodiversity conservation, sustainable marine, fisheries management; and improved land management.
2. Provision of technical assistance and training to LGUs to assist them in the promotion and strengthening of church and religious leaders' capacity to convey the need for human intervention in natural resource management.
3. Provision of technical assistance and training to LGUs to assist them to create and/or strengthen information knowledge management units and computerized information management systems pertaining to coastal and marine biodiversity conservation.
4. Carrying out of workshops to enable LGUs to prepare communication and advocacy framework plans for their natural resource management.

SCHEDULE 2

Project Execution

Section I. Institutional, Financing and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall:

(a) maintain the PAB throughout the period of implementation of the Project, with composition, terms of reference, staffing and other resources acceptable to the World Bank, to be responsible for providing overall direction and oversight for the Project implementation;

(b) maintain throughout the period of implementation of the Project, with composition, terms of reference, staffing and other resources acceptable to the World Bank:

(i) Regional PABs within six (6) Regions of Mindanao including the Autonomous Region in Muslim Mindanao, each chaired by the Regional Executive Director of DA and the Regional Governor of the Autonomous Region in Muslim Mindanao respectively, to be responsible for the regional oversight of the Project implementation at the regional level;

(ii) the Regional PCOs within the five (5) DA Regional Field Units of Mindanao and DAF-ARMM to be responsible for the coordination and management of the Project implementation at the regional level; and

(iii) the PSO to be responsible for providing support to the Regional PCOs.

B. Project Implementation

1. (a) The Recipient shall carry out the Project in accordance with the Operations Manuals, each of which shall set forth, inter alia:

(i) the description of: financial management and disbursement procedures consistent with the provisions of Section II.B of this Schedule; procurement procedures consistent with the provisions of Section III of this Schedule; the Project description; performance indicators; the Project implementation arrangements, monitoring and evaluation procedures; and anti-corruption measures; and

- (ii) the descriptions of: (A) eligibility criteria, procedures and guidelines for the selection, approval, administration and supervision of Sub-Projects; (B) selection criteria for Sub-Project Beneficiaries; (C) a list of items or activities not eligible for financing out of the proceeds of the Grant through Sub-projects; (D) the conditions governing the use of SIGA Block Grants; (E) the Indigenous Peoples Policy Framework, (F) the Land Acquisition, Resettlement, and Rehabilitation Policy Framework, and (G) the Environmental Guidelines.

(b) The Recipient shall not amend, abrogate, suspend, or waive any provision of said Operations Manuals without the prior written concurrence of the World Bank. In case of any conflict between the provisions of this Agreement and those of the Operations Manuals, the provisions of this Agreement shall prevail.

2. For the purposes of carrying out Parts B and C of the Project, the Recipient shall make the proceeds of the Grant allocated to Categories (4) and (5) in the table in Section IV of Schedule 2 to this Agreement available to the Participating LGUs as Block Grants under Program Agreements which shall contain terms and conditions satisfactory to the World Bank, including those set out in Annex II to this Schedule.

3. The proceeds of the Block Grants shall be used by Participating LGUs to (a) carry out Sub-Projects as provided for in the Operations Manuals; or (b) make grants to Sub-Project Beneficiaries to enable them to carry out Sub-Projects as provided for in the Operations Manual.

4. Goods, works and services required for Sub-Projects shall be procured in accordance with the provisions of Section III of this Schedule, and shall be utilized exclusively in the carrying out of said Sub-Projects;

5. A Sub-Project shall be eligible for financing out of the proceeds of the Grant only if:

- (a) The LGU has organization, management and resources acceptable to the World Bank for carrying out or supervising the proposed Sub-project, and to this end, has established a PPMIU, MPMIU or municipal Multisectoral Committee, in accordance with the provisions of paragraph 1 of Annex II of this Schedule;
- (b) the Recipient has entered into a Program Agreement with a Participating LGU in accordance with the provisions in paragraph B.2 of Section I of this Schedule 2;
- (c) the proposed Sub-Project has been prepared and submitted by community members organized as a group;
- (d) the proposed Sub-Project consists exclusively of eligible activities set forth in the Operations Manuals;

- (e) the proposed Sub-Project is economically and financially viable, and technically feasible, and environmentally and socially sound, and has been designed in accordance with appropriate standards and practices as set forth in the appropriate Operations Manual;
- (f) (i) an environmental screening for the proposed Sub-project has been carried out according to the provisions of the Environmental Guidelines; (ii) if applicable according to said Environmental Guidelines, an environmental impact assessment, satisfactory to the World Bank, has been undertaken and an environmental management plan has been prepared and carried out in the implementation of said SIGA Sub-project, all on the basis of environmental standards acceptable to the World Bank and in accordance with the procedures and principles set forth in such Environmental Guidelines; and (iii) in the event an environment compliance certificate is required under Philippine law or regulations, such certificate has been obtained from DENR or its representative at the regional level in respect of the activities under said SIGA Sub-project;
- (g) if the activities under such proposed Sub-Project give rise to Displaced Persons, such Displaced Persons have been resettled, compensated, and rehabilitated in accordance with a resettlement action plan prepared in accordance with policies and procedures acceptable to the World Bank, including those in the Land Acquisition, Resettlement, and Rehabilitation Policy Framework set forth in the Operations Manuals; and
- (h) if the activities under such proposed Sub-Project involve communities with Indigenous Peoples, a plan that incorporates mechanisms for the informed participation of such peoples in the design and implementation of such Sub-Project, has been designed in accordance with policies and procedures acceptable to the World Bank, including those in the Indigenous Peoples Policy Framework as set forth in the Operations Manuals.

6. In respect of each grant to a Sub-Project Beneficiary, the LGU in whose jurisdiction the Sub-Project is to be implemented shall obtain, by a written contract with the Sub-Project Beneficiary, or by other appropriate legal means, undertakings of such Sub-Project Beneficiary adequate to protect the interest of such LGU, the Recipient and the World Bank, including that each Sub-Project Beneficiary shall undertake to:

- (a) carry out its Sub-Project, with due diligence and efficiency, in accordance with appropriate technical, financial, managerial, and agricultural development practices, and consistent with sound social and environmental standards acceptable to the World Bank, and provide promptly as needed the funds, and other resources required for the Sub-Project;

- (b) if its respective Sub-Project involves the involuntary resettlement of Displaced Persons, prior to commencing civil works under said Sub-Project, take and cause to be taken all measures necessary to ensure that all such persons shall be resettled in accordance with a resettlement action plan, satisfactory to the World Bank, in accordance with the principles and procedures set forth in the Land Acquisition, Resettlement, and Rehabilitation Policy Framework;
- (c) if the respective Sub-Project involves communities with Indigenous Peoples, a plan that incorporates mechanisms for the informed participation of such peoples in the design and implementation of such Sub-Project, has been designed and implemented thereafter in the implementation of said Sub-Project in accordance with policies and procedures set forth in the Indigenous Peoples Policy Framework;
- (d) if the environmental screening carried out in accordance with principles set forth in the Environmental Guidelines concludes that an environmental impact assessment and an environmental management plan are required, said environmental impact assessment has been undertaken and environmental management plan has been prepared and carried out thereafter in the implementation of said Sub-Project, all on the basis of environmental standards acceptable to the World Bank and in accordance with the procedures and principles set forth in the Environmental Guidelines. In the event an environment compliance certificate is required under Philippine law or regulations, such certificate has been obtained from DENR or its representative at the regional level in respect of the activities under said Sub-Project;
- (e) procure the goods, works and services required for its respective Sub-Project in accordance with the provisions of Section III of this Schedule, and utilize said goods, works and services exclusively in the carrying out of said Sub-Project;
- (f) take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including such insurance to cover the hazards incident to the acquisition, transportation, and delivery of goods financed out of the proceeds of the Grant to the place of use or installation, any indemnity thereunder to be payable in a currency freely usable by the enterprise to replace or repair such goods;
- (g) enable the World Bank, the Recipient, and the concerned Participating LGU to inspect the goods and the sites and works included in its respective Sub-Project, the operation thereof and any relevant records and documents;

- (h) at all times maintain and operate its equipment and facilities, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and industry practices;
- (i) maintain adequate records and accounts; and provide all such information as the concerned LGU, the Recipient or the World Bank may reasonably request regarding the management, operations and financial condition of the Sub-Project beneficiary (including its current year financial statement, records or accounts); and
- (j) carry out the Sub-Project in accordance with the provisions of the Anti-Corruption Guidelines.

7. Each Participating LGU shall (a) exercise its rights in relation to each Sub-Project Beneficiary in such manner as to protect its interests and the interests of the Recipient and the World Bank, comply with its obligations set out in its respective agreement with the Recipient and achieve the purposes of the Project; (b) shall not assign, amend, abrogate or waive any of its agreements providing for SIGA Block Grant, or any portion thereof, without the prior approval of the World Bank.

8. The Recipient shall, through PSO: (i) furnish to the World Bank, not later than October 31 in each year, starting October 31, 2009 for review and comments, an annual work plan for the implementation of the Project in the following year prepared in accordance with the provisions of the Operations Manuals; and (ii) afford the World Bank a reasonable opportunity to exchange views with the Recipient on said plan and, thereafter, promptly take all actions necessary to implement said plan, taking into account the views of the World Bank on the matter.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Other

The Recipient shall maintain within DA throughout the period of implementation of the Project, an Internal Audit Service, with terms of reference acceptable to the World Bank, to be responsible for conducting the internal audits for the Project referred to in Paragraph B.4 of Section II below.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in Annex I to this

Schedule. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than June 30, 2015.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty five days after the end of each calendar semester covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited by external auditors in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

4. The Internal Audit Service within DA shall undertake periodic internal audits for the Project. Each such audit shall cover the period of one (1) fiscal semester of the Recipient. The internal audit review report for each such period shall be furnished to the World Bank not later than sixty (60) days after the end of such period.

Section III. Procurement

A. General

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

- (a) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 (“Procurement Guidelines”) in the case of goods and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised

in October 2006 (“Consultant Guidelines”) in the case of consultants’ services; and

- (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods.** The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set out in Annex 3 to this Schedule; (b) Shopping; and (c) Community Participation procedures which have been found acceptable to the World Bank.

C. Particular Methods of Procurement of Consultants’ Services

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

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection; (f) Selection of Individual Consultants; and (g) Sole Source Procedures for the Selection of Individual Consultants..

D. Review by the World Bank of Procurement Decisions

1. Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank;

- (a) the first contract for goods procured in each Region in each year, regardless of its procurement method or contract value;

(b) each contract for goods estimated to cost the equivalent of \$300,000 or more;

(c) the first contract for consultants services procured based on any procurement method set forth in paragraph C of this Section III, regardless of its contract value;

(d) each contract for consultants' services to be provided by a firm estimated to cost the equivalent of \$100,000 or more; and

(e) all contracts for consultants' services procured on the basis of Single Source Selection, regardless of contract value.

All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

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

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (inclusive of Taxes)</u>
(1) Goods	423,000	100%
(2) Consultants services	292,000	100%
(3) Training and workshops	1,309,000	100%
(4) OGI Sub-Grants under Part B of the Project	2,246,000	100% of the amount disbursed
(5) SIGA Sub-Grants under Part C of the Project	1,663,000	100% of the amount disbursed
(6) Incremental Operating Costs	418,000	100%
TOTAL AMOUNT	6,351,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2014.

Annex I to Schedule 2

Project Performance Indicators

Results Framework and Monitoring

Development Objective (from main project)	Project Outcome Indicator
It will specifically aim to: (i) improve access to livelihood opportunities of targeted communities and (ii) institutionalize a decentralized system for agriculture and fisheries service delivery that promotes participation, transparency and accountability.	Average household incomes of beneficiary communities 20% higher than baseline and 10% higher than control group
Global Environment Objective	Project Outcome Indicators
Critical coastal and marine biodiversity conserved and supported by sustainable land management in linked upland areas.	Increase in fish population as indicated by 30% increase in fish biomass and density in targeted protected areas.
	10% decrease in siltation and sedimentation in coastal areas.
	10% increase in live coral cover and sea grass cover.
Intermediate Outcomes	Intermediate Outcome Indicators
Part 1 Participatory NRM Planning and Policy Development Implemented	At least 75% of participating LGUs have NRM plans mainstreamed into their development plans and implemented based on participatory resource assessment surveys.
	At least 75% of participating barangays and municipal LGUs pass enabling resolutions and allocate funds in support of SLM and coastal biodiversity conservation.
Part 2 Selective on-the-Ground Investments on Coastal/Marine and SLM	At least 700 hectares of marine and fish sanctuaries are established and effectively co-managed as confirmed by SP2 METT.

Practices	At least 500 hectares of mangrove forests are rehabilitated and protected.
	At least 1,000 hectares of degraded hilly land rehabilitated with sustainable farming practices, multiple-use of indigenous species or assisted natural forest regeneration.
Part 3 Sustainable Income Generating Activities (SIGA) Sub-Projects	Average household income of beneficiaries increase by 20% over baseline as measured by sample surveys.
	At least 30% of SIGA allocations are accessed by IPs and/or women in participating municipalities.
Part 4 Strengthening Community Partnerships in Monitoring	At least 60% of participating municipalities have active FARMCs, Bantay Dagat and Bantay Gubat and volunteer monitoring groups and linked with existing enforcement bodies.
	At least 60% of participating municipalities have formed partnerships with academe, scientific institutions, national agencies or other communities for monitoring activities.
Part 5 Development and Conduct of NRM Knowledge Management Program.	At least 75% of participants to trainings on PRA and resource assessment, environmental monitoring and IEE are applying the knowledge gained in actual work.
	At least 20% increase in public awareness of the importance of biodiversity conservation and SLM practices as measured by sample surveys.

Annex II to Schedule 2

Program Agreement

For the purposes of paragraph B.2 of Section I of Schedule 2 to this Agreement, each Program Agreement between the Recipient and a Participating LGU shall include, among others, the provisions set forth below.

1. Each Participating LGU:
 - (a) shall, if it is a provincial LGU, establish and, thereafter, maintain a provincial planning, management, and implementation unit (PPMIU) throughout the period of Project implementation; or (ii) if it is a municipal LGU, maintain throughout the period of Project implementation its municipal planning, management, and implementation unit (MPMIU), in either case, with composition, terms of reference, staffing and other resources acceptable to the World Bank, to be responsible for supporting project implementation activities, preparing annual work plans and budgets, undertaking monitoring and evaluation and overall accounting and financial management; and
 - (b) shall, establish and, thereafter, maintain throughout the period of Project implementation, with composition, terms of reference, staffing and other resources acceptable to the World Bank as set out in the Operations Manuals a municipal Multisectoral Committee to be responsible for supporting implementation of the Project.
2. Each Participating LGU shall carry out the Project with due diligence and efficiency, and in conformity with appropriate engineering, economic, financial, administrative, technical, and agricultural practices and sound social and environmental standards, acceptable to the World Bank, and provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required therefor.
3. If a proposed Sub-project involves the involuntary resettlement of Displaced Persons, prior to commencing civil works under said Sub-project, each Participating LGU shall take and cause to be taken all measures necessary to ensure that all such persons are resettled in accordance with a resettlement action plan, satisfactory to the World Bank, in accordance with the principles and procedures set forth in the Land Acquisition, Resettlement, and Rehabilitation Policy Framework.
4. If a proposed Sub-project involves communities with Indigenous Peoples, each Participating LGU shall prepare a plan that incorporates mechanisms for the informed participation of such peoples in the design and implementation of said Sub-project and implement said plan thereafter in the implementation of said Sub-

project in accordance with policies and procedures set forth in the Indigenous Peoples Policy Framework.

5. Each Participating LGU shall undertake an environmental screening for a proposed Sub-project according to the provisions of the Environmental Guidelines. If such environmental screening concludes that an environmental impact assessment and an environmental management plan are required for the proposed Sub-project, said Participating LGU shall prepare the said environmental impact assessment and environmental management plan all on the basis of standards satisfactory to the World Bank and in accordance with the procedures and principles set forth in the Environmental Guidelines and thereafter implement the proposed Sub-project in accordance with said environmental management plan. In the event an environment compliance certificate is required under Philippine law or regulations, said Participating LGU shall obtain such environment compliance certificate from the DENR or its representative at the regional level in respect of the activities under said Sub-project.

6. Each Participating LGU shall ensure that:

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

(b) said goods are insured against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the purchaser thereof to replace or repair such goods; and

(c) said goods, works and services are utilized exclusively for the purpose of carrying out the Project.

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

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

9. Each Participating LGU shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators set forth in Annex I of Schedule 2 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the World Bank, a semi-annual report summarizing the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above of this paragraph 9, on

progress achieved in the carrying out of the Project during the preceding calendar semester and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the next semi-annual period following such date and furnish the same to the Recipient to enable the Recipient to consolidate and submit the information to the World Bank pursuant to the provisions in paragraph A.1 of Section II of Schedule 2 to this Agreement; and

(c) carry out the Sub-Project in accordance with the provisions of the Anti-Corruption Guidelines.

Financial Management, Financial Reports; and Audits

10. Each Participating LGU shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations and financial condition of the LGU, including the operations, resources and expenditures related to the Project.

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

12. Each Participating LGU that proposes to carry out a Sub-project under Parts B or C of the Project, shall disseminate information to the public (including the maintenance of a bulletin board) on all Sub-project proposals within its jurisdiction (including those approved and rejected under this Project) and the status of ongoing Sub-projects, all in accordance with standards acceptable to the World Bank.

13. Each Participating LGU shall, by November of each year, commencing in 2009

(a) issue a Local Finance Commitment Certificate (LFCC) confirming that it will make adequate budgetary provisions for the following year to cover its counterpart contributions for Parts B and C of the Project; and

(b) confirm, through a signed resolution, that will make adequate budgetary provisions for the following year to cover the operating costs of the marine protected areas and the fish sanctuaries established or to be established under the Part B of the Project within its jurisdiction.

Annex 3 to Schedule 2

National Competitive Bidding

National Competitive Bidding Procedures

1. Eligibility screening shall not be applied. However, bids that do not contain any of the following documents will not pass the documentary compliance check: (a) evidence of the required financial, technical or production capability; (b) audited financial statements; (c) credit line or cash deposit certificate; (d) bid security; and (e) authority of the bid signatory.

2. A ceiling may be applied to bid prices provided the following conditions are met: (a) Bidding documents are obtainable free of charge on a freely accessible website. (b) The agency has procedures in place to ensure that the ABC is based on Engineer's Estimate; (c) the agency has trained cost estimators on estimating prices and analyzing bid variance; and (d) the agency has established a system to monitor and report bid prices relative to ABC and Engineer's estimate.

3. Domestic or regional preferences will not be applied in the evaluation of bids, and other preference in effect in the Philippines will not be used except with prior concurrence of the World Bank.

4. In case of contracts for prior review, modification exceeding 15% of contract amount and materials changes in the conditions during implementation require prior to World Bank concurrence.

5. Foreign suppliers and contractors shall be allowed to participate, if interested, without first being required to associate with, or enter into joint venture, with local firms. Moreover, foreign bidders shall be allowed to bid, even without registration, licensing, and other government authorizations, leaving these requirements for after award and before signing of contract.

6. For works contract, the experience qualification requirement shall be: (a) at least one previous contract at 80% of the estimated cost of the contract being procured; and (b) an annual turnover from all works averaged over the last three years equal to 100% of the estimated cost of the contract being procured.

7. Alternative procurement methods defined in the implementing rules and regulations such as Limited Source Bidding, Direct Contracting and Shopping as acceptable. The use of the other alternative methods will require prior World Bank concurrence.
8. A period of at least 30 days for bid preparation shall be allowed.

APPENDIX**Definitions to the Standard Conditions****Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 in the case of consultants’ services.
4. “DA” means the Recipient’s Department of Agriculture and any successor thereto.
5. “DAF-ARMM” means the Recipient’s Department of Agriculture and Fisheries of the Autonomous Region in Muslim Mindanao and any successor thereto.
6. “DENR” means the Recipient’s Department of Environment and Natural Resources, and any successor thereto.
7. “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.
8. “Eligible POs” means peoples’ organizations which meet the criteria for eligibility to receive sub-grants under the Project in accordance with the provision of Operation Manuals; and Eligible PO means any one of them.
9. “Environmental Guidelines” means the environmental guidelines, dated June 9, 2006, adopted by the Recipient, which set forth the rules and procedures for the carrying out the environmental assessments and preparing environmental management plans for the Sub-projects to be implemented under the Project during the period of the Project implementation, as the same may be amended from time to time with the prior agreement of the World Bank.

10. “Incremental Operating Costs” means the reasonable costs incurred by the Recipient on account of the Project implementation, monitoring and evaluation, which expenditures would not have been incurred absent the project, including costs for office supplies, repairs of equipment and vehicles, staff travel; rental of office space, fuel costs, and costs of contractual staff and remuneration of staff seconded to the PSO and the Regional PCOs for Project support and coordination, but excluding the salaries of the Recipient’s civil servants.
11. “Indigenous Peoples Policy Framework” means the framework, dated June 9, 2006, adopted by the Recipient, 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 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 of the Project, as such framework may be amended from time to time with the prior agreement of the World Bank.
12. “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.
13. “Internal Audit Service” means the internal audit service referred to in Section I.D of Schedule 2 to this Agreement.
14. “Land Acquisition, Resettlement, and Rehabilitation Policy Framework” means the framework, dated October 4, 2006, adopted by the Recipient, 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 World Bank.
15. “LGUs” means Local Government Units, which are political subdivisions of the Recipient at the provincial, city, municipal or barangay level, within the twenty-six (26) provinces of Mindanao, and “LGU” means any such Local Government Unit.

16. “Main Project” means the Project described in Schedule 1 to the Loan Agreement (7440-PH) entered into on May 3, 2007 between the Recipient and the World Bank for the Mindanao Rural Development Project Phase II.
17. “MPMIU” means the municipal planning, management, and implementation unit referred to in paragraph 1(a) of Annex II of Schedule 2 to this Agreement.
18. “Multisectoral Committee” means the committee referred to in paragraph 1(b) of Annex II of Schedule 2 to this Agreement.
19. “NRM” means national resource management.
20. “OGI Sub-Projects” means collectively, the sub-projects carried out under Part B of the Project, and the term “OGI Sub-Project” means any of such sub-projects.
21. “Operations Manual for Part B of the Project” means the manual dated October 2006 prepared for Part D of the Main Project as such manuals may be revised from time to time with the prior approval of the World Bank.
22. “Operations Manual for Part C of the Project” means the manual dated October 2006 prepared for Part C of the Main Project as such manuals may be revised from time to time with the prior approval of the World Bank.
23. “Operations Manuals” means, collectively, the Operations Manual for Part B of the Project and the Operations Manual for Part C of the Project, as such manuals may be revised from time to time with the prior approval of the World Bank.
24. “PAB” and “Program Advisory Board” mean the advisory board established within DA and to be maintained as provided for in paragraph 1 of Section I.A of Schedule 2 to this Agreement.
25. “Participating LGUs” means the LGUs selected to participate in the Project in accordance with the Recipient’s document entitled Geographical Coverage and LGU Selection Criteria, and “Participating LGU” means any of the Participating LGUs.
26. “PPMIU” means the provincial planning, management, and implementation unit referred to in paragraph 1(a) of Annex II of Schedule 2 to this Agreement.
27. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006.
28. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 15, 2009 and referred to in paragraph 1.16 of the Procurement

Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

29. “Program” means the Recipient’s Mindanao Rural Development Program as set out in a letter from the Recipient to the World Bank dated June 22, 1999.
30. “Program Agreement” means the agreement to be entered into between the Recipient and each Participating LGU in accordance with Paragraph 2 of Section B of Schedule 2 to this Agreement.
31. “PSO” and “Program Support Office” mean the office referred to in paragraph 1(b)(iii) of Section I.A of Schedule 2 to this Agreement.
32. “Regional PABs” and “Regional Advisory Boards” mean the advisory boards referred to in paragraph 1(b)(i) of Section I.A of Schedule 2 to this Agreement.
33. “Regional PCOs” and “Regional Program Coordination Offices” mean the offices referred to in paragraph 1 (b)(ii) of Section I.A of Schedule 2 to this Agreement.
34. “Regions” means the six (6) Regions of Mindanao and the term “Region” means any of the Regions.
35. “SIGA Block Grant” means a grant made, or proposed to be made, by the Recipient, out of the proceeds of the Grant, to a SIGA Block Grant beneficiary for the purposes of carrying out a SIGA Sub-project under Part C of the Project, and the term “SIGA Block Grants” means, collectively, the plural thereof.
36. “SIGA Sub-Project Beneficiary” means a peoples’ organizations which is eligible to receive or has received a grant for a SIGA Sub-Project.
37. “SIGA Sub-Projects” means collectively, the sub-projects carried out under Part C of the Project, and the term “SIGA Sub-Project” means any of such sub-projects.
38. “Sub-Project” means a SIGA Sub-Project, or an OGI Sub-Project, and “Sub-Projects” means, collectively, SIGA Sub-Projects OGI Sub-Projects.
39. “Sub-Project Beneficiary” means a SIGA Sub-Project Beneficiary or an “OGI Sub-Project Beneficiary” and “Sub-Project Beneficiaries” means the plural thereof.