OFFICIAL DOCUMENTS

LOAN NUMBER 8762-PH

Loan Agreement

(Inclusive Partnerships for Agricultural Competitiveness Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated August 1, 2017
LOAN AGREEMENT

AGREEMENT dated AUGUST 1, 2017, between the REPUBLIC OF THE PHILIPPINES ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). 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 ninety-nine million three hundred twelve thousand nine hundred and ten Dollars ($99,312,910), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. 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, however, that the interest payable shall in no event be less than zero percent (0%) per annum; and; 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance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.

2.06. The Payment Dates are June 15 and December 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (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, 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 DAR 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 — TERMINATION

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is 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

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: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 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: CARLOS G. DOMINGUEZ
Title: SECRETARY, DEPT. OF FINANCE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: MARA WARWICK
Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objectives of the Project are to improve access to markets and to enhance the competitiveness of smallholder farmers in the Targeted Agrarian Reform Community Clusters.

The Project consists of the following parts:

Part 1: Support Services for Enhanced Market Linkages

(a) **Extension and Business Development.** Enhancing the knowledge and capability of Eligible Farmers' Organizations (Eligible FOs) in Targeted ARC Clusters, including the development and implementation of rapid market assessments, the organization of market matching fora, and the provision of technical assistance and training to Eligible FOs and local service providers.

(b) **Land Tenure Improvement.** Supporting the survey and boundary demarcation necessary for the sub-division of collective Certificates of Land Ownership Awards on a demand driven basis, and conducting of policy studies to strengthen the land tenure improvement program of the Department of Agrarian Reform (DAR).

(c) **Rural Infrastructure.** Carrying out of specific sub-projects supporting the development of critical infrastructure to enhance farm productivity and access to markets, based on ARC Cluster development plans, such as: (i) community infrastructure investments (including, *inter alia*, water supply and multi-purpose facilities); (ii) farm to market roads and bridges; and (iii) small scale/communal irrigation systems.

Part 2: Investments in Productive Partnerships

Provision of Matching Grants to Eligible FOs for Matching Grant Sub-projects supporting smallholder farmers in the Targeted ARC Clusters to increase their competitiveness, business orientation and market position through activities such as, *inter alia*, the acquisition of goods, equipment and facilities to enhance productivity, processing and storage, and the carrying out of training activities, market studies, surveys, market development activities, and activities related to the product quality enhancement, certification and branding, and provision of support for the management and implementation costs of the Matching Grants Program under this Part 2 of the Project.
Part 3: Project Management, Monitoring and Evaluation

Provision of technical and operational support to the management, coordination, procurement, financial management, environmental and social management, including design and installation of a monitoring and evaluation (M&E) system and the conduct of M&E surveys and reviews.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Project Management Board

1. The Borrower shall establish and thereafter maintain, throughout implementation of the Project, a Project Management Board (PMB), chaired by the Secretary of the DAR or his or her authorized representative, with a composition, resources and a mandate satisfactory to the Bank.

2. Without limitation on Section I. A.1 of Schedule 2 above, the Project Management Board shall be responsible for, inter alia: (i) policy direction and overall guidance on Project management; (ii) approval of the Project’s annual Work and Financial Plans; and (iii) establishment of a sub-project approval committee for the selection of rural infrastructure sub-projects under Part 1 of the Project and the national and regional grant committees for the Matching Grants under Part 2 of the Project.

B. Central Project Office

1. The Borrower shall establish and thereafter maintain, throughout implementation of the Project, a Central Project Office (CPO), with a mandate, composition and resources satisfactory to the Bank.

2. Without limitation to the provisions of paragraph 1 of this Part B, the CPO shall: (a) be headed by a national project manager, and staffed by a core group of technical staff from DAR; and (b) be responsible for the day-to-day implementation, coordination and supervision of Project implementation, procurement, financial management and monitoring and evaluation, including inter alia: (i) preparation of the overall and annual implementation plans and Work and Financial Plans; (ii) enforcement of compliance with the Project Operations Manual (POM) among various agencies involved in implementation; (iii) coordination with partner agencies involved in implementation and selection and engagement of service providers; and (iv) serving as the secretariat for the PMB.

C. Regional Project Offices

1. The Borrower shall establish and thereafter maintain, throughout implementation of the Project, Regional Project Offices (RPOs), in each of the Regions covered by the Project, with a mandate, composition and resources satisfactory to the Bank.

2. Without limitation to the provisions of paragraph 1 of this Part C, each RPO shall: (a) be headed by the DAR Regional Director, designated as regional project
manager and supported by DAR staff; and (b) be responsible for *inter alia*, (i) coordination with regional counterparts involved in Project implementation; (ii) regular reporting on Project progress to the CPO; and (iii) serving as the technical secretariat for its Regional Grant Management Unit.

D. **Provincial Project Offices**

1. The Borrower shall establish and thereafter maintain, throughout implementation of the Project, Provincial Project Offices (PPOs), in each of the Provinces covered by the Project, with a mandate, composition and resources satisfactory to the Bank.

2. Without limitation to the provisions of paragraph 1 of this Part D, each PPO shall:
   (a) be headed by the DAR Provincial Agrarian Reform Program Officer, designated as provincial project manager and supported by DAR staff; and
   (b) be responsible for oversight and implementation of project activities within its Targeted ARC Clusters.

E. **Matching Grants Oversight**

1. The Borrower shall establish and thereafter maintain, throughout implementation of the Project, a National Grant Committee (NGC), as well as Regional Grants Committees (RGCs) in each of the Regions covered by the Project, all with a mandate, composition and resources satisfactory to the Bank.

2. Without limitation to the provisions of paragraph 1 of this Part E, the National Grant Committee shall be:
   (a) chaired by the Project Implementation Officer of the DAR’s Foreign Assisted and Special Projects Office, with members from relevant government line departments and the private sector; and
   (b) responsible for overall policy and strategic direction of the Matching Grants program and review and approval of such proposals for Matching Grants under the Large Grants Window further described in the Project Operations Manual.

3. Without limitation to the provisions of paragraph 1 of this Part E, the Regional Grants Committees shall be:
   (a) chaired by the DAR Regional Director and composed of government and private sector members; and
   (b) responsible for review and approval of proposals for such proposals for Matching Grants under the Small Grants Window further described in the Project Operations Manual.

4. The Borrower shall establish and thereafter maintain, throughout implementation of the Project, a Central Grant Management Unit and Regional Grant Management Units in each of the Regions covered by the Project, all with a mandate, composition and resources satisfactory to the Bank.

5. Without limitation to the provisions of paragraph 4 of this Part E: (a) the Central Grant Management Unit shall provide overall management of Matching Grants at
the national level, including monitoring and reporting, provide technical guidance and training to regional and provincial staff, and act as a secretariat to the NGC;

(b) the Regional Grant Management Units: (i) shall be responsible for organization of calls for proposal, presentations on the Matching Grants program, receiving and registering applications, screening applications for compliance with budgetary and documentary requirements, record-keeping, and monitoring and evaluation of completed Matching Grants at the Regional level; and (ii) shall each include a matching grants officer and assistant.

F. Project Operations Manual (POM)

The Borrower shall carry out the Project in accordance with the arrangements and procedures set out in the POM (provided, however, that in case of any conflict between the arrangements and procedures set out in the POM and the provisions of this Agreement, the provisions of this Agreement shall prevail), and shall not amend, abrogate or waive the POM or any of its provisions without prior approval in writing by the Bank.

G. Rural Infrastructure Sub-projects

1. For the purpose of carrying out Part 1(c)(i) of the Project, the Borrower, through DAR, shall make parts of the Loan proceeds available on a grant basis (a “Sub-project Grant”) to Local Government Units or LGUs (each a “Selected LGU”) for the financing of sub-projects (each, a “Sub-project”) selected in accordance with procedures set forth in the POM and in the Environment and Social Management Framework (ESMF), said Sub-project not to include any activities and expenditures on the negative list set forth in the ESMF, which negative list shall include Sub-projects which involve Large Dams or Significant Conversion or Degradation of Critical Natural Habitats.

2. For the purpose of carrying out Part 1(c)(i) of the Project, the Borrower shall enter into a Sub-project Agreement with each Selected LGU on terms and conditions approved by the Bank, which shall include the following:

(a) the Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to suspend or terminate the right of the Selected LGUs to use the proceeds of the Sub-project Grant, or obtain a refund of all or any part of the amount of the Sub-project Grant, upon the Selected LGU’s failure to perform any of its obligations under the Sub-project Grant Agreement; and

(b) the Borrower shall require each Selected 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, and in accordance with
the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower and the Safeguard Documents; (B) without prejudice to Section I.G.2(b)(A) of Schedule 2 to this Agreement immediately above, prepare an Environment and Social Management Plan or ESMP (including pest management plan as applicable) in accordance with the ESMF, in the event that the environmental and social screening carried out in accordance with said framework concludes that such plan is required; (C) prepare a Resettlement Action Plan (RAP) in accordance with the Resettlement Policy Framework (RPF), in the event the Sub-project creates a Displaced Person or Persons; (D) carry out consultations and a process of informed participation with indigenous peoples, in accordance with the Indigenous Peoples Development Framework (IPDF), and prepare an Indigenous Peoples Plan (IPP) in the event that the Sub-project impacts or may impact such peoples, to ensure that the design and implementation of the Sub-project adequately addresses the needs and cultural preferences of such peoples; (E) require that, where applicable, the Selected LGU implements the ESMP (including pest management plan as applicable), the RAP and the IPP, as applicable, in accordance with the ESMF, the IPDF and the RPF, respectively and provide, promptly as needed, the resources required for the purpose; (F) have in place prior to approval of an Sub-project Grant and, thereafter maintain, staff in sufficient numbers and with qualifications and resources sufficient to carry out the Sub-project, as set forth in the POM and this Agreement; (G) procure the goods, works and services to be financed out of the Sub-project Grant in accordance with the provisions of Section III of Schedule 2 of this Agreement; (H) 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; (I) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Bank's or the Borrower's request, have such financial statements 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; (J) enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents; (K) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing; and (L) complete all Sub-project activities and submit all relevant financial management documentation prior to the Closing Date, and in the event that Sub-project activities are not completed by the Closing Date, to refund any unused and unaccounted for Sub-project Grant funds to the Borrower.
3. The Borrower, through the DAR, shall exercise its rights under each Sub-project Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Sub-project Agreement or any of its provisions.

4. For the purpose of carrying out Part 1(c)(iii) of the Project, the Borrower, through DAR, shall enter into a Memorandum of Agreement, with the Borrower’s National Irrigation Administration (“NIA”) (for communal and small scale irrigation systems under Part 1(c)(iii) of the Project), on terms and conditions acceptable to the Bank, which shall include the following:

   (a) NIA shall implement the Project in accordance with the provisions of this Agreement, including the POM, the ESMF, the RPF, and the IPDF.

   (b) For each activity to be implemented under Part 1(c)(iii) of the Project, NIA shall prepare the design and program of works, including a detailed budget (setting out the flow of funds), implementation and reporting arrangements, to be submitted to DAR for approval.

Notwithstanding the provisions of Section IV of this Schedule 2, the Borrower shall ensure that the Memorandum of Agreement with the NIA is signed and effective prior to submitting any withdrawal applications to the Bank for proceeds of the Loan to be used to finance activities under Part 1(c)(iii) of the Project.

H. Matching Grant Sub-projects

1. For the purposes of carrying out Part 2 of the Project, the Borrower shall select Matching Grant Sub-projects and provide Matching Grants to Eligible Farmers’ Organizations in accordance with eligibility criteria and procedures set forth in the POM and the ESMF, and acceptable to the Bank.

2. The Borrower shall make each Matching Grant under a Matching Grant Agreement with the respective Eligible Farmers’ Organization on terms and conditions approved by the Bank and further detailed in the POM, which shall include the following:

   (a) Matching Grant Agreements shall be provided on a cost-sharing basis, with Eligible Farmers’ Organizations providing a percentage of the cost of the Matching Grant Sub-project specified in the POM;

   (b) the Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to suspend or terminate the right of the Eligible Farmers’ Organization to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant,
upon the Eligible Farmers' Organization's failure to perform any of its obligations under the Matching Grant Agreement; and

(c) the Borrower shall require each Eligible Farmers' Organization to: (A) carry out its Matching Grant 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, and in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower and the Safeguard Documents; (B) have in place prior to approval of a Matching Grant and, thereafter maintain, staff in sufficient numbers and with qualifications and resources sufficient to carry out the Matching Grant Sub-project, as set forth in the POM or this Agreement; (C) procure the goods, works and services to be financed out of the Matching Grant in accordance with the provisions of Section III of Schedule 2 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 Matching Grant Sub-project and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Matching Grant Sub-project; and (2) at the Bank's or the Borrower's request, have such financial statements 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 Borrower and the Bank to inspect the Matching Grant Sub-project, its operation and any relevant records and documents; (G) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing; and (H) complete all Matching Grant Sub-project activities and submit all relevant financial management documentation prior to the Closing Date, and in the event that Matching Grant Sub-project activities are not completed by the Closing Date, to refund any unused and unaccounted for Matching Grant funds to the Borrower.

3. The Borrower, through DAR, shall exercise its rights under each Matching Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Matching Grant Agreement or any of its provisions.
I. Annual Work and Financial Plans

1. The Borrower, through the DAR, shall prepare and furnish to the Bank for its approval, not later than November 15 of each year during the implementation of the Project, a Work and Financial Plan containing all eligible Project activities and expenditures planned for the following fiscal year of the Borrower and their respective source of financing (i.e., Loan or counterpart funds) and ensure that the Project is implemented in accordance with each such annual Work and Financial Plan; provided, however, that in case of any conflict between the Work and Project Financial Plans and the provisions of this Agreement, the provisions of this Agreement shall prevail.

2. The Borrower shall not make or allow to be made any change to the approved Work and Financial Plans in respect of the proceeds of the Loan without prior approval in writing by the Bank.

J. Anti-Corruption

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

K. Environmental and Social Safeguards Management

1. The Borrower shall ensure that all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Bank Policies, as well as the Borrower’s own laws relating to the environment and social aspects.

2. (a) The Borrower shall ensure that the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents.

(b) Without limitation to the generality of sub-paragraph (a) immediately above, the Borrower shall ensure that:

(i) for each activity under the Project of a type for which the Environmental and Social Management Framework provides that an Environmental and Social Management Plan should be prepared, such Environmental and Social Management Plan, in form and substance satisfactory to the Bank, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Environmental and Social Management Framework, and the relevant activity is implemented in accordance with its Environmental and Social Management Plan; and
(ii) for each activity under the Project of a type for which the Resettlement Policy Framework provides that a Resettlement Action Plan should be prepared, such Resettlement Action Plan, in form and substance satisfactory to the Bank, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Resettlement Policy Framework, and the relevant activity is implemented in accordance with its Resettlement Action Plan.

3. (a) Without limitation to the generality of the foregoing provisions in subparagraph (2)(a) immediately above, the Borrower shall ensure that each contract for civil works under the Project includes the obligation of the relevant contractor to comply with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.

(b) Without limitation to the generality of the foregoing provisions in subparagraph (a) immediately above, the Borrower shall ensure, prior to commencing any works under the Project, that: (i) all necessary governmental permits and clearances for such civil works shall have been obtained from the competent governmental authority/ies; (ii) all pre-construction conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; and (iii) all resettlement measures for the respective civil works set forth in the applicable Resettlement Action Plan shall be fully executed, in accordance with the Resettlement Policy Framework and/or the applicable Resettlement Action Plan.

(c) Without limitation to the generality of the foregoing provisions in subparagraph (2)(a) immediately above, the Borrower shall ensure no activity financed under the Project includes Large Dams or results in Significant Conversion or Degradation of Critical Natural Habitats.

4. The Borrower shall ensure that the following expenditures for the Project are financed exclusively out of resources other than the Loan, and, to this end, shall provide, as promptly as needed, the resources required therefor, namely:

(a) all land acquisition required for the purpose of the Project, if any; and

(b) any compensation, resettlement and rehabilitation payment to Displaced Persons in accordance with the provision of the Resettlement Action Plans.

5. Except as the Bank shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Bank, the Borrower shall not abrogate, amend, repeal, suspend or waive any provisions of
any of the Safeguard Documents, nor shall it permit any entity participating in the implementation of the Project to do so.

6. Without limitation upon its other reporting obligations under this Agreement, the Borrower shall regularly collect, compile and submit to the Bank, on a quarterly basis, reports on the status of compliance with the Safeguard Documents, giving details of: (a) measures taken in furtherance of the Safeguard Documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and (c) remedial measures taken or required to be taken to address such conditions.

7. In the event that any provision of the Safeguard Documents shall conflict with any provision under the Loan Agreement, the terms of the Loan Agreement shall prevail.

L. Counterpart Funds

1. The Borrower shall finance infrastructure investments such as farms to market roads and bridges under Part 1(c) and other activities as reflected in each Annual Work and Financial Plans approved by the Bank.

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 set out in the POM. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than sixty (60) 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, no later than twenty-nine (29) months after the Effective Date, or such other date agreed between the Bank and the Borrower, 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
review with the Bank, no later than thirty (30) months after the Effective Date, 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 as part of the Project Report not later than sixty (60) 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 fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six 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.

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 forth in paragraph 3 of this Part B; (b) Shopping; (c) Direct Contracting; and (d) Community Participation procedures, described in the POM, which have been found acceptable to the Bank.

3. Additional National Competitive Bidding Provisions. The procedures to be followed for the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those set forth in the Borrower’s national procurement law (Republic Act No. 9184), subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 and revised July 2014 (“the Procurement Guidelines”) and the following provisions:

(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 Approved Budget for Contract (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;

(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; and

(f) the e-bulletin board, e-catalogue of prices, subscriber’s registry and e-payments features of the Borrower’s government electronic procurement system (PhilGEPS) may be used with prior Bank concurrence as described in the POM.

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) Least Cost Selection; (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 Investment Project Financing, dated February 2017", 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants' services, Training, and Incremental Operating Costs for the Project (excluding Part 1(c)(ii) of the Project)</td>
<td>57,064,628</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Matching Grants under Part 2 of the Project</td>
<td>42,000,000</td>
<td>100% of amount disbursed</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>248,282</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
</tbody>
</table>
(4) Interest Rate Cap or Interest Rate Collar premium

<table>
<thead>
<tr>
<th>Amount due pursuant to Section 2.08(c) of this Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

TOTAL AMOUNT 99,312,910

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
   
   (a) for payments made prior to the date of this Agreement; or
   
   (b) under Category 2 until the Borrower has established the NGC, the RGC, the CGMU and the RGMUs, in accordance with the provisions of Sections I.E of Schedule 2 to this Agreement.

2. The Closing Date is December 31, 2022.
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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15</td>
<td></td>
</tr>
<tr>
<td>Beginning June 15, 2027 through June 15, 2041</td>
<td>3.33%</td>
</tr>
<tr>
<td>On December 15, 2041</td>
<td>3.43%</td>
</tr>
</tbody>
</table>

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

Section I. Definitions

1. "ABC" means the approved budget for the contract, as defined in Section 5(a) of the Borrower's Implementing Rules and Regulations of Government Procurement Reform Act (GRPA), Republic Act No 9184.

2. "Agrarian Reform Community" and "ARC" mean a Barangay, or groups of Barangays within a municipality, or a group of municipalities, which has been declared an "Agrarian Reform Community" by DAR pursuant to the Republic Act 6657 of June 10, 1988, as amended from time to time.

3. "ARC Cluster" means two or more ARCs and non-ARC Barangays following DAR Memorandum Circular No. 13, series of 2009.


5. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

6. "Central Grant Management Unit" or "CGMU" means the unit to be established in accordance with the provisions of Section I.E.4 of Schedule 2 to this Agreement.

7. "Central Project Office" or "CPO" means the office to be established in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement.


9. "Critical Natural Habitats" means: (a) existing protected areas and areas officially proposed by the Borrower as protected areas (e.g., reserves that meet the criteria of the International Union for the Conservation of Nature (IUCN) classification), areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for the viability of these protected areas (as determined by the ESMF and ESMPs); or (b) sites identified on supplementary lists prepared by the Bank.

10. "DAR" means the Borrower's Department of Agrarian Reform, or any successor or successors thereto.
11. "Degradation" means the modification of a Critical Natural Habitat that substantially reduces such habitat's ability to maintain viable populations of its native species.

12. "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 of 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.

13. "DPWH" means the Borrower's Department of Public Works and Highways, or any successor or successors thereto.

14. "Eligible Farmers' Organization" means, as the case may be: (a) a farmers' organization or a cooperative, in each case duly registered as such under the laws of the Borrower, which submits a proposal to carry out a set of activities; or (b) a federation or network of farmers' organizations or cooperatives in each case duly registered as such under the laws of the Borrower, which submits a proposal to carry out a set of activities meeting the eligibility criteria as further described in the POM.

15. "Environmental and Social Management Framework" and "ESMF" each means the environmental and social management framework, for the Project, dated September 2015, prepared and adopted by the Borrower which sets forth: (a) policies and procedures for the preparation of site-specific ESMPs (including pest management plans); (b) screening criteria for impacts on natural habitats and measures to address such impacts; (c) chance find provisions; (d) a negative list for the financing of Sub-projects; and (e) 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.

16. "Environmental and Social Management Plan" and "ESMP" each means a site-specific environmental and social management plan, prepared by the Borrower in accordance with the provisions of the Environmental and Social Management Framework, 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, and including a pest management plan, 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.

17. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

18. “Incremental Operating Costs” means the reasonable, incremental and documented expenditures incurred by DAR, DPWH, NIA and LGUs for hiring of contractual personnel (but excluding staff salaries); and includes travel, per diem, accommodation, office utilities, materials and supplies (not covered under the category of goods in the table in Section IV.A.2 of Schedule 2 to this Agreement), vehicles and equipment (not covered under the category of Goods in the table in Section IV.A.2 of Schedule 2 to this Agreement), and advertising expenses (not covered under the category of consulting services in the table in Section IV.A.2 of Schedule 2 to this Agreement); for purposes of implementing the Project and which expenditures would not have been incurred absent the Project.

19. “Indigenous Peoples” means those social groups in the Borrower’s territory that have a distinct, vulnerable, social and cultural identity, and that possess the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the Project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language.

20. “Indigenous Peoples Development Framework” or “IPDF” means the document prepared and adopted by the Borrower dated September 2015, setting forth guidelines for preparation of an Indigenous Peoples Development Plans, measures for addressing the needs of the indigenous peoples, and providing guidelines and procedures for consultation with and informed participation of Indigenous Peoples residing in or with collective attachment to areas under the Project.

21. “Indigenous Peoples Plan” or “IPP” means a plan prepared by the Borrower, through its DAR, or an Eligible Farmers’ Organization, in accordance with the IPDF and the Bank’s policy on indigenous peoples, 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 IPDF; and “IPPs” means more than one such IPP.

22. “Integrated Pest Management Framework” and “IPMF” mean the framework prepared and adopted by the Borrower, and included in the ESMF.

23. “Large Dam” means: (a) a dam that is fifteen (15) meters or more in height; (b) a dam that is between ten (10) and fifteen (15) meters in height which presents special design complexities; or (c) a dam that is under ten (10) meters in height but is expected to become a large dam within the meaning of (a) or (b) during the implementation of the Project.

24. “Large Grants Window” means the category of Matching Grants where Matching Grants have a value greater than the minimum value defined in the Project Operations Manual, as referred to in Section I.E.2 of Schedule 2 to this Agreement.

25. “Local Government Units” and “LGUs” mean the political subdivisions of the Borrower at the provincial, city, municipal or Barangay level; and “LGU” means any one of such LGUs.

26. “Matching Grant” means a grant made available by the Borrower to finance the reasonable costs of goods, works, and services required for a Sub-project under Part 2 of the Project; and “Matching Grants” means more than one Matching Grant.

27. “Matching Grant Agreement” means the agreement to be entered into between an Eligible Farmers’ Organization and the Borrower, through DAR, pursuant to Section I.H of Schedule 2 to this Agreement, for purposes of implementing Sub-projects.

28. “Matching Grant Sub-project” means a specific development activity or activities which has or have been selected to receive a Matching Grant under Part 2 of the Project.

29. “Memorandum of Agreement” means the agreement to be entered into between DAR and NIA pursuant to Section I.G.4 of Schedule 2 to this Agreement for purposes of implementing activities under Part 1(c)(iii) of the Project.

30. “National Grant Committee” or “NGC” means the committee to be established by the Borrower in accordance with the provisions of Section I.E.1 of Schedule 2 of this Agreement.

31. “NIA” means the Borrower’s National Irrigation Administration created under the Borrower’s Republic Act 3601 dated 22 June 1963 and any successor or successors thereto.
32. "Pest Management Plan" and "PMP" mean a site-specific pest management plan prepared by the Borrower in accordance with the provisions of the IPMF, defining details of measures to manage potential pest related risks.


34. "Procurement Plan" means the Borrower's procurement plan for the Project, dated February 14, 2017 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.

35. "Project Management Board" or "PMB" means the board to be established by the Borrower in accordance with the provisions of Section I.A.1 of Schedule 2 to this Agreement.

36. "Project Operations Manual" means the Borrower's manual referred to in Section LF of Schedule 2 to this Agreement, dated February 14, 2017, as such manual may be revised from time to time in accordance with the provisions of Section I.F of Schedule 2 to this Agreement, containing detailed arrangements and procedures for institutional coordination and day-to-day execution of the Project, including Project budgeting, disbursement and financial management, procurement, environmental and social management, monitoring, evaluation, reporting and communication, eligibility criteria and implementation arrangements for Sub-projects, and specifically including: (a) an implementation manual for Part 1 of the Project; (b) guidelines for Part 2 of the Project; (c) a procurement manual; and (d) a financial management manual, as required for the Project.

37. "Province" means any of the eighty-one (81) primary political and administrative divisions of the Borrower, and "Provinces" means any two or more of said provinces.

38. "Provincial Project Office" or "PPO" means an office to be established by the Borrower in accordance with the provisions of Section I.D.1 of Schedule 2 to this Agreement; and PPOs means more than one such PPO.

39. "Region" means any of the seventeen (17) regions in the territory of the Borrower that serve primarily to organize the Provinces for administrative convenience, and "Regions" means any two or more regions.

40. "Regional Grant Committee" or "RGC" means any of the committees to be established by the Borrower in accordance with the provisions of Section I.E.1 of Schedule 2 of this Agreement.
41. “Regional Grant Management Unit” or “RGMU” means any of the grant management units to be established by the Borrower in accordance with the provisions of Section I.E.4 of Schedule 2 to this Agreement.

42. “Regional Project Office” or “RPO” means an office to be established by the Borrower in accordance with the provisions of Section I.C.1 of Schedule 2 to this Agreement; and RPOs means more than one such RPO.

43. “Resettlement Policy Framework” or “RPF” means the framework prepared and adopted by the Borrower, dated September 2015, which sets out the criteria and procedures, including organizational arrangements and budget for: (a) the involuntary taking of land and other assets from Displaced Persons; (b) resettlement and rehabilitation of, and compensation to, Displaced Persons; and (c) reporting and monitoring arrangements to ensure compliance with such framework.

44. “Safeguard Documents” means, collectively, the ESMF, the IPDF and the RPF, and any ESMPs, IPPs, FMPs and RAPs.

45. “Safeguard Policies” means, to the extent that they are applicable to the Project activities, the operational policies and procedures OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.07 (Water Resources Management), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams) contained in the Bank's Operational Manual which can be found on the Bank's website at www.worldbank.org.

46. “Selected LGU” means an LGU in a Targeted ARC Cluster that has been selected to carry out Rural Infrastructure Sub-projects under Part 1(c) of the Project and has entered into an Infrastructure Sub-project Agreement pursuant to Section I.G. of Schedule 2 to this Agreement.

47. “Significant Conversion” means the elimination or severe diminution of the integrity of a Critical Natural Habitat caused by a major, long-term change in land or water use.

48. “Small Grants Window” means the category of Matching Grants where the Matching Grants have a value of less than the maximum defined in the Project Operations Manual, as referred to in Section I.E.3 of Schedule 2 to this Agreement.

49. “Sub-project Agreement” means an agreement between the Borrower through DAR and an LGU for the purpose of carrying out one or more Sub-projects under Part 1 (c)(i) of the Project.
50. "Sub-project Grant" means a grant made by the Borrower to a participating LGU under a Sub-project Agreement for the purpose of carrying out one or more Sub-projects under Part 1 (c)(i) of the Project and "Sub-project Grants" means more than one such grant.

51. "Sub-project" means a sub-project eligible for financing under Part 1 (c)(i) of the Project.

52. "Targeted Agrarian Reform Community Cluster" or "Targeted ARC Cluster" means any ARC Cluster that has been identified as a priority cluster according to eligibility criteria and procedures described in the Project Operations Manual.

53. "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.

54. "Work and Financial Plan" means the annual work plan, together with the related budget, for the Project, approved by the Bank, pursuant to the provisions of Section 1.1 of Schedule 2 to this Agreement; and "Work and Financial Plans" means more than one "Work and Financial Plan".

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

"Section 3.01. Front-end Fee; Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The
Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”. 