
LOAN NUMBER 9191-PH

Loan Agreement

**(Additional Financing for the KALAH-I-CIDSS National Community Driven Development
Project)**

between

REPUBLIC OF THE PHILIPPINES

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF THE PHILIPPINES ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement).

WHEREAS the Borrower has requested the Bank to provide additional financial assistance, by extending to the Borrower a loan in an amount equivalent to three hundred million Dollars (\$300,000,000) in support of the Project; and the Bank has agreed to extend such additional financial assistance to the Borrower for the purpose of scaling up the Original Project to respond to COVID-19 and other crises or disasters.

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) apply to and form 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, the Original Loan Agreement, or in the Appendix to this Agreement. In case of inconsistency between the definitions provided in the Original Loan Agreement and this Agreement, the provisions of this Agreement shall prevail.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of three hundred million Dollars, (\$300,000,000), as such amount may be converted from time to time through a Currency Conversion ("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 III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are June 1 and December 1 in each year.



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

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower, through DSWD, shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is its Secretary of Finance.
- 5.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Department of Finance
Department of Finance Building
Roxas Blvd. cor. Pablo Ocampo Sr. St.
Manila 1004
Philippines; and

(b) the Borrower's Electronic Address is:

Facsimile:	E-mail:
(63-2) 8523-9216	secfin@dof.gov.ph

- 5.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	PhilippinesCMU@worldbank.org



AGREED as of the Signature Date.

REPUBLIC OF THE PHILIPPINES

By



Authorized Representative

Name: Carlos G. Dominguez

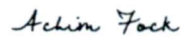
Title: Secretary

Date: DEC 21 2020



**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Achim Fock

Title: Acting Country Director

Date: 16-Dec-2020

SCHEDULE 1

Project Description

The objective of the Project is to empower communities in targeted municipalities to achieve improved access to services and to participate in more inclusive local planning, budgeting and implementation.

The Project consists of the Original Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower, through DSWD, shall maintain, throughout the period of implementation of the Project, a National Steering Committee with a mandate and composition satisfactory to the Bank. Without limitation to the foregoing, the National Steering Committee shall: (a) be chaired by the Secretary of DSWD and comprise of representatives from relevant national government and oversight agencies, the Borrower's National Commission on Indigenous Peoples, the leagues of provinces, municipalities and Barangays, and civil society organizations; and (b) be responsible for, *inter alia*: (i) providing overall policy direction and oversight of the Project; (ii) facilitating the coordination of Project activities among the entities represented in the National Steering Committee, and making recommendations for actions to resolve policy and strategic issues that require inter-agency decision; and (iii) reviewing annually, or more often if required, progress made towards achieving the Project's objectives.
2. The Borrower, though DSWD, shall maintain, throughout the period of implementation of the Project, a national Project management team and regional Project management teams staffed and managed by DSWD, such teams to have functions and resources set forth in the Project Operations Manual, to be responsible for approving the Project Financing Plans, and providing technical advice and guidance to the national and regional Project management offices and the area coordination teams referred to in paragraphs 3-5 below.
3. The Borrower, through DSWD, shall maintain, throughout the period of implementation of the Project, a national Project management office within DSWD, such office to have functions, resources and staff in numbers and with terms of reference and qualifications as set forth in the Project Operations Manual, to be responsible for managing the national implementation of the Project and providing inter-regional coordination for such implementation.
4. The Borrower, through DSWD, shall maintain, throughout the period of implementation of the Project, a regional Project management office and, where necessary, sub-regional Project management offices in each of the Regions in which the Project Municipalities are located, all such offices with functions, resources and staff in numbers and with terms of reference and qualifications as set forth in the Project Operations Manual, to be responsible for providing technical guidance for, and supervising and monitoring the regional implementation of the Project.
5. The Borrower, through DSWD, shall maintain, throughout the period of implementation of the Project, an area coordination team in each Project Municipality, with functions, resources and staff in numbers and with terms of reference and qualifications as set forth in the Project Operations Manual, to be responsible for overseeing and supporting the implementation of Project activities at Barangay level.

B. Project Operations Manual.

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

C. Project Financing Plans.

1. The Borrower, through DSWD, shall prepare and furnish to the Bank for its approval, not later than November 30 of each year during the implementation of the Project, a Project Financing Plan containing all eligible Project activities and expenditures planned for the following fiscal year of the Borrower, including a specification of the source or sources of financing for all eligible expenditures; provided, however, that in case of any conflict between the Project Financing Plans and the provisions of this Agreement, the provisions of this Agreement shall prevail.
2. The Borrower, through DSWD, shall not make or allow to be made any change to the approved Project Financing Plans in respect of the proceeds of the Loan without prior approval in writing by the Bank.

D. Sub-projects.

1. For purposes of Part 1 of the Project, the Borrower, through DSWD, shall select Sub-projects and make Sub-grants to Beneficiaries, in accordance with the criteria and procedures and on terms and conditions set forth in the Project Operations Manual and the Safeguards Instruments, including the following:
 - (a) An activity or activities shall be selected only if it meets the eligibility criteria set forth in the Project Operations Manual.
 - (b) Without limitation on the provisions of Section 2.05 of the General Conditions, a Sub-project shall not include any activities and expenditures on the negative list set forth in the Project Operations Manual and the ESMF.
 - (c) A Sub-grant to a Beneficiary shall be approved only if:
 - (i) a Memorandum of Agreement, with terms and conditions acceptable to the Bank, has been entered into between DSWD and the Municipality in which the Beneficiary is located, and said Municipality has agreed to comply with the provisions of the Project Operations Manual applicable to Sub-projects;
 - (ii) the Beneficiary has prepared an 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;

- (iii) the Beneficiary has prepared a LARRP in accordance with the ESMF, in the event the Sub-project creates one or more Affected Persons; and
 - (iv) the Beneficiary has carried out consultations and a process of informed participation with Indigenous Peoples, in accordance with the ESMF, and prepared an Indigenous Peoples Plan 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.
- (d) Each Sub-grant shall be made on conditions whereby the Borrower, through DSWD, shall enter into a Sub-project Implementation Agreement with the Beneficiary to obtain rights adequate to protect the interests of the Borrower and the Bank, including, without limitation, the rights to:
- (i) require the Beneficiary to have in place, prior to approval of a Sub-grant, and thereafter maintain, a Sub-project implementation team, with responsibilities and resources as set forth in the Project Operations Manual;
 - (ii) require the Beneficiary to carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, financial, managerial, social and environmental standards and practices, including in accordance with the provisions of the Anti-Corruption Guidelines;
 - (iii) require the Beneficiary to provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Sub-project;
 - (iv) require that the goods, works and services to be financed out of the proceeds of the Sub-grant shall be procured in accordance with the Procurement Regulations and the Project Operations Manual, and shall be used exclusively in the carrying out of the Sub-project;
 - (v) require that, where applicable, the Beneficiary implement an ESMP (including pest management plan as applicable), LARPP and IPP (including a program of consultation with and informed participation by Indigenous Peoples), if applicable, in accordance with the ESMF;
 - (vi) inspect, by itself or jointly with representatives of the Bank such goods and the sites, works, plans and construction included in the Sub-project, the operation thereof and any relevant records and documents;

- (vii) require the Beneficiary to provide the Borrower and the Bank all such information as the Borrower or the Bank may reasonably request relating to the foregoing and to the administration and operations of the Beneficiary and to the benefits to be derived from its respective Sub-project;
- (viii) require the Beneficiary to 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;
- (ix) require the Beneficiary to maintain: (A) 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 (B) 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;
- (x) require the Beneficiary to 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-grant funds to the Borrower; and
- (xi) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Sub-grant, or refund any proceeds of the Sub-grant, upon failure by such Beneficiary to perform its obligations under its Sub-project Implementation Agreement with the Borrower.

2. Without limitation on the foregoing provisions of paragraph 1 of this Part D, for the purposes of Emergency Sub-projects, the Borrower shall, through DSWD:

- (a) ensure that the Emergency Sub-projects are carried out in accordance with the Disaster Response Operations Sub-manual;
- (b) not amend, suspend, abrogate, repeal or waive any provision of the Disaster Response Operations Sub-manual without prior written approval by the Bank; and
- (c) not undertake any activities under the Emergency Sub-projects unless and until: (i) an Eligible Crisis or Emergency has occurred; and (ii) the Borrower, through DSWD, has ensured the preparation and disclosure of all Safeguards Instruments required for said activities in accordance with this Agreement and as detailed in the Disaster Response Operations Sub-Manual, and has ensured the implementation of any actions which are required to be taken under said instruments.

E. Safeguards.

1. The Borrower, through DSWD, shall ensure that:
 - (a) the Project is carried out with due regard to appropriate health, safety, social, and environmental practices and standards, and in accordance with the Safeguards Instruments;
 - (b) for each activity under the Project for which the ESMF, and the LARRF provide for the preparation of an ESMP or LARRP:
 - (i) proceed to have such ESMP or LARRP as appropriate: (A) prepared and disclosed in accordance with the ESMF and the LARRF, respectively; (B) consulted upon adequately with people affected by the Project as per the ESMF and the LARRF, respectively, and submitted to the Bank for review and approval; and (C) thereafter adopted, prior to implementation of the activity; and
 - (ii) take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESMP or LARRP in a manner satisfactory to the Bank;
 - (c) all measures are taken to implement the LARRPs in a manner and timeframe satisfactory to the Bank. To this end, the Borrower, through DSWD, shall ensure that:
 - (i) funds are made available to cover all the costs of implementing the LARRPs;
 - (ii) prior to carrying out activities which involve displacement, Affected Persons shall be compensated at full replacement cost, resettled and provided with assistance in accordance with the LARRPs, as applicable; and
 - (iii) the implementation, monitoring and evaluation of such LARRPs is completed and reported in a manner satisfactory to the Bank;
 - (d) for each activity under the Project for which the IPPF provides for the preparation of an Indigenous Peoples Plan, the Borrower, through DSWD, shall: (a) prior to the carrying out of any said activity, prepare and/or cause to be prepared and furnish to the Bank, an Indigenous Peoples Plan, in accordance with the IPPF and satisfactory to the Bank; and (b) thereafter, adopt and implement said Indigenous Peoples Plan in accordance with its terms and in a manner satisfactory to the Bank.
2. Except as the Bank shall otherwise agree in writing, the Borrower, through DSWD, shall ensure that none of the provisions of the Safeguard Instruments be abrogated, amended, repealed, suspended or waived. In case of any inconsistencies between the provisions of

any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Borrower, through DSWD, shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results could have environmental, social and health and safety implications, shall be undertaken in consultation with the Bank; and (b) the terms of reference of such consultancies shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable Bank Safeguards Policies and EHS Guidelines.
4. Without limitation upon its other reporting obligations under this Agreement, the Borrower, through DSWD, shall:
 - (a) take all measures necessary on its part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, and promptly in a separate report whenever the Bank may require, information on the status of compliance with the Safeguards Instruments, all such reports in form and substance acceptable to the Bank, setting out, *inter alia*: (i) the status of implementation of the Safeguards Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the Safeguards Instruments; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) promptly notify the Bank of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers.
5. The Borrower, through DSWD, shall maintain, throughout Project implementation, and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.

Section II. Project Monitoring Reporting and Evaluation

The Borrower, through DSWD, shall furnish to the Bank each Project Report not later than sixty (60) days after the end of each calendar quarter, covering the calendar quarter.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services, Training and Operating Costs for the Project	69,000,000	100%
(2) Sub-grants under Part 1(a) of the Project	231,000,000	100%
TOTAL AMOUNT	300,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date is December 31, 2023.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

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").

Level Principal Repayments

Principal Payment Date	Installment Share
On each June 1 and December 1 Beginning December 1, 2031 through June 1, 2049	2.7%
On December 1, 2049	2.8%

APPENDIX

Definitions

1. “Affected Person” means a person or entity who, on account of the execution of the Project and/or Sub-projects, 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, “Affected Persons”, means more than one such Affected Person.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
3. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
4. “Disaster Response Operations Sub-manual” means the DSWD’s manual referred to in Section I.D.2 of Schedule 2 to this Agreement and included in the Project Operations Manual, as such manual may be revised from time to time with the prior written approval of the Bank, setting forth detailed arrangements for the approval and implementation of Emergency Sub-projects, including: (a) any special institutional arrangements for coordinating and implementing the Emergency Sub-projects; (b) specific activities which may be included in the Emergency Sub-projects, which may include certain activities which are otherwise excluded in respect of Sub-projects under Part 1(a) of the Project pursuant to Section I.D.1(b) of Schedule to this Agreement, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (c) application of the ESMF to the Emergency Sub-projects; and (d) other arrangements necessary to ensure proper coordination and implementation of the Emergency Sub-projects.
5. “EHS Guidelines” means the World Bank Group Environmental, Health and Safety Guidelines published on www.ifc.org/ehsguidelines, as said guidelines are updated from time to time.
6. “Emergency Expenditure” means any of the eligible expenditures set forth in the Disaster Response Operations Sub-manual in accordance with the provisions of Section I.D.2 of Schedule 2 to this Agreement, and required for Emergency Sub-projects.
7. “ESMF” or “Environmental and Social Management Framework” means the ESMF under the Original Project, as updated and re-disclosed on the Bank’s website on November 5, 2020.

8. “ESMP” or “Environmental and Social Management Plan” means an instrument to be prepared by the Beneficiary or the Borrower, through DSWD, in accordance with the procedures and requirements under the ESMF, satisfactory to the Bank, which details: (a) the measures to be taken during the implementation of the Sub-project to avoid, minimize, mitigate or offset adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, as said instrument may be amended from time to time with the Bank’s prior written agreement.
9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020).
10. “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.
11. “Indigenous Peoples Plan” means any indigenous peoples plan prepared and adopted by the Beneficiary or the Borrower, through DSWD, in accordance with the IPPF, satisfactory to the Bank, which includes the principles, procedures, organizational arrangements and budget to implement indigenous peoples related activities under the Sub-project, as said indigenous peoples plan may be revised from time to time with the prior written agreement of the Bank.
12. “LARRP” or “Land Acquisition, Resettlement and Rehabilitation Plan” means the instrument to be prepared by the Beneficiary or the Borrower, through DSWD, in accordance with the procedures and requirements of the LARRF, satisfactory to the Bank, which includes the principles, guidelines, procedures, organizational arrangements and budget to implement the resettlement related activities under the Sub-project, as said resettlement action plan may be revised from time to time with the prior written agreement of the Bank; and “LARRPs” means, collectively, all such plans.
13. “Memorandum of Agreement” means the memorandum of agreement entered into between DSWD and a Municipality for the purposes of making Sub-grants to Beneficiaries, in accordance with Section I.D.1(c) of Schedule 2 to this Agreement.
14. “Original Loan Agreement” means the loan agreement for the KALAH-CIDSS National Community Driven Development Project between the Borrower and the Bank, dated April 2, 2014, as amended (Loan No. 8335-PH).
15. “Original Project” means the Project described in Schedule 1 to the Original Loan Agreement.