

“

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF023302 - PH  
GEF Trust Fund Grant Agreement related  
to Loan Number 4522 - PH

Global Environment Facility Trust Fund Grant Agreement

(Mindanao Rural Development Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated December 14, 1999

GEF Trust Fund Grant No. TF023302 - PH

Global Environment Facility Trust Fund Grant Agreement

AGREEMENT, dated December 14, 1999, between THE REPUBLIC OF THE PHILIPPINES (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

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

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

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the Bank (Resolution No. 98-2);

(D) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund in the financing of Part D of the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility

approved under Resolution No. 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2, and the Bank has determined that such assistance would be in accordance with the provisions of Resolution No. 94-2 and Resolution No. 98-2 referred to above; and

(E) the Recipient has also requested the Bank to provide additional financing assistance towards the financing of Parts A, B and C of the Project and by a Loan Agreement dated December 14, 1999 between the Recipient and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equal to twenty-seven million five hundred thousand dollars (\$27,500,000) (the Loan); and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01 (a) The following provisions of the "General Conditions Applicable to Loan and Guarantee Agreements for Currency Pool Loans" of the Bank, dated January 1, 1985, as amended through December 2, 1997, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (2), (3), (4), (6), (8), (9), (10), (15), (16), (17), (19) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04;
- (x) Article XI; and
- (xi) Sections 12.01 (c), 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

(i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";

(ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term "Bank" shall also include the Bank acting in its own capacity;

(iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;

(iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;

(v) the term "Loan" and "loan", wherever used in the General Conditions, means the GEF Trust Fund Grant;

(vi) the term "Loan Account", wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and

(vii) a new subparagraph is added after subparagraph (p) in Section 6.02 of the General Conditions, as follows: "an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF."

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

(a) "Bangko Sentral ng Pilipinas" means the Recipient's central bank, and any successor thereto.

(b) "Barangay" means an administrative unit within a city or municipality.

(c) "Beneficiaries" means communities or individuals proposing a specific investment project under Part D.2 of the Project, and "Beneficiary" means any such Beneficiary.

(d) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(e) "DA" means the Recipient's Department of Agriculture, and any successor thereto.

(f) "DAF" means the Department of Agriculture and Fisheries of the Autonomous Region of Muslim Mindanao, and any successor thereto.

(g) "DENR" means the Recipient's Department of Environment and Natural Resources, and any successor thereto.

(h) "DOF" means the Recipient's Department of Finance, and any successor thereto.

(i) "Implementation Manual" means a manual, satisfactory to the Bank, to be developed pursuant to paragraph 2 of Schedule 4 to this Agreement, as such manual may be revised from time to time with the prior approval of the Bank.

(j) "LGUs" means Local Government Units, which are political subdivisions of the Recipient at the provincial, city, municipal or barangay level, within the Province of Maguindanao and the Province of Sultan Kudarat, and "LGU" means any such Local Government Unit.

(k) "Loan Agreement" means the agreement dated December 14, 1999, between the Recipient and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997), as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

(l) "Maguindanao" means the Recipient's Province of Maguindanao, and any successor thereto.

(m) "NIPAS" means the National Integrated Protected Areas System Act of 1992

(Republic Act No.7586) and the Department Administrative Order No.25 Series 1992 on National Integrated Protected Areas System Implementing Rules and Regulations issued by DENR.

(n) "PCO" means the Program Coordination Office to be maintained by the Recipient in accordance with the provisions of paragraph 1(b) of Schedule 5 to the Loan Agreement.

(o) "Program" means the Recipient's Mindanao Rural Development Program as set out in a letter from the Recipient dated June 22, 1999, describing a program designed to reduce poverty among the rural communities within the twenty-four provinces in Mindanao, Philippines, by improving their income and food security.

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

(q) "Sub-projects" means specific investment projects to be carried out under Part D.2 of the Project utilizing the proceeds of the GEF Trust Fund Grant, and "Sub-project" means any such project.

(r) "Sultan Kudarat" means the Recipient's Province of Sultan Kudarat, and any successor thereto.

## ARTICLE II

### The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to one million Special Drawing Rights (SDR 1,000,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out Part D of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

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

Section 2.03. The Closing Date shall be December 31, 2003 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

## ARTICLE III

### Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out: (i) Parts A, B and C of the Project in accordance with the provisions of Article III and Schedule 5 to the Loan Agreement; and (ii) Part D of the Project through (A) DAF, in coordination with DAF, in Maguindanao and (B) DENR in Sultan Kudarat, with due diligence and efficiency and in conformity with appropriate administrative, management, economic and financial practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for said Part D.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out Part D of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Part D of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

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

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

#### ARTICLE IV

##### Financial Conditions

Section 4.01. (a) The Recipient shall, through DENR, maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part D of the Project of the departments or agencies of the Recipient responsible for carrying out Part D of the Project or any part thereof.

(b) The Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

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

(a) the Recipient shall have failed to perform any of its obligations under the Loan Agreement;

(b) the right of the Recipient to withdraw the proceeds of the Loan made to the Recipient for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Loan Agreement, or

(c) the Loan shall have become due and payable prior to the agreed maturity thereof.

ARTICLE VI

Effectiveness; Termination

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

(a) All conditions precedent to the effectiveness of the Loan Agreement have been fulfilled.

(b) DA and DENR shall have executed a Cooperation Agreement, on terms and conditions acceptable to the Bank, setting forth their cooperation and coordination arrangement and their respective responsibilities for carrying out Part D of the Project.

(c) DA and DENR shall have adopted and put into effect the Implementation Manual, developed in accordance with paragraph 2 of Schedule 4 to this Agreement, and the same shall have been approved by the Bank.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

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

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

For the Recipient:

Department of Finance  
Department of Finance Building  
Roxas Blvd.  
Manila  
Republic of the Philippines

Cable address:

SECFIN

Telex:

40268 CB-CONF

Manila

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI)  
64145 (MCI)

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

REPUBLIC OF THE PHILIPPINES

By /s/ Edgardo B. Espiritu

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
as an implementing agency of the Global Environment Facility

By /s/ Vinay Bhargava

Authorized Representative

Schedule 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

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

Category	Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods under Part D of the Project	105,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(2) Consultants' services under Part D of the Project	680,000	100%
(3) Training, study tours and workshops under	100,000	100%

Part D of the Project

(4)	Incremental Operating Costs of DA for:		
	(a) calendar year 2000	3,700	70%
	(b) calendar year 2001	3,700	70%
	(c) calendar year 2002	3,700	70%
(5)	Incremental Operating Costs of DENR for:		
	(a) calendar year 2000	3,700	70%
	(b) calendar year 2001	3,700	70%
	(c) calendar year 2002	3,700	70%
(6)	Unallocated	92,800	
	TOTAL	1,000,000	

2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient.

(c) the term "incremental operating costs of DA" means expenditures made on account of the operating costs (excluding salaries) of DA, PCO and LGUs in the implementation of Part D of the Project in Maguindanao, including the cost of office supplies, utilities, operating office equipment and vehicles and staff travel.

(d) the term "incremental operating costs of DENR" means expenditures made on account of the operating costs (excluding salaries) of DENR, PCO and LGUs in the implementation of Part D of the Project in Sultan Kudarat, including the cost of office supplies, utilities, operating office equipment and vehicles and staff travel.

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

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for:

(a) goods, regardless of the cost thereof;

(b) consultants' services under contracts with: (i) firms costing less than \$100,000 equivalent each; and (ii) individuals costing less than \$50,000 equivalent each;

(c) training, study tours, and workshops; all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank,



refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.

## Schedule 2

### Description of the Project

The objective of the Project is to assist the Recipient in: (i) improving the income and food security of selected agricultural and fishing communities within the twenty-four provinces of Mindanao; (ii) strengthening institutional and technical capacities of local governments and institutions; and (iii) protecting and conserving marine biodiversity.

The Project, which constitutes the first phase of the Program, consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Rural Infrastructure

##### 1. Rural Roads

Development and implementation of programs to improve rural roads, consisting of: (a) rehabilitation of provincial and farm-to-market roads (FMR); and (b) routine maintenance of such roads.

##### 2. Communal Irrigation

Development and implementation of programs to improve communal irrigation systems, consisting of: (a) rehabilitation of community owned and managed run-of-river communal irrigation schemes; and (b) selective construction of new communal irrigation systems.

##### 3. Water Supply

Development and implementation of programs to provide safe potable water, consisting of the establishment and upgrading of spring development schemes.

#### Part B: Community Development Sub-projects

Development and implementation of programs to address diverse investment priorities of rural communities, consisting of the financing of sub-projects which meet community preferences and respond to national government priorities for supporting small-scale agricultural and fishery development.

#### Part C: Institutional and Implementation Support

##### 1. Microfinance Institutions and Cooperatives

Development and implementation of programs to improve the institutional capacity of rural financial institutions, including cooperatives and microfinance institutions, to deliver small-scale credit and other financial services to rural communities.

##### 2. Local Government Units

Development and implementation of programs to: (a) strengthen communities' and LGUs' capacity to identify, prioritize, design, implement, monitor and evaluate projects and maintain assets created thereunder; (b) enhance municipal and provincial governments' capacity for rural development planning, providing agricultural and fishery technical services, undertaking mini-demonstrations to link research and extension, project implementation, monitoring and evaluation, financial management and resource allocation; and (c) strengthen the capacity of the Borrower's agencies to deliver advisory services to LGUs.

##### 3. Program Coordination Office

Strengthening the capacity of the Program Coordination Office to provide implementation support to LGUs and coordinate overall Project implementation and facilitate preparation of the next phase of the Program through the provision of

consultants' services and goods.

Part D: Coastal and Marine Biodiversity Conservation

Promotion of coastal and marine biodiversity conservation in, and sustainable use of, the coastal waters of Mindanao by:

1. establishing marine sanctuaries at two pilot sites;
2. developing and carrying out sub-projects to enhance alternative income generation activities for coastal communities;
3. strengthening community-based surveillance of coastal resources and capacity of communities and regulators in the enforcement of marine resources regulations through the provisions of goods and consultants' services through the provision of goods, consultants' services, and training; and
4. developing skills of communities and government staff in marine biodiversity conservation methods through the provision consultants' services and training.

\* \* \*

The Project is expected to be completed by June 30, 2003.

Schedule 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

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

Part B: International Competitive Bidding

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

Part C: National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$116,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

With respect to each contract for the procurement of goods, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

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

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

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

#### 1. Single Source Selection

Services to be provided by non-governmental organizations (NGO) which are estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$50,000 equivalent per NGO, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

#### 2. Individual Consultants

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

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

#### 1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under Part D of the Project, including terms of reference, shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

#### 2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost equal or more than \$200,000 equivalent, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost equal or more than \$100,000 equivalent, but less than \$200,000 equivalent, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications,

experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

### 3. Post Review

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

## Schedule 4

### Implementation Program

#### Project Management

1. The Recipient shall maintain at least one qualified and experienced staff member in the PCO, with terms of reference acceptable to the Bank, to be responsible for the overall coordination of activities under Part D of the Project.

2. The Recipient shall:

(a) develop in accordance with guidelines acceptable to the Bank and furnish to the Bank for approval, a manual of operations for Part D of the Project, which sets forth, inter alia, policies and procedures for the activities to be carried out under said Part D, for monitoring said activities, for the preparation, appraisal and approval and implementation of Sub-projects, and for LGU and community participation in said activities;

(b) thereafter, carry out Part D of the Project in accordance with such manual as shall have been approved by the Bank; and

(c) shall not amend, delete, suspend or waive any part of said manual, without the prior approval of the Bank.

#### Implementation of Part D.1

3. Under Part D.1 of the Project, the Recipient shall:

(a) not later than August 31, 2000, furnish to the Bank for comments: (i) the results of the resource surveys of proposed marine sanctuaries and control areas, carried out in accordance with terms of reference satisfactory to the Bank; (ii) the reports of stakeholder consultations, carried out in accordance with terms of reference satisfactory to the Bank, on the establishment and management of marine sanctuaries and conservation buffer zones; and (iii) the Recipient's recommendations based on said survey results and consultation reports;

(b) in accordance with the provisions of NIPAS and taking into account the Bank's comments on the items furnished pursuant to paragraph 3(a) of this Schedule, prepare resource profiling results necessary for the designation of marine sanctuaries as protected areas and present said results to the Secretary of the DENR not later than December 31, 2000; and

(c) (i) prepare under terms of reference satisfactory to the Bank, an annual project impact assessment (PIA) of marine sanctuaries so designated as protected areas, by reference to selected control areas, together with any recommendations based on such PIA to further promote the conservation of biodiversity in said protected areas; (ii) furnish said PIA to the Bank on December 31 of each year, commencing on December 31, 2001; and (iii) thereafter, promptly carry out said recommendations, taking into account the views of the Bank thereon. Implementation of Part D.2 of the Project

4. Under Part D.2 of the Project, the Recipient shall:

(a) not later than March 31, 2000, appoint, in each of Maguindanao and Sultan Kudarat, without limitation to the provisions of Schedule 3 to this Agreement, a non-governmental organization whose terms of reference shall be satisfactory to the

Bank, to be responsible for (i) assisting the Beneficiaries in developing proposals for Sub-projects; and (ii) submitting said proposals to the selection committees to be established pursuant to paragraph 4(b) below;

(b) not later than April 30, 2000, establish in each of Maguindanao and Sultan Kudarat, in accordance with guidelines acceptable to the Bank, a committee composed of representatives of LGUs, relevant barangays and municipalities, DA and DENR, each said committee to be responsible for (i) reviewing the proposals for Sub-projects in its respective province and ensuring their compliance with policies and procedures set forth in the Implementation Manual; and (ii) submitting recommendations to the Recipient on said proposals;

(c) approve the proposals for Sub-projects submitted by the selection committees pursuant to paragraph 4(b) above, only if it is determined on the basis of guidelines acceptable to the Bank that:

(i) said Sub-project constitutes an alternative income generating activity to an activity that is destructive to the marine environment;

(ii) said Sub-project is financially viable, technically feasible and environmentally sound; and

(iii) the Beneficiary: (A) is creditworthy; (B) possesses the technical skills and resources required for the carrying out of said Sub-project; and (C) has undertaken to use the goods and services to be made available under said Sub-project exclusively for the purposes of said Sub-project; and

(d) make available, free of charge, to the Beneficiaries of each Sub-project that has been approved pursuant to paragraph 4(c) of this Schedule, consultants' services and goods financed from the proceeds of this Grant.

#### Monitoring and Reporting

#### 5. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators acceptable to the Bank, the carrying out of Part D of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, by March 31 and September 30 of each year, a semi-annual report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 5 of this Schedule, in respect of the preceding calendar semester;

(c) prepare under terms of reference satisfactory to the Bank and furnish to the Bank by March 31, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 5(a) of this Schedule, on the progress achieved in the carrying out of Part D 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 Part D of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Bank, by June 30, 2002, or such later date as the Bank shall request, the report referred to in paragraph 5(c) of this Schedule, and, thereafter, take all measures required to ensure the efficient completion of Part D of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

#### Schedule 5

#### Special Account

#### 1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Part D of the Project;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part D the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$100,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of

Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

