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**LOAN NUMBER 7440-PH**

# **Loan Agreement**

**(Mindanao Rural Development Project Phase II)**

**between**

**REPUBLIC OF THE PHILIPPINES**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated May 3, 2007**

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## **LOAN AGREEMENT**

Agreement dated May 3, 2007, between REPUBLIC OF THE PHILIPPINES (the Borrower) (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

WHEREAS (A) the Bank has received from the Borrower a letter dated June 22, 1999, describing a program designed to reduce poverty among the rural communities in Mindanao, Philippines, by improving their incomes and food security (“the Program”) and declaring the Borrower’s commitment to the execution of said Program;

(B) the Borrower has requested that the Bank assist in the financing of the Program, through a series of loans, over a period of approximately fifteen (15) years;

(C) the Borrower and the Bank entered into a Loan Agreement dated December 14, 1999 to assist in financing phase I of the Mindanao Rural Development Project under the Program;

(D) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 1 to this Agreement (“the Project”), which Project forms the second phase of the Program, has requested the Bank to assist in the financing of the Project; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

### **ARTICLE I - GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### **ARTICLE II - LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount of eighty three million seven hundred fifty two thousand United States Dollars (\$83,752,000), as such amount may be

converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent ( $\frac{3}{4}$  of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.
- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.  
  
(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.
  
- 2.09. Without limitation upon the provisions of paragraph (a) of Section 2.08 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

**ARTICLE III - PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project and the Program. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions.
  
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV - EFFECTIVENESS**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE V - REPRESENTATIVE; ADDRESSES**

- 5.01. The Borrower's Representative is the Secretary of Finance.
  
- 5.02. The Borrower's Address is:

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

|                |                 |
|----------------|-----------------|
| Cable address: | Facsimile:      |
| SECFIN         | (63-2) 526-9990 |
| Manila         | (63-2) 523-9216 |

5.03. The Bank's Address is:

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

|                  |                |                |
|------------------|----------------|----------------|
| Cable address:   | 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: /s/ Margarito Teves

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Ms. Maryse Gautier

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist the Borrower in: (i) improving livelihood opportunities for targeted communities in Mindanao under the Project; and (ii) institutionalizing a decentralized system for agriculture and fishery services delivery that promotes participation, transparency, and accountability.

The Project constitutes the second phase of the Program, and consists of the following parts:

#### **Part A: Investments for Governance Reform and Program Administration**

Carrying out a program to strengthen institutional capacity of DA and Participating LGUs in Mindanao in order to operationalize a decentralized agricultural service system through the following activities:

1. Improving the capacity of Participating LGUs in resources management and service delivery in agriculture and fisheries.
2. Enhancing the capacity of DA to support Participating LGUs' agricultural planning and development and agricultural research and extension through local community participatory process.
3. Strengthening the capacity of Participating LGUs in the Project implementation and coordination through the provision of technical assistance and operating support.

#### **Part B: Rural Infrastructure Sub-projects**

Carrying out a program to support rural infrastructure Sub-projects in order to improve access to basic rural infrastructure services by the rural communities in Mindanao and to enhance these rural infrastructure's operation and maintenance standards through the following activities:

1. Construction and/or rehabilitation of selected farm to market roads and single lane bridges, carrying out a program for routine maintenance of such roads, and monitoring and evaluation of construction and rehabilitation of such roads.
2. Construction and/or rehabilitation of selected community-owned and managed run-of-river communal irrigation systems, carrying out a program for routine maintenance of such irrigation systems, and monitoring and evaluation of construction and rehabilitation of such irrigation systems.

3. Construction and/or rehabilitation of selected level-2 (communal faucets) rural potable water supply systems.
4. Undertaking other selected rural infrastructure projects to enhance agricultural and fisheries productivity and access to markets by rural communities.
5. Carrying out a Performance-based Grant program in the LGUs participating in Part B of the Project to promote good governance and enhance local revenue generation and to assist in financing of Sub-projects under said Part of the Project.

Part C: Community Fund for Agriculture Development (CFAD) Sub-projects

Carrying out a program to address diverse investment priorities of rural communities, consisting of the financing of CFAD Sub-projects which meet community preferences and respond to local priorities, including food security interventions, community managed livelihood and agribusiness activities, alternative income-generating activities, and small infrastructure.

Part D: Natural Resources Management

Carrying out a program to conserve upland resources, coastal and marine biodiversity through the following activities:

1. Strengthening the capacity of the communities, Participating LGUs and national agencies involved in the conservation of upland resources, coastal and marine biodiversity.
2. Introducing and demonstrating sustainable land management practices and marine and coastal protection measures to the communities involved in the conservation of upland resources, coastal and marine biodiversity through carrying out natural resources management Sub-projects.
3. Increasing community awareness of direct linkage between upland natural resources management and coastal natural resources management.

## SCHEDULE 2

### Project Execution

#### Section I. Financing; Institutional and Other Arrangements

##### A. Financing Arrangements.

1. For purposes of carrying out the Project, the Borrower shall make available to each provincial Participating LGU, its respective Allocated Amount on terms and conditions acceptable to the Bank and as set forth in a Memorandum of Agreement (MOA), which shall be entered into between the Borrower, through DA, and each said LGU in accordance with the provisions of the Annex 2 to this Schedule.

2. With respect to Part B of the Project, the amount allocated to Category (2) in paragraph 2 of Section IV of Schedule 2 shall be made available by the Borrower to each LGU participating in said Part of the Project to cover fifty percent (50%) of the cost of said LGU's Sub-project, with each said LGU providing its contribution covering the other fifty percent (50%) of total cost of the Sub-project (forty percent (40%) in cash and ten percent (10%) in kind). Upon each said LGU meeting the performance targets set forth in the Performance-based Grant Agreement between DA and such LGU as certified by DOF's Bureau of Local Government Finance, the Borrower will provide a Performance-based Grant, as provided in Category (3) of paragraph 2 of Section IV of Schedule 2, to the LGU in an amount equivalent to twenty percent (20%) of cost of said LGU's Sub-project.

3. The Borrower shall: (a) cause each Participating Provincial LGU to perform, in accordance with the provisions of the MOA to which said LGU is a party, all of the obligations of said LGU therein set forth; (b) take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable said LGU to perform such obligations; and (c) not take or permit to be taken any action which would prevent or interfere with such performance.

4. The Borrower shall: (a) exercise its rights under each MOA in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (b) except as the Bank shall otherwise agree, not assign, amend, abrogate or waive any MOA or any provision thereof.

##### B. Project Management.

5. The Borrower shall:

(a) by December 31, 2007, reconstitute the PAB established under the first phase of the Program, and thereafter maintain it throughout the period of implementation of the Project, with composition, terms of reference, staffing and other resources



acceptable to the 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 Bank:

- (i) the 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.

6. The Borrower through DA shall, by December 31, 2007, establish and thereafter maintain throughout the period of implementation of the Project, an Internal Audit Service, with staffing, terms of reference, and other resources acceptable to the Bank, to be responsible for conducting an internal audit for the Project accounts by June 30 and December 31 of each year, starting June 30, 2008 and furnish a report to DA and the Bank upon completion of each said internal audit.

### **C. Project Implementation.**

7. The Borrower shall:

(a) carry out the Project in accordance with the Operations Manuals, each of which shall set forth, *inter alia*, the descriptions 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 descriptions; performance indicators; the Project implementation arrangements, monitoring and evaluation procedures; and anti-corruption measures. In addition to these common provisions, each of the Operations Manuals shall also include, *inter alia*:

- (i) in the case of the Operations Manual prepared for Part A of the Project, descriptions of the capacity building activities and participatory process;

- (ii) in the case of the Operations Manual prepared for Part B of the Project, the descriptions of: (A) eligibility criteria, procedures and guidelines for the selection, approval, administration and supervision of Sub-projects; (B) a list of Sub-projects eligible for financing out of the proceeds of the Loan; (C) the conditions governing the Performance-based Grants; (d) Sub-project's engineering design, operating and maintenance procedures; and (E) the Indigenous Peoples Policy Framework, the Land Acquisition, Resettlement, and Rehabilitation Policy Framework, and the Environmental Guidelines;
- (iii) in the case of the Operations Manual prepared for Part C of the Project, the descriptions of: (A) eligibility criteria, procedures and guidelines for the selection, approval, administration and supervision of Sub-projects; (B) selection criteria for Sub-projects' beneficiaries; (C) a list of items or activities not eligible for financing out of the proceeds of the Loan through Sub-projects; (D) the conditions governing the use of CFAD Block-Grants; (E) the Indigenous Peoples Policy Framework, the Land Acquisition, Resettlement, and Rehabilitation Policy Framework, and the Environmental Guidelines; and (F) grievance redress mechanism; and
- (iv) in the case of the Operations Manual prepared for Part D of the Project, the descriptions of: (A) eligibility criteria, procedures and guidelines for the selection, approval, administration and supervision of Sub-projects; (B) a list of items or activities not eligible for financing out of the proceeds of the Loan through Sub-projects; (C) selection criteria for LGUs to participate in said Part of the Project; (D) the Indigenous Peoples Policy Framework, the Land Acquisition, Resettlement, and Rehabilitation Policy Framework, and the Environmental Guidelines; (E) Sub-projects' implementation procedures; and (F) guideline for participatory natural resource management planning and policy development.

(b) not amend, abrogate, suspend, or waive any provision of said Operations Manuals without the prior written concurrence of the 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.

8. The Borrower shall, by June 30, 2008, establish baseline data for the Project according to the terms of reference satisfactory to the Bank.

9. The Borrower shall, through PSO: (i) furnish to the Bank, not later than October 31 in each year, starting October 31, 2007 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 Bank a reasonable opportunity to exchange views with the Borrower on said plan and, thereafter, promptly take all actions necessary to implement said plan, taking into account the views of the Bank on the matter.

10. A Sub-project under Parts B, C, and D of the Project shall be eligible for financing out of the proceeds of the Loan only if:

(a) the Borrower has determined in accordance with guidelines acceptable to the Bank, including those in the Operations Manuals, that the requirements set out in paragraphs 10 through 15 below have been met;

(b) the Borrower has entered into a Memorandum of Agreement with a provincial Participating LGU in accordance with the provisions in paragraph 1 of Section I of this Schedule 2.

(c) the Borrower has entered into a Performance-based Grant Agreement with a LGU participating in Part B of the Project which shall include, *inter alia*: (i) conditions for said LGU to receive a Performance-based Grant; (ii) implementation responsibilities of DA and the LGU in the implementation of the rural infrastructure Sub-projects under Part B of the Project; (iii) specification of eligible expenditures that may be financed from the proceeds of the Performance-based Grant; (iv) financial management and audit procedures consistent with the provisions in Section II.B of this Schedule; (v) procurement procedures consistent with Section III of this Schedule; (vi) monitoring and reporting arrangements, and (vii) the Borrower's right to suspend the right of said LGU to draw down the proceeds of the Performance-based Grant upon failure by such LGU to perform any of its obligations under its Performance-based Grant Agreement.

11. The proposed Sub-project shall be economically and financially viable, and technically feasible, and environmentally and socially sound, and shall have been designed in accordance with appropriate standards and practices as set forth in each of the Operations Manuals prepared for Part B, Part C, and Part D of the Project.

12. The LGU shall have the organization, management and resources acceptable to the Bank for carrying out of 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 2 of this Schedule.

13. For a proposed Sub-project to qualify for financing under Parts B, C, or D of the Project, the following requirements shall have been met:

(a) (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 Bank, has been undertaken and an environmental management plan has been prepared and carried out in the implementation of said Sub-project, all on the basis of environmental standards acceptable to the 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 instrumentality at the regional level in respect of the activities under said Sub-project;

(b) 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 Bank, including those in the Land Acquisition, Resettlement, and Rehabilitation Policy Framework set forth in the Operations Manuals;

(c) 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 Bank, including those in the Indigenous Peoples Policy Framework as set forth in the Operations Manuals;

(d) in the case of a proposed Sub-project under Part B (1) of the Project, (A) the rural roads proposed for inclusion in said proposed Sub-project have been: (i) established as a priority project by the Multisectoral Committee; and (ii) designed to link with an existing all-weather road and to establish a vital link with existing or potential key production areas; and (B) the construction of said rural road is economically justified by the projected traffic usage of such road;

(e) in the case of a Sub-project under Part B(2) of the Project, the communal irrigation system proposed for inclusion in said Sub-project:

- (i) should not be more than 1000 hectares in service area; and
- (ii) the farmers who will utilize said irrigation system have actively participated in the preparation of the system design and its feasibility study;

(f) in the case of a proposed Sub-project under Part B(3) of the Project:

- (i) the proposed site for the water supply scheme to be included in said Sub-project has been demonstrated to have a reliable water supply throughout the year and water samples obtained from said

site are certified by relevant authorities to be free from contamination; and

- (ii) a community association with adequate resources acceptable to Bank has been established to be responsible for managing said water supply scheme;
- (g) in the case of a proposed Sub-project under Part C of the Project:
  - (i) the proposed Sub-project proposed has been prepared and submitted by community members organized as a group;
  - (ii) said proposed Sub-project consists exclusively of eligible activities set forth in the Operations Manual prepared for Part C of the Project; and
  - (iii) at least thirty percent (30%) of the expenditures proposed under Part C of the Project is earmarked for activities targeted at women and ethnic minorities.

14. In respect of each CFAD Block Grant, the concerned LGU in whose jurisdiction the Sub-project is to be implemented shall obtain, by a written contract with its Sub-project beneficiary, or by other appropriate legal means, undertakings of such Sub-project beneficiary adequate to protect the interest of such LGU, the Borrower and the 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 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 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 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 instrumentality 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 Loan 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 Bank, the Borrower, 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; and

(i) maintain adequate records and accounts; and provide all such information as the concerned LGU, the Borrower or the 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).

15. Each LGU participating in Part C of the Project shall:

(a) exercise its rights in relation to each CFAD Block Grant in such manner as to protect its interests and the interests of the Borrower and the Bank, comply with its obligations set out in its respective MOA with DA and achieve the purposes of the Project; and

(b) not assign, amend, abrogate or waive any of its agreements providing for CFAD Block Grant, or any portion thereof, without the prior approval of the Bank.

**Section II. Project Monitoring, Reporting, Evaluation.****A. Project Reports.**

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in Annex 1 to this Schedule. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report.

2. Without limitation on the provisions in paragraph A.1 of this Section II above, the Borrower shall:

(a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about February 15, 2010, a mid-term evaluation report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (1) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(b) review with the Bank, by March 30, 2010, or such later date as the Bank shall request, the report referred to in sub-paragraph (a) of this paragraph 2, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

3. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months prior to the Closing date.

**B. Financial Management, Financial Reports and Audits.**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than one month after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements for the Project audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit

of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.



**Section III. Procurement**

**A. General.**

**1. Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

**2. Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.

**3. Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the 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 and Works.**

**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 and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

| <b><u>Procurement Method</u></b>  |
|---|
| <p>(a) National Competitive Bidding, subject to the following provisions:</p> <ol style="list-style-type: none"> <li>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: (i) evidence of the required financial, technical or production capability; (ii) audited financial statements; (iii) credit line, or cash deposit certificate; (iv) bid security; and (v) authority of the bid signatory.</li> <li>2. In the case of prequalification, if any bidder is denied access to the bidding process for reasons unrelated to its financial and technical qualifications to perform the contract, prior concurrence of the Bank shall</li> </ol> |

be sought.

3. A ceiling may be applied to bid prices, with prior concurrence of the Bank in advance of bidding. However, the Approved Budget Estimate may be disclosed in the advertisement or in the bidding documents.

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

5. Suppliers and contractors will not be required to purchase only local goods or supplies or materials.

6. In case of contracts for prior review, modifications exceeding fifteen percent (15%) of contract amount and material changes in the conditions during implementation require prior Bank concurrence.

7. 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.

8. For works contract, the experience qualification requirement shall be: (i) at least one (1) previous contract at eighty percent (80%) of the estimated cost of the contract being procured; and (ii) an annual turnover from all works averaged over the last three (3) years equal to one hundred percent (100%) of the estimated cost of the contract being procured.

(b) Shopping

(c) Community Participation in Procurement under Part C of the Project following procedures set forth in the Operations Manual prepared for Part C of the Project.

### 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. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

**2. Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| <u>Procurement Method</u>  |
|--|
| (a) Selection under a Fixed Budget<br>(b) Selection based on the Consultants Qualifications<br>(c) Single Source Selection<br>(d) Individual Consultants |

**D. Review by the Bank of Procurement Decisions.**

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank:

- (a) the first contract for goods and works procured in each Region in each year, regardless its procurement method or contract value;
- (b) each contract for goods or works 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;
- (e) each contract for consultants services to be provided by an individual consultant estimated to cost the equivalent of \$50,000 or more; and
- (f) all contracts for consultants services procured on Single Source Selection basis, regardless of contract value.

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

**Section IV. Withdrawal of Loan Proceeds**

**A. General.**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify by notice to the Borrower (including the “World

Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the 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 Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

| <u>Category</u>  | <u>Amount of the Loan Allocated (expressed in USD)</u> | <u>Percentage of Expenditures to be financed</u>  |
|--|--|---|
| (1) Goods, works, consultants’ service, and Operating Costs under Parts A and D of the Project | 7,000,000  | 100%  |
| (2) Civil Works  |  |   |
| (a) under Parts B1, B2, and B4 of the Project  | 40,000,000   | 50%   |
| (b) under Part B3 of the Project   | 3,000,000  | 70%   |
| (3) Performance-based Grants Under Part B of the Project                                       | 15,752,000   | 100% of the Performance-based Grant amount disbursed  |
| (4) CFAD Block Grants Under Part C of the Project  | 18,000,000   | 100% of CFAD Block Grant amount disbursed   |
| (5) Premia for Interest Rate Caps and Interest Rate Collars                                    | 0  | Amount due under Section 2.08 (c) of this Agreement   |
| (6) Front-end fee  | 0  | Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| <b>TOTAL AMOUNT</b>  | <u>83,752,000</u>                                      |   |

**B. Withdrawal Conditions; Withdrawal Period.**

**1.** Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$500,000 equivalent may be made for payments made prior to this date but on or after July 1, 2006, for Eligible Expenditures under Categories (1), (2)(a), and (2)(b) above.

**2.** The Closing Date is December 31, 2012.

## Annex I to Schedule 2

## Project Performance Indicators

| Project Objective  | Project Outcome Indicators   |
|--|--|
| <p>Overall Program Purpose:<br/>Improved incomes and food security in the targeted rural communities within the 25 provinces of Mindanao, from implementation of better targeted and sustainable agricultural and fisheries-related rural development and marine biodiversity conservation program, and improved LGU institutional, management and financial systems.</p> <p>The objectives under this Project:<br/>(i) improve livelihood opportunities for targeted communities; and (ii) institutionalize a decentralized system for agriculture and fisheries service delivery that promotes participation, transparency and accountability.</p> | <p>Average household incomes of beneficiary communities 20% higher than baseline and 10% higher than control group.</p>  |
| Intermediate Outcomes  | Intermediate Outcome Indicators  |
| <p><b>Part A: Investments for Governance Reform and Program Administration</b></p> <p>National Government/LGU institutional linkages and framework for devolved services strengthened.</p>   | <p>70 % of participating LGUs rate their ability to better plan and implement investment programs (control systems, planning, supervision) as satisfactory or better, attributing this to project</p> <p>15% and 35% of target beneficiaries report significant improvement in LGU service delivery, at mid term and at the completion of the Project, respectively.</p> <p>15% increase (compared to baseline) in expenditures for agricultural investments among participating LGUs by the end of the Project.</p> <p>80% of provincial and municipal LGUs adopted resource generation, allocation, utilization and accountability measures at the end of the Project.</p> |

|  |  |
|--|--|
| <p><b>Part B: Rural Infrastructure</b><br/>Improved access and increased stock of quality rural infrastructure</p> | <p>Travel time in targeted areas reduced by at least 30% at the end of the Project compared to baseline.</p> <p>Savings in passenger and produce transport costs increased by at least 10% at the end of the Project.</p> <p>Average cropping intensity increased to a range of 150% to 180% compared to baseline at the end of the Project.</p> <p>Time to fetch water reduced by 65% over baseline by the end of the Project.</p> <p>At least 50% increase in the number of households reporting reduced incidence of water-borne diseases by the end of the Project.</p> <p>At least 80% of Participating LGUs have increased their revenues over baseline by at least 5% at the completion of the Project.</p> |
| <p><b>Part C: CFAD</b><br/>Increased household income for vulnerable groups.</p>                                   | <p>Average household incomes of beneficiary communities 20% higher than baseline and 10 % higher than control group.</p> <p>At least 30% of CFAD allocations are accessed by Indigenous Peoples and women by the end of the Project.</p>   |
| <p><b>Part D: Natural Resource Management</b></p>  | <p>10% decrease in siltation and sedimentation in coastal areas, as a result of better land management practices.</p> <p>20% increase in public awareness and community participation in better land management practices, and coastal and marine biodiversity conservation.</p>   |

**Annex II to Schedule 2**

For the purposes of paragraph A.1 of Section I of Schedule 2 to this Agreement, each Memorandum of Agreement between the Borrower and a Participating LGU shall include, among others, 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 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, for Part C of the Project, establish and, thereafter, maintain throughout the period of Project implementation, with composition, terms of reference, staffing and other resources acceptable to the Bank as set out in the Operations Manual prepared for Part C of the Project, a municipal Multisectoral Committee to be responsible for supporting implementation of said Part 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 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 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 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 Borrower's DENR or its instrumentality 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 Loan 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 Borrower and the 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; and

(b) prepare, under terms of reference satisfactory to the Bank, a semi-annual report summarizing the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above of this paragraph 7, 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 Borrower to enable the Borrower to consolidate and submit the information to the Bank pursuant to the provisions in paragraph 2 of Section II of Schedule 2 to this Agreement.

### **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 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 Bank, in accordance with consistently applied auditing standards acceptable to the 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 Borrower not later than three (3) months after the end of the period for consolidation by the Borrower and submission to the Bank in accordance with the provisions of B.3 of Section II of Schedule 2 to the Loan Agreement.

### **Sub-projects under Part B.1 of the Project**

12. Each Participating LGU that proposes to carry out a Sub-project under Part B.1 of the Project shall: (a) conduct annual routine maintenance for the road networks rehabilitated under Part B.1 of the Project; and from the sixth year after the completion of construction of the rural roads under Part B.1 of the Project, conduct periodic maintenance on such rural roads, all in accordance with a maintenance program (including maintenance standards and section of road networks) agreed with the Borrower and the Bank before a proposed Sub-project becomes eligible for financing under said Part of the Project; and (b) allocate funds, facilities, services and other resources required for said maintenance.

### **Sub-projects under Parts B, C, and D of the Project**

13. Each Participating LGU that proposes to carry out a Sub-project under Parts B, C, and D 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 Bank.

**SCHEDULE 3****Amortization Schedule**

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

| <b><u>Principal Payment Date</u></b>   | <b><u>Installment Share<br/>(Expressed as a Percentage)</u></b> |
|--|---|
| On each May 15 and November 15<br>Beginning May 15, 2015<br>Through May 15, 2026 | 4.17%   |
| On November 15, 2026   | 4.09%   |

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

- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating

the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

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

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

**APPENDIX****Definitions**

- (a) “Allocated Amount” means, in respect of each Participating LGU at the provincial level, an amount of the Loan allocated by the Borrower to said Participating LGU pursuant to the methodologies and criteria set out in each of the Operations Manual and paragraph 1 of Section I of Schedule 2 to this Agreement and to be utilized by said LGU for purposes of carrying out the Project in its jurisdiction.
- (b) “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
- (c) “CFAD” means the Community Fund for Agricultural Development.
- (d) “CFAD Block Grant” means a grant made, or proposed to be made, by the Borrower, out of the proceeds of the Loan, to a CFAD Block Grant beneficiary for the purposes of carrying out a CFAD Sub-project under Part C of the Project, and the term “CFAD Block Grants” means, collectively, the plural thereof.
- (e) “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
- (f) “DA” means the Borrower’s Department of Agriculture and any successor thereto.
- (g) “DAF-ARMM” means the Borrower’s Department of Agriculture and Fisheries of the Autonomous Region in Muslim Mindanao and any successor thereto.
- (h) “DENR” means the Borrower’s Department of Environment and Natural Resources, and any successor thereto.
- (i) “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.
- (j) “Environmental Guidelines” means the environmental guidelines, dated June 9, 2006, adopted by the Borrower, 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 Bank.

- (k) “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
- (l) “Incremental Operating Costs” means the reasonable costs incurred by the Borrower’s PSO and the Regional PCOs 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 Borrower’s civil servants.
- (m) “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.
- (n) “Indigenous Peoples Policy Framework” means the framework, dated June 9, 2006, adopted by the Borrower, 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 Bank.
- (o) “Internal Audit Service” means the internal audit service referred to in paragraph 6 of Section I of Schedule 2 to this Agreement.
- (p) “Land Acquisition, Resettlement, and Rehabilitation Policy Framework” means the framework, dated October 4, 2006, adopted by the Borrower, providing procedures, rules, and guidelines for: (i) the involuntary taking of land and other assets from Displaced Persons; (ii) resettlement and rehabilitation of, and compensation to, Displaced Persons; and (iii) reporting and monitoring

arrangements to ensure compliance with such framework, as such framework may be amended from time to time with the prior agreement of the Bank.

- (q) “LGUs” means Local Government Units, which are political subdivisions of the Borrower at the provincial, city, municipal or barangay level, within the twenty-seven (27) provinces of Mindanao, and “LGU” means any such Local Government Unit.
- (r) “Memorandum of Agreement” means the agreement referred to in paragraph A.1 of Section I of Schedule 2 to this Agreement.
- (s) “MPMIU” means the municipal planning, management, and implementation unit referred to in paragraph 1(a) of Annex II of Schedule 2 to this Agreement.
- (t) “Multisectoral Committee” means the committee referred to in paragraph 1(b) of Annex II of Schedule 2 to this Agreement.
- (u) “Operations Manuals” means, collectively, the manuals prepared for each of Part A, Part B, Part C, and Part D of the Project, each dated October 2006, and referred to in paragraph 7 of Section I of Schedule 2 to this Agreement, as such manuals may be revised from time to time with the prior approval of the Bank.
- (v) “PAB” and “Program Advisory Board” mean the advisory board referred to in paragraph 5(a) of Section I of Schedule 2 to this Agreement.
- (w) “Participating LGUs” means the LGUs selected to participate in the Project in accordance with the Borrower’s document entitled Geographical Coverage and LGU Selection Criteria, and “Participating LGU” means any of the Participating LGUs.
- (x) “Performance-based Grant” means a grant made, or proposed to be made, by the Borrower, out of the proceeds of the Loan to a Participating LGU to provide an additional financing for carrying out a Sub-project under Part B of the Project, in an amount equivalent to twenty percent (20%) of the cost of said Sub-project upon LGU’s meeting the performance targets set forth in the Performance-based Grant Agreement, and the term “Performance-based Grants” means, collectively, the plural thereof.
- (y) “Performance-based Grant Agreement” means the agreement referred to in paragraph 10(c) of Section I of Schedule 2 to this Agreement.
- (z) “PPMIU” means the provincial planning, management, and implementation unit referred to in paragraph 1(a) of Annex II of Schedule 2 to this Agreement.

- (aa) “Program” means the Borrower’s Mindanao Rural Development Program as set out in the letter from the Borrower referred to in paragraph (A) of the Preamble to this Agreement.
- (bb) “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
- (cc) “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 8, 2007 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.
- (dd) “PSO” and “Program Support Office” mean the office referred to in paragraph 5(b)(iii) of Section I of Schedule 2 to this Agreement.
- (ee) “Regions” means the six (6) Regions of Mindanao, including Zamboanga Peninsula (Region 9), Northern Mindanao (Region 10), Davao (Region 11), Soccsksargen (Region 12), Caraga (Region 13) and the Autonomous Region in Muslim Mindanao, and the term “Region” means any of the Regions.
- (ff) “Regional PABs” and “Regional Advisory Boards” mean the advisory boards referred to in paragraph 5(b)(i) of Section I of Schedule 2 to this Agreement.
- (gg) “Regional PCOs” and “Regional Program Coordination Offices” mean the offices referred to in paragraph 5(b)(ii) of Section I of Schedule 2 to this Agreement.
- (hh) “Sub-projects” means collectively, Sub-projects carried out under Parts B, C, and D.2 of the Project, and the term “Sub-project” means any of the Sub-projects.