

Global Partnership on Output-based Aid
Grant Agreement

(Improved Access to Water Services in the East Zone of Metro Manila Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as Administrator of the Global Partnership on Output-based Aid

and

MANILA WATER COMPANY, INC.

Dated *October 19*, 2007

**GLOBAL PARTNERSHIP ON OUTPUT-BASED AID
GRANT AGREEMENT**

AGREEMENT dated October 19, 2007, entered into between: INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as administrator of the Global Partnership on Output-based Aid (“GPOBA”); and MANILA WATER COMPANY, INC. (“Recipient”). The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 (“Standard Conditions”), with the modifications set forth 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 Standard Conditions or in this 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.

**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 one million fifty thousand United States Dollars (\$1,050,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV 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) IBRD or IDA has declared the Recipient ineligible to be awarded a contract financed by IBRD or IDA.

(b) The Member Country has taken or permitted to be taken any action which would prevent or interfere with the performance by the Recipient of its obligations under this Agreement.

(c) The Concession Agreement, dated February 21, 1997, between the Recipient and Metropolitan Waterworks and Sewerage System has been suspended, waived or abrogated by either party thereto in a manner that may adversely affect the Project.

(d) The articles of incorporation of the Recipient or the approval of the Recipient's business plan by the Metropolitan Water Works and Sewerage System Regulatory Office or any other documents by which the Recipient does business in Manila shall have been suspended or amended in a manner that may adversely affect the Project.

**Article V
Effectiveness; Termination**

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the condition specified below has been satisfied.

(a) the Recipient has adopted the Operational Manual, including the Performance Standards on Social and Environmental Sustainability, in each case acceptable to the World Bank.

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 acceptance of the evidence required pursuant to Section 5.01 ("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. 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 the Recipient's President.

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

Administration Building
489 Katipunan Road Balara, Quezon City
Facsimile:
+632 9282450

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:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at Washington, District of Columbia, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as administrator of the
Global Partnership on Output-based Aid

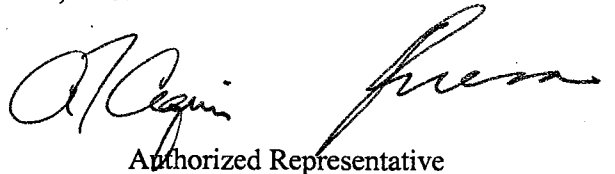
By



Authorized Representative

MANILA WATER COMPANY, INC.

By



Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase access to piped water supply services for poor households in the east zone of metro Manila thereby enhancing the welfare of those households.

The Project consists of the following parts:

Part 1. Household Connections

Providing approximately 20,000 Beneficiary Households in low income communities with a standard metered water connection meeting the service quality standards specified by the Metropolitan Water Works and Sewerage System Regulatory Office.

Part 2. Project Management, Monitoring and Evaluation, and Output Audit and Verification

Providing for and monitoring and evaluation of Project implementation and output audits and connection verifications.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements.

1. The Recipient shall maintain until completion of the Project, the project management team in accordance with the Operational Manual, to coordinate and oversee implementation of the Project, including procurement practices, environment and social safeguards implementation, fiduciary management, monitoring of Project progress, and submission of Project Reports. The Recipient shall ensure that the project management team shall be staffed by qualified and experienced personnel in adequate numbers and with terms of reference satisfactory to the World Bank, as shall be necessary to carry out its responsibilities under the Operational Manual and this Agreement.
2. The Recipient shall enter into a contract with an Auditor under terms of reference acceptable to the World Bank to assist the Recipient in the performance of financial audits in accordance with Section II(B) of this Schedule.
3. The Recipient shall enter into a contract with an Output Auditor under terms of reference acceptable to the World Bank to verify Connections in accordance with the Operational Manual.

B. Project Implementation.

1. (a) The Recipient shall implement the Project in accordance with the conditions of this Agreement and with the Operational Manual, including:
 - (i) the Project's administrative, accounting, financial, disbursement, procurement and monitoring and evaluation procedures (including performance indicators);
 - (ii) the eligibility criteria for Beneficiary Communities and the eligibility criteria and selection process for Beneficiary Households;
 - (iii) the technical criteria applicable to the new water connections to be installed by the Recipient for Connections;
 - (iv) the mechanism for determining the subsidy per connection and the total payment amount per connection applicable to each Connection, including (A) the Single Output: verified

connections meeting specifications set by concession agreements and Metropolitan Water Works and Sewerage System Regulatory Office and three (3) months of continuous water delivered) and (B) the form of Invoice;

- (v) the qualifications and procedures for selection of the contractors to be employed by the Recipient for the installation of the Connections;
 - (vi) the terms and conditions for the work to be performed by the Auditor and the Output Auditor; and
 - (vii) the Performance Standards on Social and Environmental Sustainability.
- (b) In the event of any conflict between the Operational Manual and this Agreement, the terms of this Agreement shall prevail.
 - (c) The Recipient shall implement the Project in accordance with the Operational Manual and shall not amend, revise, waive or abrogate the Operational Manual or any part thereof without the prior concurrence of the World Bank.
2. The Recipient shall ensure that the Output Auditor shall verify the Single Output for each Connection in accordance with the Operational Manual. The Recipient shall ensure that the proceeds of the Grant are withdrawn only on the basis of an Invoice for each Connection.
 3. The Recipient shall ensure that each contractor procured under the Project shall comply, and shall monitor compliance with, the Performance Standards on Social and Environmental Sustainability. The Recipient shall provide to the World Bank quarterly compliance reports and an annual environmental report acceptable to the World Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report.

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare three (3) Completion Reports in accordance with the provisions of Section 2.06 of the Standard Conditions. First Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date. The second and third Completion Reports shall be furnished to the World Bank not later than one (1) month after the expiry of one (1) year and two (2) years respectively from the Closing Date.

B. Financial Management; Financial Reports; Audits.

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project, and its entity Financial Statements, audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General.

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section I (excluding paragraph 1.16) of the Procurement Guidelines, and with the provisions of this Section III.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Sections I (excluding paragraph 1.24) and IV of the Consultant Guidelines, and with the provisions of this Section III.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works.

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts which the Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (a) Shopping; (b) Direct Contracting; and (c) Established Private or Commercial Practices of the Recipient which have been found acceptable to the World Bank.

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 assignments which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (a) Selection based on Consultants' Qualifications; (b) Single-source Selection; (c) Selection of Individual Consultants; and (d) Sole Source Procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions.

1. Except as the World Bank shall otherwise determine by notice to the Recipient, all contracts shall be subject to Post Review by the World Bank.

Section IV. 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.

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:

<u>Category</u>	<u>Amount of the Grant Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Payments for Connections	1,000,000	100%
(2) Consultants Services	50,000	100%
TOTAL AMOUNT	1,050,000	

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, except that withdrawals up to an aggregate amount not to exceed \$105,000 equivalent may be made for payments made prior to this date but on or after June 19, 2007, for Eligible Expenditures; or
 - (b) under Category (1) until an Output Auditor and an Auditor, under terms of reference satisfactory to the World Bank, has been engaged by the Recipient.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is June 30, 2011.

APPENDIX

Section I. Definitions

1. "Auditor" means the independent party acceptable to the World Bank to be engaged by the Recipient as set out in paragraph 2 of Section I(A) of Schedule 2 to this Agreement to conduct the financial audits as required by Section II(B) of Schedule 2 to this Agreement.
2. "Beneficiary Community" means a community located in the service area of the Recipient in each case meeting the criteria set forth by the Recipient in determining its *Tubig Para Sa Barangay* (TPSB) program beneficiaries, as demonstrated by surveys conducted by the Recipient and/or certification by the *barangay*, as set out in the Operational Manual, and "Beneficiary Communities" means more than one Beneficiary Community.
3. "Beneficiary Household" means a household in a Beneficiary Community, in each case meeting the requirements and having been selected in accordance with the procedures set out in the Operational Manual, and "Beneficiary Households" means more than one Beneficiary Household.
4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. "Connection" means a standard metered water connection meeting the service quality standards specified by the Recipient guided by the Metropolitan Water Works and Sewerage System Regulatory Office in accordance with the eligibility criteria and standards set out in the Operational Manual, and "Connections" means more than one Connection.
6. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the World Bank in May 2004.
7. "Invoice" means the form of invoice, as set out in the Operational Manual, for the Single Output, verified by the Output Auditor, to be submitted by the Recipient for disbursement of the Grant.
8. "Metropolitan Water Works and Sewerage System Regulatory Office" means the Manila Metropolitan Water Works and Sewerage System Regulatory Office of the Republic of the Philippines, or any successor thereto.
9. "Operational Manual" means the manual, satisfactory to the World Bank, described in paragraph 1 of Section I(B) of Schedule 2 to this Agreement setting forth the

implementation rules and procedures for the Project, as the same may be amended from time to time by agreement between the World Bank and the Recipient.

10. "Output Auditor" means the independent party acceptable to the World Bank to be engaged by the Recipient as set out in paragraph 3 of Section I(A) of Schedule 2 to this Agreement to conduct the verification procedures for Connections in accordance with the Operational Manual.

11. "Performance Standards on Social and Environmental Sustainability" means the Performance Standards on Social and Environmental Sustainability of the International Finance Corporation, dated April 30, 2006, adopted by the Recipient as part of the Operational Manual, setting forth measure to mitigate any adverse impacts of the Project.

12. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004.

13. "Single Output" means, with respect to each Connection, the initial water connection as verified by the Output Auditor in accordance with the Operational Manual and the three (3) consecutive monthly audited performance reports in which service delivery standard as defined in the Operational Manual is met, as verified by the Output Auditor.

14. "Standard Conditions" means the "Standard Conditions for Grants made by the World Bank acting as administrator of Various Funds dated July 20, 2006.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. The reference to "Member Country" in the Standard Conditions and in this Agreement means the Republic of the Philippines.