

Public Disclosure Authorized

CONFORMED COPY

GEF GRANT NUMBER TF095991

Global Environment Facility Grant Agreement

(Chiller Energy Efficiency Project)

between

REPUBLIC OF THE PHILIPPINES

and

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

Dated June 28, 2010

Public Disclosure Authorized

GEF GRANT NUMBER TF095991

**GLOBAL ENVIRONMENT FACILITY
GRANT AGREEMENT**

AGREEMENT dated June 28, 2010, 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 (the 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 (the 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 this Agreement.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (the 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 two million six hundred thousand Dollars (\$2,600,000) (“the GEF Grant”) to assist in financing the Project.

- 3.02. The Recipient may withdraw the proceeds of the GEF Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The GEF Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the GEF Grant proceeds subject to the availability of such funds.

**Article IV
Additional Remedies**

- 4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consist of the following:
 - (a) (i) Subject to sub-paragraph (ii) of this paragraph: (A) the right to withdraw the proceeds of the OTF Grant Agreement has been suspended, canceled or terminated in whole or in part, pursuant to the terms of the OTF Grant Agreement; (ii) Sub-paragraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that: (A) such suspension, cancellation, or termination was not caused by the failure of the Recipient to perform any of its obligations under the OTF Grant Agreement; and (B) adequate funds for the Project are available from other sources on terms and conditions consistent with the Recipient's obligations under this Agreement.

**Article V
Effectiveness; Termination**

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following conditions have been satisfied that:
 - (a) the OTF Grant Agreement has been executed and delivered, and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder (other than the effectiveness of this Agreement) have been fulfilled;
 - (b) the Recipient has adopted the Project Implementation Plan and the Operations Manual;
 - (c) the Recipient has established the Project Management Unit and the Project Steering Committee; and

- (d) the Recipient has entered into a consultancy contract, in accordance with the terms of Section III of Schedule 2 to this Agreement, with a Project management contractor to assist it with the preparation of the financial management documents, and the execution of the other financial management requirements, under the Project.
- 5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 above (“the Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the GEF Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient’s Representative; Addresses

- 6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Secretary of Finance.
- 6.02. 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

Fax: (63-2) 532-9216

6.03. 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 Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

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

REPUBLIC OF THE PHILIPPINES

By /s/ Margarito Teves

Authorized Representative

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

By /s/ Bert Hofman

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to reduce greenhouse gas emissions by replacing inefficient chillers, including both old CFC-based chillers and non-CFC-based chillers within the territory of the Recipient.

The Project consists of the following parts:

Part 1: Investments in Chiller Replacement

Provision of financial incentives to chiller owners to accelerate the replacement of inefficient chillers with energy efficient chillers, in advance of the residual technical life of the existing chillers.

Part 2: Measurement, Monitoring and Verification

- A. Measuring energy consumption of baseline equipment and of new equipment, monitoring performance of new chillers by collecting performance parameters of new chillers on an on-line basis, and analyzing collected data.
- B. Establishment of a database to track data generated from individual chiller replacement activities to be used to generate the reports that would support CER claims.

Part 3: Performance Standards and Technical Assistance

- A. Provision of training, organization of workshops and acquisition and distribution of educational materials, to create awareness of the requirements and potential benefits of the Project, explore opportunities to expand its coverage to other energy conservation options in large buildings and industries, and inform participants about measurement, monitoring, and verification of power consumption, energy savings and accounting for emission reductions.
- B. Provision of recognition awards to chiller owners who are able to sustain high performance of their chillers through proper operation and maintenance, with a view to encouraging chiller owners to closely monitor performance of their chillers.
- C. Operation and refinement of marketing tools, including computer software, to be used to raise awareness of chiller owners of energy saving opportunities from chiller replacement.
- D. Development and adoption of performance standards for non-CFC energy efficient chillers and the development of a policy framework and incentive

mechanisms to promote good practice in the operation of energy efficient non-CFC chillers.

Part 4: Project Management

- A. Coordination and supervision of Project implementation.
- B. Establishment and management of a grievance handling mechanism to allow feedback from the chiller owners and potential stakeholders.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Project Management, Coordination and Oversight Arrangements

For the purposes of overall management and oversight of the Project, the Recipient shall establish and maintain for the duration of the Project:

1. a Project Management Unit within DENR having terms of reference acceptable to the World Bank, and headed by a full time organic staff as Project Director with skills, qualifications and experience satisfactory to the World Bank and assisted by full time staff with adequate skills and resources and in sufficient numbers; and
2. a Project Steering Committee with composition and terms of reference acceptable to the World Bank, including representatives of: (i) the DENR and any other agencies as may be deemed necessary by the co-chairs of such Committee; (ii) the Project Director; and (iii) members of civil society and the private sector; which shall provide operational guidance and oversight to the Project.

B. Implementation Arrangements

The Recipient shall:

1. (a) prepare and adopt a Project Implementation Plan acceptable to the World Bank, giving details of guidelines and procedures agreed with the World Bank for the implementation, supervision, monitoring and evaluation of the Project, including: (i) institutional and staffing arrangements; (ii) reporting requirements; (iii) performance indicators (iv) financial management procedures and audit procedures; (v) procurement procedures; (vi) details of the Environmental Management Framework; (vii) procedures for the identification and selection of Beneficiaries, and terms and conditions governing approval and award of Financial Incentives; (viii) procedures for the reallocation and utilization of CDM revenues foregone pursuant to Paragraph 1 (b)(ii) of Section C below; and (ix) details of the Governance and Accountability Action Plan;
- (b) prepare and adopt an Operations Manual acceptable to the World Bank which shall include a section on the Project financial management policies and procedures adopted for the Project; and
- (c) proceed thereafter to implement the Project in accordance with the Project Implementation Plan and the Operations Manual, and, except as the

World Bank shall otherwise agree, not amend or waive any provision thereof without the prior written consent of the World Bank.

2. For purposes of Part 2 of the Project, the Recipient shall procure, in accordance with the provisions of Section III of Schedule 2 to this Agreement, the services of a private consultant firm to develop and maintain a management information system to collect and process data related to each replacement of a chiller supported by a Financial Incentive, and shall use such management information system as a tool to generate all technical reports required under the Project, and to estimate the value of CER units accrued for verification by a third party under the Project prior to submission to the CDM-EB for certification.

C. Terms and Conditions Governing Financial Incentives under the Project

1. For the purposes of Part 1 of the Project, the Recipient shall apply the proceeds of the GEF Grant allocated to GEF Category (1) to provide Financial Incentives to Beneficiaries in accordance with the guidelines, procedures and eligibility criteria set out in the Operations Manual, including the following:
 - (a) Such proceeds of the GEF Grant shall be applied exclusively to provide Financial Incentives for the replacement of chillers with new non-CFC-based chillers, with specific energy consumption equal or lower than 0.63 kW /TR at full load, and rated capacity within 5% of the baseline capacity.
 - (b) Financial Incentives shall be in the form of either of the following two options, with Beneficiaries having to make an upfront choice between the two options:
 - (i) Option A: an upfront subsidy of 15% of the normative cost of new energy efficient chillers; or
 - (ii) Option B: deferred revenues in the form of annual payments of 80% of CER revenues generated from actual energy savings achieved by its new chillers.
 - (c) In the case of a Beneficiary opting for Option A, the Beneficiary shall be required to provide upfront 85% of the cost of the new chiller and to forego Deferred Revenues, which shall be used to provide additional Financial Incentives to other Beneficiaries.
 - (d) To be eligible for replacement under the Project: (i) chillers must have been installed after 1995 and have a residual technical life of more than 5 years as determined by the PMU; and (ii) chiller replacement must have taken place on or after October 1, 2009.

- (e) Procurement of new chillers shall be carried out by Beneficiaries in accordance with the provisions of Section III of this Schedule 2.
2. The Recipient shall provide each Financial Incentive under a Subgrant Agreement with the respective Beneficiary on terms and conditions approved by the Recipient and the World Bank, which shall include the following:
- (a) that the Financial Incentive shall be a non-reimbursable grant denominated in Philippine Pesos;
 - (b) details of the Financial Incentive, agreed disbursement schedule and the Beneficiary's obligations;
 - (c) in the case of a Beneficiary who has opted for Option A, an agreement to forego all rights to Deferred Revenues;
 - (d) in the case of a Beneficiary who has opted for Option B, the value of each CER unit, the percentage to be deducted on account of the Recipient's administrative and logistical costs, and other eligible costs, and the period for which Deferred Revenues will be provided;
 - (e) in either case, an undertaking on the part of Beneficiary to allow representatives of the Recipient to have access to its existing chillers for the purpose of establishing the baseline power consumption and determining and verifying CER units accrued during the agreed period; and
 - (f) in either case, an undertaking by the Beneficiary to comply with the Environmental Management Framework, the Environmental Management Plans, the Anti-Corruption Guidelines and the Governance and Accountability Action Plan to the extent they are applicable.
3. The Recipient shall obtain rights adequate to protect its interests and those of the World Bank, including the right to:
- (a) suspend or terminate the right of the Beneficiary to use the proceeds of the Financial Incentive, or obtain a refund of all or any part of the amount of the Financial Incentive, upon the Beneficiary's failure to perform any of its obligations under the Subgrant Agreement; and
 - (b) require each Beneficiary to: (i) carry out its operations with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods, works and

services to be financed out of the Financial Incentive in accordance with the provisions of Section III of this Schedule 2; (iv) enable the Recipient and the World Bank to inspect the goods, works and services financed or to be financed out of the Financial Incentive, its operation and any relevant records and documents; and (v) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

4. The Recipient shall exercise its rights under each Subgrant Agreement in such manner as to protect its interests and the interests of the Recipient and the World Bank and to accomplish the purposes of the Grants. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subgrant Agreement or any of its provisions.
5. Upon the disbursement of funds on account of Deferred Revenues accrued under any Subgrant Agreement, the Recipient shall:
 - (a) settle the amount of Deferred Revenues due to Beneficiaries who have opted for Option B; and
 - (b) in the case of Deferred Revenues foregone pursuant to Paragraph 1(c) of this Section I, reallocate the balance of such Deferred Revenues to be applied for the same purposes and to finance the same activities as under Part 1 of the Project.

D. Anti-Corruption

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

E. Safeguards

1. The Recipient shall implement the Project in accordance with the Environmental Management Framework and the Environmental Management Plans prepared in accordance with such Environmental Management Framework.
2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the World Bank on a six-monthly basis reports on the status of compliance with the Environmental Management Framework and the Environmental Management Plans, giving details of:
 - (a) measures taken in furtherance of the Environmental Management Framework, including the preparation of Environmental Management Plans;

- (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Environmental Management Framework or the Environmental Management Plans; and
- (c) remedial measures taken or required to be taken to address such conditions.

F. Other undertakings

The Recipient shall, not later than six (6) months after the date of this Agreement, adopt a grievance monitoring system acceptable to the World Bank to address and resolve complaints from the chiller owners and other stakeholders related to the selection of Beneficiaries or the exclusion of chiller owners from becoming Beneficiaries.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Reports

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 1 to this Schedule. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

2. The Recipient shall:

- (a) not later than December 30, 2015, or such other date as the World Bank shall agree, undertake, in conjunction with the World Bank, a midterm review, during which they shall exchange views generally on all matters relating to the progress of the Project, and the performance by the Recipient of its obligations under this Agreement, including the progress achieved by the Recipient, having regard to the performance indicators referred to in Annex 1 of this Schedule;
- (b) not later than thirty (30) days prior to the review, furnish to the World Bank, for comments, a report, in such detail as the World Bank shall reasonably request, on the progress of the Project and the various matters to be discussed at such review, including a performance audit under terms of reference acceptable to the World Bank; and
- (c) following the review, act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures

as may have been agreed upon between the Recipient and the World Bank in furtherance of the objectives of the Project.

3. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants in accordance with the provisions of Section III of this Schedule.

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 (45) after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) calendar 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 Recipient shall have the Project reviewed by the Internal Audit Service of DENR (IAS) at the end of each calendar semester starting December 31, 2011. The Recipient shall cause IAS to furnish a report to DENR Management and the World Bank, not later than ninety (90) days after the end of each semester. An independent audit firm will be engaged by the DENR through the National Program Support for Environment and Natural Resources Management Project to strengthen the IAS of the DENR.
5. Without limitation upon the provisions of paragraphs 1 and 2 of Part A of this Section II, the Recipient shall have an independent assessment, in scope and detail satisfactory to the World Bank, performed of the technical and fiduciary performance of the Recipient under the Project. Such assessment shall be carried out by a private firm having qualifications and terms of reference acceptable to the World Bank. The report of such review shall be furnished to the World Bank not later than sixty (60) days after the mid-term review referred to in paragraph 2 of Part A of this Section II.

6. For the duration of the Project, the Recipient shall, within twelve (12) months from issuance of each external audit report, complete implementation of the recommendations arising from such external audits, all in a manner satisfactory to the World Bank.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods and services required for the Project and to be financed out of the proceeds of the Grants 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 (the Procurement Guidelines), in the case of goods, 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 (the 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.

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.** Other than International Competitive Bidding, the following methods may be used for procurement of goods for those contracts specified in the Procurement Plan:

(a)	National Competitive Bidding, subject to the additional provisions listed in Annex 2 to this Schedule.
(b)	Shopping
(c)	Direct Contracting

(d) Commercial practices acceptable to the 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.** Other than Quality- and Cost-based Selection, the following methods may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan:

(a) Quality-based Selection

(b) Selection based on Consultants' Qualifications
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(c) Selection of Individual Consultants

(d) Selection under a Fixed Budget

(e) Sole Source Procedures for the Selection of Individual Consultants
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D. Procurement of chillers by the private sector beneficiaries

1. **Commercial Practices.** Goods estimated to cost less than \$5 million equivalent per contract and to be financed in part by Financial Incentives to private sector beneficiaries under Part 1 of the Project, may be procured in accordance with commercial practices acceptable to the World Bank.
2. **Procurement Planning.** Without limitation upon the provisions of Paragraph A.1(b) above, a plan for the procurement of chillers by the private sector Beneficiaries, which shall include contract cost estimates, contract packaging, and applicable procurement procedures, shall be furnished to the Bank by DENR for its review and approval prior to the issuance of the invitation to bid. Such plan shall be updated on an annual basis or as needed always covering the next eighteen 18 months period of Project implementation. Any revisions proposed to the Procurement Plan shall be furnished to the World Bank for its prior approval.

E. Review by the World Bank of Procurement Decisions

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

(a) all contracts for goods procured on the basis of International Competitive Bidding or Direct Contracting; (b) the first contract for goods procured on the basis of National Competitive Bidding; (c) each contract for consultants’ services provided by a firm estimated to cost the equivalent of \$100,000 or more; (d) each contract for consultants’ services provided by an individual estimated to cost the equivalent of \$50,000 or more; (e) each contract for consultants’ services awarded on the basis of Sole Source Procedures for the Selection of Individual Consultants. 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 GEF 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 GEF Grant (the GEF Category), the allocations of the amounts of the Grant to each such category, and the percentage of expenditures to be financed for Eligible Expenditures in each such category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of taxes)
(1) Financial Incentives under Part 1 of the Project	2,600,000	100 % of amount of Subsidy
TOTAL AMOUNT	2,600,000	

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, except that withdrawals up to an aggregate amount not to exceed \$520,000 equivalent may be made for payments made prior to this date but on or after January 15, 2010.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is January 1, 2015.

ANNEX 1 TO SCHEDULE 2 - Monitorable Indicators

PDO /GEO	Outcome Indicators	Use of Outcome Information
<p>Reduce GHG emissions by replacing inefficient chillers including both old CFC-based chillers and non-CFC-based chillers.</p>	<p>1.195 inefficient chiller replacements (average of 330 TR) undertaken by 2012 and 375 inefficient chiller replacements (average of 330 TR) by 2019</p> <p>2.Reduction of CFC consumption (target of 22 tonnes ODP)</p> <p>3.Carbon emission reduction:</p> <ul style="list-style-type: none"> • Direct CO₂ Benefits Targeted, including GWP of CFC = 560,0000 metric tonnes CO₂Eq.) • Indirect CO₂ Benefits targeted at up to 2M metric tonnes CO_{2e} over 20 years (emissions produced during the production of the fossil fuel and transporting it to the power plant that supplies electricity to the power grid) <p>4.Energy consumption will be reduced by 341 GWh annually in the next 20 years and</p>	<p>Yr 1 - Yr 3: Measure effectiveness of project design and implementation arrangement</p> <p>Annually: verification report identifying quantity of emission reductions certified</p> <p>Yr 2: Strategic Assessment of Overall Program Uptake and Financial Position</p> <p>Yr 3: Mid-term review of carbon credit earned and contribution of decreasing demand of CFC in the chiller sector to countries' compliance with the Protocol</p> <p>Yr 6: Forward-looking reassessment and business realignment for other EE products opportunity</p>

	demand for installed capacity will be reduced by 59 MW	
	Results Indicators for Each Component	Use of Results Monitoring
Component One: Investment in Chiller Replacement	Number of new energy efficient chillers installed	YR 1 – YR 3 Determine effectiveness of the financing scheme and implementation modalities of the Project by considering the success rate between the number of proposals and number of successful sub-grant agreements YR 3 Mid-term review to identify needs for any modifications to the project design and financing
Component Two: Measurement, Monitoring and Verification	A MIS to keep track of data generated from the individual chiller replacement and to generate the reports to support the CER claims.	YR 1 – YR 3 Measure effectiveness of the technical assistance activities undertaken by the Project YR 3 Mid-term review of penetration of replacement market in comparison with overall chiller market in respective countries and identification of needs for further capacity building or market development.
Component Three: Technical Assistance	Increased awareness of chiller replacement Number of recipients of	YR 1 – YR 3 Measure effectiveness of the technical assistance activities undertaken by the Project

	<p>the Project participating in the recognition program</p> <p>Number of trainings and workshops</p>	<p>YR 3 Mid-term review of penetration of replacement market in comparison with overall chiller market in respective countries and identification of needs for further capacity building or market development.</p>
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ANNEX 2 TO SCHEDULE 2**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 approved budget for the contract (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 the approved budget for the contract (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 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**

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. “Beneficiary” means a chiller owner who is the beneficiary of a Financial Incentive under Part A.1 of the Project.
3. “CDM” means the Clean Development Mechanism established pursuant to the United Nations Framework Convention on Climate Change (“UNFCCC”) and defined in Article 12 of the Kyoto Protocol to the UNFCCC (“Kyoto Protocol”).
4. “CDM-EB” means the CDM Executive Board established pursuant to the Kyoto Protocol and vested with authority, under the guidance of the Conference of the Parties of the UNFCCC, to a register CDM projects; b approve the methodology to be used to measure, validate and certify carbon credits thereunder; and c) issue carbon credits based on the difference between the baseline estimate of future emissions without the Project and actual emissions, as verified by a third party.
5. “CER” and “Certified Emission Reduction” mean the value of carbon credits generated by energy savings resulting from the replacement of baseline centrifugal chillers with new energy efficient centrifugal chillers under the Project during the period ending in 2013, and determined according to a formula consistent with CDM and set forth in the ERPA.
6. “CFC” means chlorofluorocarbons 11, 12, 113, 114, and 115.
7. “CO₂” means Carbon Dioxide.
8. “CO_{2e}” means Carbon Dioxide equivalent.
9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
10. “Deferred Revenues” means revenues accruing on account of actual energy savings achieved by new chillers purchased partly out of the proceeds of Financial Incentives, as described in Schedule 2, Section 1.C Paragraph 1 (b) to this Agreement.
11. “DENR” means the Recipient’s Department of Environment and Natural Resources or any successor thereto.

12. “Environmental Management Framework” mean the framework, dated June 16, 2009 adopted and publically disclosed by the Recipient on June 17, 2009 giving details of a program of actions, measures and policies, including an Environmental Management Plan designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts associated with the replacement of CFC-based chiller systems, or reduce such impacts to acceptable levels, or to ensure the safe handling of refrigerants, as well as the occupational health and safety of technicians involved, as such Environmental Management Framework may be amended from time to time with the prior agreement of the World Bank.
13. “Environmental Management Plan” means each of the plans to be adopted by the Recipient in accordance with the Environmental Management Framework detailing: (a) the measures to be taken during the replacement of chillers to eliminate or offset adverse environmental impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures.
14. “ERPA” means the Emission Reductions Purchase Agreement for the Project, entered into between the Recipient and KfW pursuant to which KfW shall be the carbon buyer under the Project.
15. “Financial Incentive” means a financial incentive provided or to be provided to chiller owners under Part 1 of the Project, whether in the form of a Subsidy, or Deferred Revenues.
16. “GEF Category” means a category set forth in the table in Section IV of Schedule 2 to the GEF Grant Agreement.
17. “GHG Emissions” means greenhouse gas emissions.
18. “Governance and Accountability Action Plan” means the action plan dated February 18, 2010 prepared by the Recipient to enhance governance and accountability under the Project.
19. “Grant Agreement” means the GEF Grant or OTF Grant Agreement as the case may be, and “Grant Agreements” means, collectively, the GEF Grant Agreement and the OTF Grant Agreement.
20. “Grant” means the GEF Grant or OTF Grant as the case may be, and “Grants” means, collectively, the GEF Grant and the OTF Grant.
21. “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, but excluding the salaries of the Recipient's civil servants.

22. "KfW" means Kreditanstalt für Wiederaufbau, the German Reconstruction Bank which shall be the carbon buyer for this Project.
23. "kw/TR" means Kilowatt-hour per ton of Refrigeration.
24. "MIS" means Management Information System.
25. "National Program Support for Environment and Natural Resources Management Project" means the Project financed under the Loan (7470-PH) provided for in the Loan Agreement dated August 29, 2007 between the Recipient and the World Bank.
26. "Operations Manual" means the manual referred to in Part B.1 of Section I of Schedule 2 to this Agreement, as the same may be revised from time to time with the prior written agreement of the World Bank.
27. "Option A" means the optional form of Financial Incentive referred to in Part C.1(b)(i) of Section I of the Schedule 2 to this Agreement.
28. "Option B" means the optional form of Financial Incentive referred to in Part C.1(b)(ii) of Section I of the Schedule 2 to this Agreement.
29. "OTF Category" means a category set forth in the table in Section A of Schedule to the OTF Grant Agreement.
30. "OTF Grant Agreement" means Agreement of same date as this Agreement, between the Recipient and the World Bank acting as an Implementing Agency of OTF.
31. "OTF Grant" means grant provided for in the OTF Grant Agreement.
32. "OTF" means the Ozone Projects Trust Fund.
33. "Part of the Project" or "Parts of the Project" mean the part or parts of the Project as described in Schedule 1 to this Agreement.
34. "Philippine Pesos" means the lawful currency of the Recipient.
35. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.

36. “Procurement Plan” means the procurement plan for the Project, dated 18 February 2010 prepared by the Recipient 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.
37. “Project Implementation Plan” means the plan referred to in Part B.1 of Section I of Schedule 2 to this Agreement, as the same may be revised from time to time with the prior written agreement of the World Bank.
38. “Project Management Contractor” means a private consulting firm contracted by the Recipient pursuant to Article V, Section 5.01, Paragraph (d) of this Agreement, to assist the Project Management Unit in its day to day project management operations.
39. “Project Management Unit” means the unit to be established and maintained by the Recipient pursuant to Schedule 2, Sections 1, Paragraph A.1 of this Agreement.
40. “Project Steering Committee” means the unit to be established and maintained by the Recipient pursuant to Schedule 2, Sections 1, Paragraph A.2 of this Agreement.
41. “Subgrant Agreement” mean the Agreement to be entered into between the Recipient and each Beneficiary under Part 1 of the Project as provided for in Section I.C.3 of this Agreement for the purpose of setting out the terms and conditions of the Financial Incentive to such Beneficiary.
42. “Subsidy” means the Financial Incentive to be provided to a Beneficiary under Option A.
43. “TR” means Ton of Refrigeration, a unit of measure equivalent to 12,000 British Thermal Units per hour.
44. “YR 1”, “YR 2”, “YR 3” and “YR 6” means, respectively, the first, second, third and sixth years following the Effective Date.