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Loan and Grant Agreements

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A.I.D. Project No. 492-0388

PROJECT
GRANT AGREEMENT
BETWEEN THE
REPUBLIC OF THE PHILIPPINES
AND THE
UNITED STATES OF AMERICA
FOR THE
DECENTRALIZED SHELTER AND URBAN DEVELOPMENT
PROJECT

Dated: September 28, 1990

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PROJECT GRANT AGREEMENT

Dated: September 28, 1990

Between

The Republic of the Philippines ("Grantee")

and

The United States of America, acting through the Agency for International Development ("A.I.D.").

Article 1: The Agreement.

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2. The Project.

Section 2.1. Definition of Project. The Project, which is further described in Annex 1, will assist the Grantee to increase the access of low-income urban Filipinos to basic infrastructure and services through support for the implementation of policy actions that foster a greater role for municipal governments, Philippine-based non-governmental organizations and the private sector in the development of shelter-related urban infrastructure and services. Support will be provided through funding for technical assistance, training and a grant program with non-governmental organizations. The policy reforms will be agreed upon in connection with a Housing Guaranty Implementation Agreement between the Grantee and A.I.D.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

Section 2.2. Incremental Nature of Project.

(a) A.I.D.'s grant contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed with the Project.

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3: Financing.

Section 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement an amount not to exceed One Million Three Hundred Eighty-Two Thousand Five Hundred and Seven United States ("U.S.") Dollars (\$1,382,507) ("Grant").

Section 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Grantee for the Project shall be not less than the equivalent of U.S. \$1,334,000, including costs borne on an "in kind" basis. The Grantee's contribution under this Project shall be in addition to any peso expenditures on shelter-related infrastructure reported for the purposes of the Housing Guaranty Implementation Agreement referred to in Section 4.2.

Section 3.3. Project Assistance Completion Date.

(a) The Project Assistance Completion Date ("PACD"), which is September 30, 1994, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Request for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period,

A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement.

Section 4.1. Conditions Precedent to First Disbursement.

Prior to the first disbursement under the Grant, or to the issuance of documentation pursuant to which disbursement will be made, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) an opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized or ratified by, and executed on behalf of, the Grantee and that it constitutes a valid and legally binding obligation of the Grantee in accordance with its terms;

(b) a statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement; and,

(c) agreement in writing to an A.I.D. Project Implementation Order/Technical Services (PIO/T) for long-term technical assistance as described in Annex 1, Section III.

Section 4.2. Additional Disbursement. Prior to disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made after January 31, 1991, other than to

finance activities for which A.I.D. has issued documentation prior to such date pursuant to which disbursement may be made, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., an executed Housing Guarantee Implementation Agreement ("IA") between the Government of the Philippines and A.I.D. that includes a mutually agreed-upon policy matrix.

Section 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in Sections 4.1 and 4.2, respectively, have been met, it will promptly notify the Grantee.

Section 4.4. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Section 4.1 have not been met on or before November 30, 1990, or at such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

(b) If all the conditions specified in Section 4.2 have not been met on or before January 31, 1991, or such later date as AID may agree to in writing, AID, at its option, may cancel all or part of the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement in whole or in part by written notice to the Grantee.

Article 5: Special Covenants.

Section 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the degree feasible, of the overall development impact of the project.

Section 5.2. Other Donor Programs. The Grantee hereby covenants to coordinate the Project with the related activities of other donors.

Article 6: Procurement Source.

Section 6.1. Foreign Exchange Costs. Disbursement pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin and, with respect to services, their nationality, in the United States (Code 000 of the A.I.D. Geographic Code Book) as in effect at the time orders are placed or contracts entered into for such goods or services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b), with respect to marine insurance. Ocean transportation costs shall be financed under the Grant only on vessels under flag registry of the United States.

Section 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as

A.I.D. otherwise agree in writing, their origin in the Philippines ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Article 7: Disbursement.

Section 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with their terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services on the Grantee's behalf for the Project; or

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Section 7.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be purchased by A.I.D. with U.S. dollars. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

Section 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

Section 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into the Republic of the Philippines by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into Philippine currency at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Republic of the Philippines.

Article 8: Miscellaneous.

Section 8.1. Communications. Any notice, request, document, or other communication submitted by either party to the other under this

Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To the Grantee:

Mail Address: National Economic and Development Authority
P.O. Box 419, Greenhills, Metro Manila
Philippines

Alternate address for cables: NEDAPHIL
telefax: 631-2194

with a copy to:

Mail Address: Department of Finance
Five Storey Building
Central Bank Building
Manila, Philippines

Alternate address for telex: 40268 CBCONF
telefax: 521-0106 & 521-9495

To A.I.D.:

Mail Address: United States Agency for International
Development
c/o The Embassy of the United States
of America
Manila, Philippines

Alternate address for cables: USAID/AMEMB/MANILA

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Director-General of the National Economic and Development Authority, and/or the Secretary, Department of Finance, and A.I.D. will be represented by the individual holding or acting in the office of the Director, United States A.I.D. Mission to the Philippines,

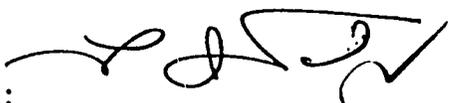
each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

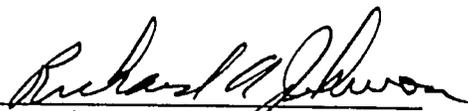
Section 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached hereto and forms part of this Agreement.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

UNITED STATES OF AMERICA

By: 
Ponciano S. Intal, Jr.

By: 
Richard A. Johnson

Title: Deputy Director-General
National Economic and
Development Authority

Title: Acting Mission Director
United States Agency for
International Development

DECENTRALIZED SHELTER AND URBAN DEVELOPMENT PROJECT
AMPLIFIED PROJECT DESCRIPTION

I. OVERVIEW

The Decentralized Shelter and Urban Development (DSUD) Project aims to contribute to the sustainable economic growth and development of democratic institutions by supporting the decentralization of authority and resources for shelter and urban development affecting low-income Filipinos. The purpose of the Project is to foster a greater role for elected city governments, the private sector, and Philippine-based non-governmental organizations (NGOs) in the development of shelter-related infrastructure in chartered cities in order to increase the access of low-income urban Filipinos to shelter and services needed for healthier and more productive lives.

II. PROJECT COMPONENTS

The Project has two major components: (a) the issuance of housing guaranties, and (b) a technical assistance, training and related support component.

The housing guaranty component will be agreed upon in a separate Housing Guaranty Implementation Agreement (IA) which is expected to be negotiated in October 1990. It is anticipated that the guaranties will be issued on the basis of policy reforms undertaken by the Government of the Philippines (GOP); the GOP will then certify an equivalent amount of peso expenditures on shelter-related infrastructure. The policy framework for the IA is intended to contribute to: (i) development of a

sustainable system of city government finance; (ii) reduction of urban and environmental infrastructure constraints on local economic development; and (iii) improvement in the access to the urban shelter delivery systems for low-income households. The policy actions anticipated are important for the successful decentralization of shelter and urban development at the chartered city level, and should provide the GOP with an effective strategy for advancing governmental decentralization in the urban areas of the Philippines.

The Project Agreement provides funding for the technical assistance, training and related support component of the Project.

III. TECHNICAL ASSISTANCE, TRAINING AND RELATED SUPPORT

This \$4 million Project component will focus on technical assistance and training related to policy implementation as well as monitoring and evaluation. Objectives of this component are:

- identification and analyses of policy implementation issues arising from the action plan;
- technical assistance and training to city officials, NGOs, and private-sector organizations such as associations and professional groups to enable them to more effectively advocate and implement identified policy changes; and
- exchanges and linkages between institutions in the Philippines involved in the decentralization process and their counterpart institutions in the United States.

The required technical assistance and training will be provided through approximately six person-years of long-term and approximately 84 person-months of short-term technical assistance. A.I.D. will contract

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for these services directly using standard U.S. Government contracting procedures. Long-term technical assistance will include a Mission Urban Advisor and other professional staff. The short-term technical assistance will provide support for policy studies and systems development activities and related training. The policy studies are planned to: 1) identify the critical urban infrastructure and service needs that constrain sustainable economic growth in the cities and analyze policy changes needed to permit improved infrastructure provision; 2) develop strategies to mobilize the resources of the community to meet those needs once the policy environment becomes more favorable; 3) help improve the policy environment for urban development; and 4) provide support to policy implementation as needed.

Systems development activities will: 1) identify successful local experiments in the Philippines that have used innovative approaches to the provision of urban service essential to sustained economic growth and private sector activity; 2) identify the variables that led to the local successes; 3) develop strategies that will allow those successful experiences to be adapted to the needs of other urban centers; 4) assist in the implementation of those strategies in two or three cities to field test their validity; and 5) build a local capability to continue in the implementation of the strategies in other appropriate cities.

An estimated 24 persons will receive U.S.-based training, while additional funds are provided for in-country and third-country training activities. All participant training will be conducted in accordance with A.I.D. Handbook No. 10.

A.I.D. may use project funds to buy into an existing contract between A.I.D./Washington and the International City Management Association (ICMA) for services to be provided to the Philippine League of City Mayors and other appropriate organizations. It is expected that linking ICMA, a professional association in the United States, and the Philippine League of City Mayors will assist Filipino urban managers to meet the practical demands of making decentralizaion operational and effective. Through the buy-in, ICMA may arrange for and manage training courses for local officials as well as provide technical assistance.

USAID may enter into a cooperative grant agreement with an appropriate Philippine NGO that can serve as an intermediary institution to provide subgrants to community-based NGO's to further the objectives of decentralization and urban development.

IV. PROJECT IMPLEMENTATION ARRANGEMENTS

For the GOP, the Department of Finance (DOF) will have the lead implementing role, with the National Economic and Development Authority (NEDA) coordinating the conduct of the policy studies in support of DSUD. The Department of Local Government (DLG), in cooperation with the League of City Mayors and other appropriate organizations, will be the coordinating agency for support grants, systems development activities and training, and the Department of Budget and Management (DBM) will report on peso disbursements under the IA. NEDA will also cooperate with project-funded contractors by providing necessary information and guidance to carry out their scopes of work.

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Illustrative

DECENTRALIZED SHELTER AND URBAN DEVELOPMENT PROJECT
Financial Plan
(\$000)

PROJECT ELEMENT	AID GRANT		Total	GOP Total
	Obligations as of FY 90	Future Years Anticipated ^{a/}		
1. Technical Assistance	917	1,563	2,480	-
2. Training	75	220	295	-
3. NGO/Private Sector Support	300	550	850	-
4. Financial Monitoring, Performance. Mont. and Audit	90	215	305	-
5. Contingency	-	70	70	-
6. Support Services/ Urban Development Activities	-	-	-	1,334
Total	<u>1,382</u>	<u>2,618</u>	<u>4,000</u>	<u>1,334</u>

^{a/} Future year obligations are subject to the availability of funds and mutual agreement of the Parties to proceed.