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LOAN NUMBER 8421-PH

# Loan Agreement

**Philippine Rural Development Project**

**between**

**REPUBLIC OF THE PHILIPPINES**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

Dated *September 8*, 2014

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## LOAN AGREEMENT

AGREEMENT dated September 8, 2014, between the REPUBLIC OF THE PHILIPPINES ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement ("Project"), has requested the Bank to extend a loan in the amount of five hundred one million two hundred and fifty thousand United States Dollars (\$501,250,000) as provided in Section 2.01 of this Agreement, to assist in financing Part 1.1(a) and 1.2, Part 2, Part 3.1(a) and 3.2 and Part 4 of the Project ("Loan Agreement"); and

(B) the Borrower has also requested the Bank, acting as an implementing entity of the Global Environment Facility ("GEF") to assist in financing Part 1.1(b) and Part 3.1(b) and 3.2 of the Project and the Bank, acting in such capacity, has agreed to extend a grant to the Borrower from the GEF for such purpose in the amount of seven million United States Dollars (\$7,000,000), pursuant to the grant agreement of even date herewith between the Borrower and the Bank ("GEF Grant Agreement"); and

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

NOW THEREFORE, the Borrower and the Bank 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 this 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, the amount of five hundred and one million two hundred and fifty thousand United States Dollars (\$501,250,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 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 Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; 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. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in provisions of Schedule 3 to this Agreement.
- 2.07. (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: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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 4.05 (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.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through its Department of Agriculture 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; TERMINATION**

- 4.01. The Additional Condition of Effectiveness consists of the following: the GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 4.02. 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 its Secretary of Finance.
- 5.02. The Borrower's Address is:

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

Facsimile:

(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  
Washington, D.C.

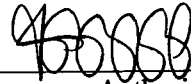
248423(MCI) or  
64145(MCI)

1-202-477-6391

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

REPUBLIC OF THE PHILIPPINES

By



\_\_\_\_\_  
Authorized Representative

Name: CESAR V. PURISIMA  
Title: SECRETARY

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



\_\_\_\_\_  
Authorized Representative

Name: MOTOO KONISHI  
Title: COUNTRY DIRECTOR

## SCHEDULE 1

### Project Description

The objectives of the Project are to increase rural incomes and enhance farm and fishery productivity in the Targeted Areas.

The Project consists of the following parts:

#### Part 1. Local and National Level Planning

1.1 Enhancing the Agriculture and Fisheries Modernization Planning Process.

(a) Rationalization of the DA's planning, programming and budgeting processes related to the development of AFMPs as the main basis of decision making and operations in the DA at the national, regional and local levels; and (b) Support for natural resource planning, management and resource utilization in selected marine protected areas.

1.2 Supporting AFMP Implementation. Design of coordinated systems of technical support for the implementation of Sub-projects prioritized in the provincial commodity investment plans (PCIPs).

#### Part 2. Infrastructure Development

2.1 Value Chain Infrastructure Support. Carrying out of specific Sub-projects to support infrastructure development by Participating LGUs in priority commodity value chains (including, among others, farm-to-market roads, bridges, tire tracks, communal irrigation, potable water systems, post-harvest facilities, production facilities, fish landings, fish sanctuaries, tram lines, storage facilities, trading posts, green houses, solar driers, watch towers, and slope stabilization works).

2.2 Approaches for Improving the Effectiveness and Sustainability of Infrastructure Investments. Development of technical specifications for climate resiliency and disaster risk mitigation for local infrastructure.

#### Part 3. Enterprise Development

3.1 Rural Agri-Fishery Enterprise and Productivity Enhancement. (a) Carrying out of specific Sub-projects to support vertical and horizontal clustering, joint business planning and investments by producer groups/enterprises operating within priority commodity value chains; and (b) Promotion of biodiversity conservation and coastal resource co-management arrangements, as well as carrying out sustainable income-generating livelihood activities.

3.2 Technology and Information for Enterprise and Market Development. Provision of technical assistance to producers to increase their productivity and incomes through improved and sustainable technological, operational and market knowledge and facilitation of market linkages.

**Part 4. Project Implementation Support**

Provision of technical and operational assistance for the day-to-day coordination, implementation, monitoring, evaluation and audit of the Project.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional and Implementation Arrangements

1. (a) The Borrower shall carry out the Project, through the DA, in accordance with the Operations Manuals, the AFMP and the RAFMPs.
  - (b) In the case of the operations manuals prepared and adopted for Parts 2.1 and 3.1 of the Project, such operations manuals shall include, *inter alia*, the descriptions of: (i) eligibility criteria, procedures and guidelines for the selection, approval, administration and supervision of Sub-projects including those set out in Section IC and Attachment 1 to this Schedule 2; (ii) the conditions governing Infrastructure Development Grants and Enterprise Development Grants, respectively; (iii) a list of items or activities not eligible for financing out of the proceeds of the Loan through Sub-projects and (iv) the Sub-project's engineering design, operating and maintenance procedures.
  - (c) The Borrower shall not amend, revise, waive, void, suspend or abrogate, or allow to be amended, revised, waived, voided, suspended or abrogated, any provision of the Operations Manuals, without the prior written concurrence of the Bank.
  - (d) In case of any inconsistency between the provisions of the Operations Manuals and those of this Agreement, the provisions of this Agreement shall prevail.
2. The Borrower shall maintain throughout the period of implementation of the Project, with composition, terms of reference, staffing and other resources acceptable to the Bank, and with detailed functions and powers as set out in the Operations Manuals:
    - (a) an NPCO, to be responsible, *inter alia*, for implementation of the overall institutional reforms planned for the DA under the Project and coordination of the relevant government agencies involved in the implementation of the Project; and
    - (b) an NPAB, to be responsible, *inter alia*, for overall direction and oversight of Project implementation; and

- (c) RPABs, each chaired by the regional director of DA, to be responsible, *inter alia*, for the oversight of Project implementation at the regional level; and
  - (d) RPCOs within the respective DA regional field offices to be responsible, *inter alia*, for coordination and management of Project implementation at the regional level; and
  - (e) PSOs to be responsible, *inter alia*, for providing support to the RPCOs.
3. The Borrower shall, by December 31, 2014, establish baseline data for the Project according to the terms of reference satisfactory to the Bank.
  4. The Borrower shall, through the NPCO: (i) furnish to the Bank, not later than October 31 in each year, starting October 31, 2014, for review and comments, an annual work plan and financing 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.
  5. The Borrower shall, by January 31, 2018, update the AFMP taking into account the Planning, Programming and Budgeting Guidelines to be developed under Part 1.1 of the Project.
  6. The Borrower shall, by January 31, 2018, update a common set of harmonized criteria, governing *inter alia*, the selection, implementation, technical design standards, financial and economic analysis, operations and maintenance, safeguard policies, monitoring and evaluation as used for Parts 2.1 and 3.1 of the Project, for other infrastructure and enterprise development subprojects supported by the DA.
  7. The Borrower shall: (a) maintain, throughout the course of implementation, a unified and integrated platform of publicly accessible, geo-tagged and geo-mapped records of all Sub-projects; and (b) by January 31, 2018, maintain the aforesaid described platform of records for similar subprojects managed and supported by the DA.
  8. The Borrower shall, from calendar year 2016, and henceforth, develop and implement planning guidelines that require all technical and attached agencies of the DA to coordinate with and provide support to RFOs in implementation of the relevant PCIP and to make appropriate provisions in their annual budgets for the same.

9. The Borrower shall, by December 31, 2014, establish the NPAB, with composition, terms of reference, staffing and other resources acceptable to the Bank.

**B. Safeguards**

The Borrower shall and shall ensure that the Project is carried out in accordance with the requirements and procedures of the ESSF, and shall not assign, amend, abrogate or waive any provisions of the ESSF without prior approval of the Bank.

**C. Sub-projects**

1. To facilitate the carrying out and financing of Parts 2.1 and 3.1 of the Project, the Borrower shall make part of the proceeds of the Loan available to Participating LGUs on a grant basis (“Grant”) for the purpose of making Infrastructure Development Grants or Enterprise Development Grants, respectively.
2. Prior to making an Infrastructure Development Grant or an Enterprise Development Grant to a Participating LGU, the Borrower shall:
  - (a) ensure that each Participating LGU has the organization, management and resources satisfactory to the Bank for carrying out the proposed Sub-projects; and
  - (b) enter into a grant agreement between the Borrower, through its DA, and each Participating LGU (“Implementation Management Agreement”), under terms and conditions acceptable to the Bank, as set out in Attachment 1 of Schedule 2 to this Agreement, and which shall also include the following: (i) the implementation responsibilities of the DA and the Participating LGU in the implementation of the Sub-projects; (ii) the specification of eligible expenditures that may be financed from the proceeds of the Grant; (iii) financial management and audit procedures consistent with those provisions set out in the Operations Manuals; (iv) procurement procedures consistent with Section III of this Schedule; (v) monitoring and reporting arrangements; and (vi) arrangements for implementation of the ESSF.
3. Without limitation on the provisions of paragraph 2(b) of this Section, including the terms and conditions set out in Attachment 1 of Schedule 2 to this Agreement, the Borrower, through its DA, shall obtain rights under each Implementation Management Agreement adequate to protect its interests and those of the Bank, including the right to: (i) suspend or terminate the right of the

Participating LGU to use the proceeds of the Grant, or obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the Participating LGU's failure to perform any of its obligations under the Implementation Management Agreement; and (ii) require each Participating LGU to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the ESSF and the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial reports in a format acceptable to the Borrower and the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Bank's or the Borrower's request, have such financial reports audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (F) enable the Bank to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Bank all such information as the Bank shall reasonably request relating to the foregoing.

4. The Borrower shall: (a) exercise its rights under each Implementation Management Agreement 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 Implementation Management Agreement or any provision thereof.

**D. Anti-Corruption**

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

**Section II. Project Monitoring Reporting and 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 indicators acceptable to the Bank and specified in the Operations Manuals. Each Project Report shall cover the period of one (1)

calendar semester, and shall be furnished to the Bank not later than forty-five (45) days 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 September 15, 2017, a mid-term evaluation report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Part A, 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 November 15, 2017, 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.

**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, not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements 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, Works and Non-consulting Services.** All goods, works and non-consulting 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 Section I of the Procurement Guidelines, and with the provisions of this Section.
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 Section.
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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding subject to the additional provisions set out in paragraph 3 of this Section; (b) Shopping; (c) Direct contracting; (d) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; and (e) Community Participation procedures in accordance with the procedures included in the Operations Manuals, which have been found acceptable to the Bank.
3. **Additional National Competitive Bidding Provisions.** The following provisions shall apply to the procurement of goods, works and non-consulting services under National Competitive Bidding procedures: (a) eligibility screening shall not be applied, provided however that bids that do not contain any of the

following documents shall 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; (b) a ceiling may be applied to bid prices provided the following conditions are met: (i) bidding documents are obtainable free of charge on a freely accessible website; (ii) the agency has procedures in place to ensure that the ABC is based on Engineer's Estimate; (iii) the agency has trained cost estimators on estimating prices and analyzing bid variance; and (iv) the agency has established a system to monitor and report bid prices relative to ABC and Engineer's Estimate; (c) domestic or regional preferences shall not be applied in the evaluation of bids, and other preference in effect in the Philippines shall not be used except with prior concurrence of the Bank; (d) 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, and 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; and (e) alternative procurement methods defined in the implementing rules and regulations such as Limited Source Bidding, Direct Contracting and Shopping as acceptable, and the use of the other alternative methods shall require prior Bank concurrence.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Selection based on Consultants' Qualifications; (d) Single-source Selection of consulting firms; (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

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

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. 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 shall 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.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, non-consulting services, consultants’ services, Training and Operating Costs for Parts 1.1(a), 1.2, 2.2, 3.2 and 4 of the Project	55,526,875	100% of the amount disbursed
(2) Infrastructure Development Grants under Part 2.1 of the Project	354,470,000	100% of the amount disbursed
(3) Enterprise Development Grants under Part 3.1(a) of the Project	90,000,000	100% of the amount disbursed
(4) Front-end Fee	1,253,125	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07(c) of this Agreement
<b>TOTAL AMOUNT</b>	<b>501,250,000</b>	



**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US\$12,000,000 equivalent may be made for payments made prior to this date but on or after September 15, 2013, for Eligible Expenditures under Categories (1), (2) and (3).
2. The Closing Date is May 31, 2021.

**ATTACHMENT 1 TO SCHEDULE 2  
IMPLEMENTATION MANAGEMENT AGREEMENT  
TERMS AND CONDITIONS**

For the purposes of Section IC of Schedule 2 to this Agreement, each Implementation Management Agreement between the Borrower and a Participating LGU shall include, *inter alia*, the provisions set forth below.

1. The Borrower shall provide a Participating LGU an amount equivalent to ninety percent (90%) of the cost of said LGU's Sub-project for Sub-projects under Part 2.1 of the Project, and eighty percent (80%) of the cost of said LGU's Sub-project for Sub-projects under Part 3.1 of the Project.
2. Each Participating LGU shall:
  - (a) maintain, throughout the period of Project implementation, the organization, management and resources, satisfactory to the Bank, for carrying out Sub-projects; and
  - (b) establish, prior to the carrying out of any Sub-projects, and thereafter maintain, a PPMIU throughout the period of Project implementation, 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;
  - (c) carry out the Sub-projects with due diligence and efficiency, in conformity with appropriate engineering, economic, financial, administrative, technical, and agricultural practices and sound social and environmental standards, as set forth in the Operations Manuals prepared and adopted for the Project, and acceptable to the Bank, as well as in accordance with the applicable PCIP, and provide promptly as needed, the funds, facilities, services and other resources required therefor; and
  - (d) submit for prior technical review by the World Bank (i) the first Sub-project proposed for approval in each PSO under Part 3.1 of the Project, and (ii) all Sub-projects proposed for approval under Part 3.1 of the Project that have grant amounts valued at or above 15 million Philippine Pesos.

3. The Participating LGU shall:

- (a) (i) carry out an environmental screening for the proposed Sub-project in accordance with the provisions of the ESSF (including the EMFG); (ii) prior to the commencement of any works, prepare, hold consultations on and disclose an ESMP, satisfactory to the Bank; (iii) carry out the Sub-project in accordance with the ESMP; (iv) not amend, suspend or abrogate any of the provisions of the ESMP without the prior approval of the Bank; and (v) 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; and
- (b) if the activities under the proposed Sub-project give rise to Displaced Persons: (i) prepare, hold consultations on and disclose, prior to the commencement of any works, a Resettlement Action Plan (“RAP”), in accordance with the provisions of the ESSF (including the LARRF); (ii) carry out the Sub-project in accordance with the RAP including, unless otherwise agreed with the Bank, payment in full of compensation to all Displaced Persons prior to the commencement of any related works; (iv) not amend, suspend or abrogate any of the provisions of the RAP without the prior approval of the Bank; and
- (c) if the activities under such proposed Sub-project involve Indigenous Peoples, and if required according to said ESSF (including the IPPF): (i) prepare, hold consultations on and disclose, prior to the commencement of any works, an Indigenous Peoples Plan (“IPP”), in accordance with the provisions of the ESSF (including the IPPF); (ii) carry out the Sub-project in accordance with the IPP; (iv) not amend, suspend or abrogate any of the provisions of the IPP without the prior approval of the Bank; and
- (d) (i) not finance any Sub-project that involves a dam that is fifteen (15) meters or more in height; and (ii) not finance any Sub-project that involves a dam that is between ten (10) and fifteen (15) meters in height, without the prior written approval of the Bank.

4. Each Participating LGU shall:

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

- (b) ensure that 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) ensure that said goods, works and services are utilized exclusively for the purpose of carrying out the Project.
- 5. 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.
- 6. 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.
- 7. Each Participating LGU shall:
  - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators referred to in Section II.A.1 of Schedule 2 to this Agreement, the carrying out of the Sub-projects; 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 6, on progress achieved in the carrying out of the Sub-projects 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 Section II.A.1 of Schedule 2 to this Agreement.
- 8. Each Participating LGU shall maintain a financial management system and prepare financial reports in a format acceptable to the Bank and the Borrower, both in a manner adequate to reflect the operations, resources and expenditures related to each Sub-project.
- 9. Each Participating LGU shall have the financial reports for each Sub-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 reports shall cover the period of one (1) fiscal year of the Participating LGU. The audited financial reports 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 Section II.B.3 of Schedule 2 to the Loan Agreement.

**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>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each April 15 and October 15 Beginning April 15, 2020 through October 15, 2043	2.04%
On April 15, 2044	2.08%

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 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.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## APPENDIX

### Definitions

1. "AFMP" means the agriculture and fisheries modernization plan which is prepared and implemented by the DA under Republic Act 8435 of 1997 in consultation with stakeholders and which includes plans on food security, poverty alleviation and social equity, income enhancement and profitability, global competitiveness, and sustainability.
2. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
5. "DA" or "Department of Agriculture" means the Borrower's Department of Agriculture, and any successor or successors thereto.
6. "DENR" or "Department of Environment and Natural Resources" means the Borrower's Department of Environment and Natural Resources, and any successor or successors thereto.
7. "Displaced Person" means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter (B) loss of assets or access to assets or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and "Displaced Persons" means more than one such Displaced Person.
8. "Enterprise Development Grant" is a grant made by the Borrower to a Participating LGU under an Implementation Management Agreement for the purpose of carrying out Sub-projects under Part 3.1 of the Project; and "Enterprise Development Grants" means more than one such Enterprise Development Grant.



9. “EMFG” means the Borrower’s environmental management framework and guidelines, prepared by the Borrower and included in the ESSF, as acceptable to the Bank, setting out the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce potential adverse environmental impacts to levels acceptable to the Bank.
10. “ESMP” means a site-specific environmental and social management plan, as provided for under the ESSF (including the EMFG), to be prepared by the Borrower, and satisfactory to the World Bank, defining details of measures to manage potential environmental and social risks and mitigate, reduce and/or offset adverse environmental and social impacts associated with the implementation of activities under the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the prior agreement of the Bank; and “ESMPs” refers to more than one such ESMP.
11. “ESSF” means the environmental and social safeguards framework, for the Project, dated November 28, 2012, updated June 5, 2014, disclosed in Infoshop on June 6, 2014, which includes the EMFG, the IPPF, and the LARRF, and which: (i) sets forth policies and procedures for the preparation of site-specific ESMPs, IPPs and RAPs; and (ii) sets forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce potential adverse environmental and social impacts to levels acceptable to the Bank.
12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012.
13. “Implementation Management Agreement” means an agreement between the Borrower, through its DA, and a Participating LGU for the purpose of carrying out Sub-projects under Parts 2.1 and 3.1 of the Project.
14. “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.

15. “Indigenous Peoples Plan” or “IPP” means an indigenous peoples plan to be prepared by the Participating LGU in accordance with the IPPF and the Bank’s policy on indigenous peoples, pursuant to paragraph 3(c) of Attachment 1 to Schedule 2 to this Agreement, setting forth, *inter alia*, a summary of the social assessment undertaken to determine whether Indigenous People are present in or have collective attachment to the Project area, a summary of the results of the free, prior, and informed consultation with the affected Indigenous Peoples’ communities, a framework for ensuring free, prior, and informed consultation with the affected Indigenous Peoples’ communities, an action plan of measures to avoid, minimize, mitigate, or compensate for adverse effects on affected Indigenous People, cost estimates and financing, grievance mechanisms and mechanisms and benchmarks appropriate to the Project for monitoring, evaluating, and reporting on the implementation of the IPPF; and “IPPs” means more than one such IPP.
16. “Indigenous Peoples Policy Framework” or “IPPF” means the framework included in the ESSF, prepared by the Borrower, which sets out: (i) the policies and procedures to ensure adequate consultations with, and the informed participation of, Indigenous Peoples who are affected by the Project, and (ii) the principles to be applied in the preparation of IPPs as may be required during implementation of the Project.
17. “Infrastructure Development Grant” is a grant made by the Borrower to a Participating LGU under an Implementation Management Agreement for the purpose of carrying out Sub-projects under Part 2.1 of the Project; and “Infrastructure Development Grants” means more than one such Infrastructure Development Grant.
18. “Land Acquisition, Resettlement, and Rehabilitation Policy Framework” or “LARRF” means the framework prepared by the Borrower and included in the ESSF, which sets out the 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.
19. “NPAB” means the National Program Advisory Board, to be established in accordance with Section I. A 9 of Schedule 2 to this Agreement.
20. “NPCO” means the National Program Coordination Office, established by the Secretary of Agriculture through Special Order No.756 of 2012, issued November 20, 2013 and reconstituted through Special Order 776 of 2013, issued

December 2, 2013 and referred to in Section I. A 2(a) of Schedule 2 to this Agreement.

21. “Operating Costs” means the reasonable incremental costs incurred by the Borrower’s NPCO, 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, bank charges, advertising costs, repairs of equipment and vehicles, staff travel; rental of office space, fuel costs, and costs of contractual staff and remuneration of staff seconded, detailed and assigned to the NPCO, PSOs and the Regional PCOs for Project support and coordination, but excluding the salaries of the Borrower’s civil servants.
22. “Operations Manuals” means, collectively, the manuals prepared and adopted by the Borrower for each of Part of the Project, as well as the manuals prepared and adopted by the Borrower for management and administration of the Project, procurement, financial management, monitoring and evaluation, social and environmental safeguards and communication strategy, each dated May 26, 2014, and referred to in Section I. A1 of Schedule 2 to this Agreement, as such manuals may be revised from time to time with the prior approval of the Bank.
23. “Participating LGU” means a local government unit, which is a political subdivision of the Borrower, selected in accordance with the eligibility criteria set out in the Operations Manuals to participate in Project, and with which the Borrower enters into an Implementation Management Agreement for the carrying out of Sub-projects under Parts 2.1 and 3.1 of the Project; and “Participating LGUs” means more than one such Participating LGU.
24. “PCIP” means a provincial commodity investment plan to be developed and agreed among the DA, Participating LGUs, and relevant stakeholders, for the purpose of planning provincial commodity investments under the Project; and PCIPs means more than one such PCIP.
25. “Philippine Peso” means the lawful currency of the Borrower.
26. “Planning, Programming and Budgeting Guidelines” means the guidelines to be developed by the Borrower under Part 1.1 of the Project, satisfactory to the Bank, setting out the procedures and guidelines for preparing the annual plan and budget of the DA.
27. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.

28. "Procurement Plan" means the Borrower's procurement plan for the Project, dated June 25, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
29. "PPMIU" means the provincial project, management, and implementation unit referred to in paragraph 2(b) of Attachment 1 to Schedule 2 to this Agreement.
30. "PSO" means a program support office, referred to in Section I. A 2(e) of Schedule 2 to this Agreement; and "PSOs" means more than one such PSO.
31. "RAFMP" means the regional agriculture and fisheries modernization plan, developed and implemented by the DA as a regional component of the AFMP and prepared in consultation with stakeholders; and "RAFMPs" means more than one such RAFMP.
32. "RAP" means the site-specific resettlement action plan and/or land acquisition plan, to be prepared and adopted by the Participating LGU, pursuant to paragraph 3(b) of Attachment 1 of Schedule 2 to this Agreement, acceptable to the Bank, containing, *inter alia*, a program of actions, measures and policies for compensation of persons affected by land acquisition, including budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms for each site; and "RAPs" means more than one such RAP.
33. "RFO" means a regional field office, responsible for responsible, *inter alia*, for preparing RAFMPs, and for providing technical validation of priority regional commodity value chains and programs under the PCIP. "RFOs" means more than one such RFO.
34. "RPAB" means a regional program advisory board, referred to in Section I. A 2(c) of Schedule 2 to this Agreement; and "RPABs" means more than one such RPAB.
35. "RPCO" means a regional program coordination office referred to in Section I.A 2(d) of Schedule 2 to this Agreement; and "RPCOs" means more than one such RPCO.
36. "Sub-projects" means collectively, infrastructure developments or enterprise developments carried out under Parts 2.1 and 3.1 of the Project, respectively, and the term "Sub-project" means any of the Sub-projects.

37. "Targeted Areas" are those areas where the Project will be carried out, based on the processes and procedures set out in the Operations Manuals.
38. "Training" means the reasonable costs of goods and services required for the participation of personnel involved in training activities, workshops or study tours under the Project, including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation, but excluding salaries of consultants.