GRANT AGREEMENT
(Global Environment Facility)
(Integrated Natural Resources and Environmental Management Project)

between

REPUBLIC OF THE PHILIPPINES

and

ASIAN DEVELOPMENT BANK

DATED 22 MARCH 2013
GRANT AGREEMENT

GRANT AGREEMENT dated 22 MARCH 2013 between the REPUBLIC OF THE PHILIPPINES ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a financing agreement dated 22 MARCH 2013 between the Recipient and ADB ("ADB Financing Agreement"), ADB has agreed to provide a loan in an amount of one hundred million Dollars ($100,000,000) and a grant in an amount of one million four hundred ten thousand Dollars ($1,410,000) in support of the Integrated Natural Resources and Environmental Management Project ("Project") as described in Schedule 1 to the ADB Financing Agreement;

(B) the Recipient has applied to the Global Environment Facility ("GEF") for a grant ("Grant") for the purposes of financing a part of the Project; and

(C) GEF has approved the Grant in an amount of two million five hundred thousand Dollars ($2,500,000), and ADB has agreed to administer the Grant upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All the provisions of ADB's Externally Financed Grant Regulations, dated 8 April 2009 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Whenever used in this Grant Agreement, the several terms defined in the Grant Regulations and the ADB Financing Agreement, have the respective meanings therein set forth unless modified herein or unless the context otherwise requires, except that for the purposes of this Grant Agreement:

(a) "GEF Grant" means a grant to be provided under this Grant Agreement, defined herein as "Grant"; and

(b) "Philippines" means the Republic of the Philippines, defined as "Recipient" in this Grant Agreement.
ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient an amount of two million five hundred thousand Dollars ($2,500,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures for activities under paragraph 3 of Schedule 1 to the ADB Financing Agreement in accordance with the provisions of this Grant Agreement and the ADB Financing Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 4 to the ADB Financing Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2020 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 5 to the ADB Financing Agreement.

Section 4.02 The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. (a) The Recipient shall (i) maintain separate accounts and records for the Project, including separate accounts for the Grant; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent
auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors’ opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement and the ADB Financing Agreement as well as on the use of the procedures for the imprest account and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 9 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project within 30 days of the date of their receipt by posting them on ADB’s website.

(c) The Recipient shall enable ADB, upon ADB’s request, to discuss the Recipient’s financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to subsection (a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient unless the Recipient shall otherwise agree.

ARTICLE V
Suspension and Cancellation

Section 5.01. The following is specified as an additional event for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations or cancellation of the Grant pursuant to Section 8.02 of the Grant Regulations: the loan and grant provided under the ADB Financing Agreement shall have become liable for suspension or cancellation.

ARTICLE VI
Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the ADB Financing Agreement shall have become effective.

Section 6.02. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.
ARTICLE VII

Miscellaneous

Section 7.01. The Secretary of Finance is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Department of Finance
DOF Building
Roxas Boulevard
Manila, Philippines

Facsimile Numbers:

(632) 523-9216
(632) 521-9495.

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2331.
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

REPUBLIC OF THE PHILIPPINES

By

CESAR V. PURISIMA
Authorized Representative

ASIAN DEVELOPMENT BANK

By

NEERAJ K. JAIN
Country Director
Philippines Country Office
SCHEDULE

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each such Category (“Table”). (Reference to “Category” in this Schedule is to a Category of the Table).

Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure shall be financed out of the proceeds of the Grant on the basis of the percentages set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.
<table>
<thead>
<tr>
<th>Number</th>
<th>Item</th>
<th>Total Amount Allocated for GEF Financing ($)</th>
<th>Percentage of GEF Financing from the Grant Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Computer Packages</td>
<td>41,000</td>
<td>88 percent of total expenditure claimed</td>
</tr>
<tr>
<td>2</td>
<td>Funded Conservation Forestry</td>
<td>370,000</td>
<td>100 percent of total expenditure claimed*</td>
</tr>
<tr>
<td>3</td>
<td>Livelihood Inputs (Block Grant)</td>
<td>160,000</td>
<td>100 percent of total expenditure claimed*</td>
</tr>
<tr>
<td>4</td>
<td>Consulting Services</td>
<td>980,000</td>
<td>88 percent of total expenditure claimed</td>
</tr>
<tr>
<td>5</td>
<td>Locally Contracted Services</td>
<td>243,000</td>
<td>88 percent of total expenditure claimed</td>
</tr>
<tr>
<td>6</td>
<td>Capacity Building</td>
<td>337,000</td>
<td>88 percent of total expenditure claimed</td>
</tr>
<tr>
<td>7</td>
<td>Incremental Operating Costs</td>
<td>369,000</td>
<td>88 percent of total expenditure claimed</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2,500,000</td>
<td></td>
</tr>
</tbody>
</table>

* Exclusive of taxes and duties imposed within the territory of the Recipient