Project Agreement

(Bicol Power Restoration Project)

between

INTERNATIONAL BANK

FOR

RECONSTRUCTION AND DEVELOPMENT

and

NATIONAL TRANSMISSION CORPORATION

Dated February 28, 2008
PROJECT AGREEMENT


ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan 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 Loan Agreement or the General Conditions.

ARTICLE II - PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is the President of the Project Implementing Entity.

3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INTBAFRAD Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
3.03. The Project Implementing Entity’s Address is:

National Transmission Corporation
Power Center
Quezon Avenue, Corner BIR Road
Diliman, Quezon City
Metro Manila, Philippines

Facsimile:
(632) 981-4610

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Bert Hofman

Authorized Representative

NATIONAL TRANSMISSION CORPORATION

By /s/ Arthur Aguilar

Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall establish and maintain until completion of the Project, a project implementation team to implement the Project. The Project Implementing Entity shall ensure that the project implementation team is staffed with qualified and experienced personnel (including a project manager) with terms of reference and in adequate numbers, in each case acceptable to the Bank, and is provided at all times with adequate funds and other resources as shall be necessary to accomplish its functions, responsibilities and objectives.

2. The Project Implementing Entity shall: (a) adopt the Project Management Manual, acceptable to the Bank; (b) carry out the Project in accordance with the Project Management Manual; and (c) not waive, amend or abrogate, or allow to be amended, waived or abrogated, any provision of the Project Management Manual or any component thereof, without the prior consent of the Bank.

B. Subsidiary Agreement

1. The Project Implementing Agency shall perform its obligations under the Subsidiary Agreement. Except as the Borrower and the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

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

D. Safeguards

1. The Project Implementing Entity shall take all measures and actions set out in the Environmental Impact and Management Plan for the elimination or offsetting of adverse environmental impacts under the Project. The Project Implementing Entity shall include in each Project Report provided for in paragraph 1 of Section II(A) of this Schedule 2, a summary of any environmental issues encountered and proposed mitigation measures developed and/or implemented during the period covered in such Project Report.

2. In carrying out the Project, the Project Implementing Entity shall apply the Land Acquisition and Resettlement Plan, including:

   (a) taking all appropriate measures to avoid or minimize the acquisition of land or assets of people and to avoid the displacement of such people;
(b) where the acquisition of land or assets or the displacement of residents is unavoidable for a Project activity, ensuring that all Displaced Persons thereunder shall have been compensated and provided with resettlement and rehabilitation measures in accordance with the Land Acquisition and Resettlement Plan prior to the implementation of such Project activity;

(c) maintaining operational procedures adequate to enable it to monitor and evaluate on a regular basis, in accordance with indicators acceptable to the Bank, the carrying out of the Land Acquisition and Resettlement Plan;

(d) submitting all changes, amendments and waivers to the Land Acquisition and Resettlement Plan to the Bank for no-objection; and

(e) preparing and furnishing to the Bank, as part of the Project Report provided for in paragraph 1 of Section II(A) of this Schedule, a report, of such scope and in such detail as the Bank shall reasonably request, on the monitoring and evaluation activities carried out pursuant to subparagraph (c) above, including compensation, together with any additional measures proposed to further the progress in the carrying out of the Land Acquisition and Resettlement Plan; and promptly take all such measures, taking into account the comments and the views of the Bank thereon.

3. In carrying out the Project, the Project Implementing Entity shall, as set out in the Land Acquisition and Resettlement Plan, through a process of informed consultation and participation, involve concerned Indigenous Peoples in the design and implementation of the Project so as to avoid, or if not possible, minimize adverse effects on Indigenous Peoples.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of the indicators set forth in Annex 1 to Schedule 2 to the Loan Agreement. Each such Project Report shall cover the period of one calendar quarter and shall be furnished to the Borrower not later than forty-five (45) days after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity 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 Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

4. Without limitation on the foregoing paragraph 3, except as the Bank shall otherwise agree in writing, the Project Implementing Entity shall include the Project in the scope of work for its internal audit using procedures acceptable the to Bank. Except as the Bank shall otherwise agree in writing, the Project Implementing Entity shall undertake such internal audit once in each calendar semester during Project implementation and shall submit a copy of the audit report to the Bank within thirty (30) days after the end of each calendar semester.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.