Global Environment Facility
Grant Agreement

(National Program Support for Environment and Natural Resources Management Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated August 29, 2007
AGREEMENT dated August 29, 2007, entered into between:

The Recipient and the World Bank hereby agree as follows:

**Article I**
**Standard Conditions; Definitions**


1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions and in the Loan Agreement of the same date as this Agreement for the Project (“the Loan Agreement”).

**Article II**
**The Project**

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement and the provisions of Schedule 2 to the Loan Agreement.

**Article III**
**The Grant**

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to seven million United States Dollars ($7,000,000) (“Grant”) to assist in financing of the Project.
3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section A of Schedule 2 to this Agreement.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:

(a) (i) Subject to subparagraph (ii) of this paragraph:

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

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

(ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

(b) Event prior to Effectiveness. The World Bank has determined after the Effective Date referred to in Section 5.02 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V
Effectiveness; Termination

5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its effectiveness (“Effective Date”). If, before the Effective Date,
any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03 Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient’s Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is Recipient’s Secretary of Finance.

6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

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

6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable address: Telex: Facsimile:
INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)
AGREED at Manila, Republic of the Philippines, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By: /s/ Margarito B. Teves

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the
Global Environment Facility

By: /s/ Maryse D. Gautier

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient’s Department of Environment and Natural Resources (DENR) in improving its efficiency and effectiveness in its service delivery.

The Project consists of the following parts:

Part A: Policy Development, Planning, Monitoring and Evaluation

Carrying out a program to implement DENR’s Rationalization Plan.

1. Improving the efficiency of DENR’s organization and operations, through the following activities: (a) developing a framework to rationalize DENR’s existing overlapping or conflicting policies and administrative orders, and to clarify the assignments and approving authorities at the different levels within the DENR’s organization; (b) refining the administrative arrangements of DENR’s Environment Management Bureau (EMB); and (c) establishing a procurement unit to handle procurement matters within DENR and refining the administrative arrangements of DENR’s Internal Audit unit.

2. Strengthening DENR’s service delivery functions, through the following activities: (a) conducting surveys to measure clients’ satisfaction with DENR’s service delivery; (b) improving access by DENR clients to its data and information, especially in regard to regulatory processes and fees, through among other things, strengthening DENR’s management information system (MIS); and (c) strengthening the capacity of DENR’s Policy and Planning Office to undertake its monitoring and evaluation functions for DENR’s operations.

3. Developing watershed management plans, land use and demarcation maps for watersheds and forest areas, groundwater maps, and geohazard maps of high risk areas.

4. Implementing interim risk remedial measures related to abandoned mines, geology, and ground water protection; and preparing comprehensive mine rehabilitation and remediation plans for priority abandoned mine sites.

5. Strengthening DENR’s public awareness and environmental education program.

Part B: Integrated Ecosystem Management

Carrying out a program to implement DENR’s integrated watershed and wetlands management strategies for targeted watersheds areas facing severe risk of further degradation and for sensitive ecological areas.
1. Promoting participatory and integrated watershed ecosystem planning and management; and raising integrated ecosystem awareness among the stakeholders in critical ecological areas.

2. Restoring and rehabilitating priority convergence watersheds; raising public awareness of habitat rehabilitation and restoration programs; improving the knowledge of the communities, LGUs and DENR local offices in the ecologically degraded areas on “rain-forestation”; supporting biodiversity conservation and management within priority “protected areas;” and carrying out resource-based assessments in the wetland areas to improve conservation planning.

3. Supporting sustainable livelihood improvement Sub-projects that enhance the ecosystems, conserve biodiversity and increase farmers’ income.

Part C: Environmental and Natural Resource Management

1. Strengthening DENR’s regulatory and oversight functions and its capacity in implementation of environmental regulations related to air and water quality, waste management and environmental impact assessment; and

2. Strengthening participatory integrated watershed management monitoring systems at the LGU and community levels.
SCHEDULE 2

Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World 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 Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods, works, and consulting services</td>
<td>7,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>7,000,000</td>
<td></td>
</tr>
</tbody>
</table>

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.

2. No withdrawal may be made under this Agreement for any Loan or expenditure if a withdrawal is made for such Loan or expenditure under the Loan Agreement, and any Loan or expenditure that is financed under the Loan Agreement shall not be an Eligible Expenditure under this Agreement. (please note that this para was not in the version of the LA included in the binder)
3. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2012.