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Project No. A.I.D. 492-0420

Loan and Grant Agreements

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AMENDMENT NO. 3

TO THE

PROJECT GRANT AGREEMENT

BETWEEN THE

REPUBLIC OF THE PHILIPPINES

AND THE

UNITED STATES OF AMERICA

FOR THE

RURAL INFRASTRUCTURE FUND PROJECT

Dated: June 18, 1990

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RURAL INFRASTRUCTURE FUND PROJECT
AMENDMENT NO. 3 TO
PROJECT AGREEMENT NO. 492-0420

THIS AMENDMENT NO. 3, entered into as of the 18th day of June, 1990, between the REPUBLIC OF THE PHILIPPINES (the "Grantee") and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

WITNESSETH THAT:

WHEREAS, the Grantee and A.I.D. (the "Parties") entered into Project Agreement No. 492-0420 (the "Agreement") on September 28, 1987, whereby A.I.D. agreed to provide an initial increment of \$51,190,000 in Grant funds for the Rural Infrastructure Fund Project (the "Project");

WHEREAS, Amendments No. 1 and 2 to the Agreement increased the amount of Grant funds by \$38,810,000;

WHEREAS, the Parties have agreed that funds will be made available under the Multilateral Assistance Initiative for the Philippines for the purpose of constructing high priority roads as infrastructure necessary to support private investments in the General Santos/South Cotabato Demonstration Area (hereinafter referred to as "South Cotabato Demonstration Area"), and

WHEREAS, A.I.D. has agreed to increase the amount of Grant funds by \$20,000,000, which increment shall be utilized for funding such infrastructure in the South Cotabato Demonstration Area and shall be funded under the Multilateral Assistance Initiative.

NOW, THEREFORE, the Grantee and A.I.D. hereby agree to amend the Agreement as follows:

1. Amendment to Article 2 (Project Description).

Section 2.1 of the Agreement is amended by inserting the words "which hereinafter would, as the context indicates, include any supplementary annexes hereto" in between the words "further described in Annex I" and "will provide assistance" in line 2 of that provision.

2. Amendment of Article 3 (Financing).

2.1. Section 3.1 of the Agreement is hereby amended by deleting the phrase "not to exceed Ninety Million United States ("U.S.") Dollars (\$90,000,000.00) ("Grant")" and inserting the phrase "not to exceed One Hundred and Ten Million United States ("U.S.") Dollars (\$110,000,000.00) ("Grant")" in lieu thereof.

2.2. Section 3.2 of the Agreement is hereby amended by deleting the existing provision in its entirety and inserting the following in lieu thereof:

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 South Cotabato Demonstration Area will be not less than the equivalent of \$6,670,000, including costs borne on an "in-kind" basis.

3. Amendment of Article 4 (Conditions Precedent to Disbursement).

3.1. Section 4.2 of the Agreement is hereby amended by inserting the words "other than for the South Cotabato Demonstration Area activity," between the words "any activity financed under the Grant (an "Implementing Agency")", and the words "The Grantee shall" in lines 6 and 7 of that provision.

3.2. Section 4.3 of the Agreement is hereby amended by inserting the words "and other than for the South Cotabato Demonstration Area activity" between the words "Section II(C) of Annex I hereto" and the words "the Grantee and A.I.D. shall" in line 5 of that provision.

3.3 Section 4.4 of the Agreement is hereby amended by adding a subsection (c) as follows:

Prior to disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made for detailed design and construction of roads in the South Cotabato Demonstration Area, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

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

(ii) approval of project implementation orders for supervisory engineering services and for detailed design/build construction services.

3.4. Section 4.6 of the Agreement is hereby amended as follows:

3.4.1. The letter "a" enclosed in parenthesis is inserted at the beginning of that provision.

3.4.2. The words "other than in the South Cotabato Demonstration Area" are inserted between the words "Section 4.2" and "have not been met" of line 3 of that provision.

3.4.3. Subsection (b) is added as follows:

If all of the conditions specified in Section 4.4(c) have not been met on or before August 15, 1990 or on such other date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the undisbursed portion of the Grant provided for the South Cotabato Demonstration Area, to the extent not irrevocably committed to third parties.

4. Amendment of Article 8 (Miscellaneous).

4.1. Section 8.2 of the Agreement is hereby amended by inserting the phrase "except for the South Cotabato Demonstration Area component" between the words "For all purposes relevant to this Agreement" and "the Grantee" in lines 1 and 2 of that provision.

4.2. Section 8.2 of the Agreement is hereby further amended by inserting before the last sentence the following sentence:

For all purposes relevant to the South Cotabato Demonstration Area component of this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Chairman, Committee on Official Development Assistance 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 Project Description in Annex I-A.

5. Amendment to Annex I (Project Description).

Annex I to the Agreement, previously amended, is hereby further amended by adding Annex I-A set forth in Attachment 1 to this Amendment No. 3 and by adding the Current Obligation Schedule set forth in Attachment 2 to this Amendment No. 3.

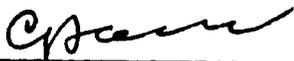
Except as expressly amended herein, the said Agreement shall continue in full force and effect in accordance with all of its terms.

IN WITNESS WHEREOF, the Parties to said Agreement, each acting through its duly authorized representative, have caused this Amendment No. 3 to be signed in their names and delivered as of the day and year first above written.

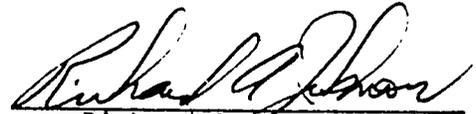
REPUBLIC OF THE PHILIPPINES

UNITED STATES OF AMERICA

By:


Cayetano W. Paderanga, Jr.

By:


Richard A. Johnson

Title:

Director-General
National Economic and
Development Authority

Title:

Acting Mission Director
United States Agency for
International Development

ANNEX I-A
RURAL INFRASTRUCTURE FUND
SOUTH COTABATO DEMONSTRATION AREA COMPONENT AMPLIFIED DESCRIPTION

I. GENERAL COMPONENT DESCRIPTION

A. Objectives

The purpose of the South Cotabato demonstration area component is to improve and expand infrastructure in the transportation subsector in order to enhance the flow of commerce, encourage investment and production, and provide for further economic expansion and growth in the General Santos City/South Cotabato ("South Cotabato") area.

The South Cotabato Special Development Project is one of a number of demonstration projects for donor investments under the Philippine Assistance Program (PAP). This component is Phase I of an anticipated two-phase program in the South Cotabato area under the PAP that will be financed by Multilateral Assistance Initiative funds, subject to the availability of funds and mutual agreement of the Parties.

B. Description

1. Grant Funds

The South Cotabato Demonstration Area component will provide assistance for the improvement of road networks in the South Cotabato area to open up markets and the economy through linkages between General Santos City, market towns, and areas which are the sources or destinations of the products to be processed and/or transhipped through General Santos City as well as to facilitate the participation of the private sector in the economic diversification of the area.

Grant funds are provided for the design and construction upgrading to an all-weather standard and for improved maintenance of approximately 250-300 kilometers of roads in the South Cotabato area. Grant funds provided for this component will be used for engineering services, construction services, and monitoring and evaluation services

a. Engineering Services

The Project provides funds for the review and update of existing, or the development of new, feasibility studies and for the conduct of technical, economic, social soundness and environmental analyses as needed for the subprojects; for the review or preparation of engineering designs, plans, technical and general specifications, environmental assessments, cost estimates, and bid and contract documents; and for construction supervision.

b. Construction

The Project provides funds to finance construction for upgrading or constructing roads and related bridges. It is anticipated that the bulk of construction will be performed under a combined design and construction contract. The contractor will prepare final detailed engineering designs as necessary to carry out the construction.

c. Evaluation and Monitoring Services

Project funds may be used for data collection, evaluation, and monitoring for the Project.

2. GOP Counterpart

The Government of the Philippines (GOP) using resources other than Project grant funds, will provide personal services, office facilities, land and right of way, road construction projects, and road maintenance services to support the South Cotabato demonstration area component. It is anticipated that the GOP will fund construction of approximately 65 km. of road segments over the life of the project which contribute to expanding and opening of market linkages but are not financed with Project funds. These may include not only road segments studied by the consultant but also other national, provincial, city, municipal or barangay roads which serve as feeder roads to the road network. In addition, the GOP will maintain the entire road network during the life of the Project.

II. IMPLEMENTATION PROCEDURES

A. Selection of Subprojects

A set of road subprojects which the Parties believe will fulfill the objectives of this component of the Project have been identified and are listed in Appendix 1 to this Annex I-A. A final selection of the road segments to be financed under this component of the Project will be determined upon the completion of updated feasibility studies, and upon mutual agreement of the Parties. The criteria for selecting the road segments to be financed will include, in addition to compliance with the standard A.I.D. economic, social and environmental feasibility requirements, the following considerations: (1) the degree

to which the roads contribute to opening or expansion of market linkages and (2) the rapidity with which the segment can be designed and constructed on a "fast-track" basis. Once a listing of road segment activities that will receive project financing is agreed to by Committee on Official Development Assistance (CODA) and A.I.D., A.I.D. will initiate procurement of the required consulting and construction services.

B. Contracting and Procurement

The services required to review and update existing feasibility studies or prepare new feasibility studies for selected roads under this component, including the preparation of preliminary designs, will be provided through the host-country contract with Louis Berger International, Inc. and TCGI, which has been entered into with Rural Infrastructure Fund Project funds. The Department of Public Works and Highways (DPWH) will execute an amendment to the existing technical services contract to provide additional funds to reimburse the cost of the completed preliminary engineering studies.

A.I.D., with the concurrence of the appropriate GOP Counterpart, will contract directly with a U.S. general contracting firm to prepare detailed engineering designs for and to construct the selected subprojects on a design-construct basis. A.I.D., with the concurrence of the appropriate GOP Counterpart, will also contract directly with a U.S. firm for construction supervision services as well as for all evaluation, monitoring and non-federal audits for the component as determined necessary by A.I.D. and in accordance with the financial plan.

A.I.D. direct contracts will be subject to the U.S. Federal Acquisition Regulations (FAR) and the A.I.D. Acquisition Regulations (AIDAR) and contracts for host-country contracts will be subject to A.I.D. Handbook 11 (Country Contracting). Contracts executed by DPWH or by provincial or municipal governments to fulfill the GOP's counterpart contribution will be subject to GOP procedures and regulations.

C. Reporting

The supervisory engineer will submit monthly progress reports to A.I.D. covering component activities, including, but not limited to, the status of physical and financial progress of engineering, construction and commodity procurement. A.I.D. and the DPWH Project Management officials will hold quarterly meetings to review progress under this component.

D. Evaluation and Audit

A final evaluation will be conducted to assess the effectiveness of the design and contracting mechanisms used as well as to assess impact. A.I.D., with the concurrence of the DPWH representative, will procure technical services to conduct the evaluations. DPWH, CODA and USAID will jointly review evaluation findings.

Primary responsibility for audits of A.I.D.-financed projects lies with the A.I.D. Inspector General's Office. However, an external auditing firm may be contracted for audit purposes and financed under the component. Such external audit services will be acquired under A.I.D. direct contracts pursuant to Project Implementation Orders issued unilaterally by A.I.D.

III. FINANCIAL PLAN

The financial plan for the South Cotabato demonstration area component is illustrative. The estimated A.I.D. contribution for the component is \$30 million with a GOP contribution of the equivalent of \$10 million in cash or "in-kind." Future obligations are subject to the availability of funds and mutual agreement of the Parties to proceed. Changes may be made to the financial plan by representatives of the parties named in the text of the Agreement without formal amendment of the Agreement, as long as such changes do not cause (1) A.I.D.'s contribution to exceed the amount specified in the text of the Agreement or (2) the Grantee's contribution to be less than the amount specified in the text of the Agreement. Funds may be shifted among project elements if there is mutual agreement in writing.

Project Financial Plan (U.S. \$000)

South Cotabato Demonstration Area Component Project Element	Cumulative Obligations as of FY 90		Future Years Anticipated		Total	
	A.I.D.	G.O.P.	A.I.D.	G.O.P.	A.I.D.	G.O.P.
Engineering	\$ 2,800	\$ 300	\$	\$ 150	\$ 2,800	\$ 450
Construction Services	16,900	4,500	10,000	2,240	26,900	6,740
Personnel, Facilities, ROWs, Land Acquisitions, Maintenance, etc.		1,870		940		2,810
Evaluation, Monitoring and Audit	300				300	
TOTAL	\$20,000	\$6,670	\$10,000	\$3,330	\$30,000	\$10,000

\$1 = P22

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Because the Parties have allocated Multilateral Assistance Initiative funds for the South Cotabato demonstration area, funds made available for this activity will not be made available for other activities under the Rural Infrastructure Project.

APPENDIX 1
to ANNEX I-A

ROAD SUBPROJECTS

<u>Subproject</u>	<u>Length (Kms.)</u>
Koronadal-Tampakan-Tupi	32
GSC-Glan-Road	38
GSC-Malisbong	135
Polomolok-Polo	15
Tupi-Surallah	30
Surallah-Lake Sebu	28
Surallah-T'Boli	26
Banga-Noralla-Kolambog	24
Labu-Silway	23
GSC By-Pass	20
GSC-Banate	70
Total	441
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ATTACHMENT 2

RURAL INFRASTRUCTURE FUND PROJECT (492-0420)
 Current Obligation Schedule
 (U.S. \$000)

INPUTS	Obligation Prior to Amendment No. 3	Current Obligation	Anticipated Future Obligation*	Anticipated Life of Project Obligation
Engineering	\$12,000	\$ 12,000		\$ 12,000
Construction	62,605	62,605		62,605
Technical Services	2,150	2,150		2,150
Commodities	12,000	12,000		12,000
Training	720	720		720
Data Collection, Audit Evaluation & Monitoring	525	525		525
 South Cotabato Demonstration Area component				
Engineering		2,800		2,800
Construction		16,900	10,000	25,900
Evaluation, Monitoring and Audit		300		300
T O T A L	\$90,000	\$110,000	\$10,000	\$120,000

* Future obligations are subject to the availability of funds and mutual agreement of the Parties to proceed.