

**PROJECT AGREEMENT BETWEEN THE GOVERNMENT OF THE
PHILIPPINES AND THE GOVERNMENT OF DENMARK ON THE
WATERSHED MANAGEMENT STRATEGY AND PROGRAM PHASE I
AND II OF THE WATER RESOURCES DEVELOPMENT PROJECT
(WRDP)**

The Government of Denmark has committed to support by way of grant the implementation of the Watershed Management Study Phase I and II of the Water Resources Development Project of the Republic of the Philippines in the amount of DKK7.2 million.

The terms and conditions of the grant are as follows:

**ARTICLE I
DEFINITIONS**

For the purpose of this Agreement, unless otherwise stated, the terms listed below mean the following:

1.1 "Competent Authorities" mean in the case of the Government of Denmark, the Ministry of Foreign Affairs, the Danish International Development Assistance (Danida), and in the case of the Government of the Philippines, the National Economic and Development Authority (NEDA), or, for both Parties, any other authority empowered to perform the functions presently exercised by the said authorities.

1.2 The "Consultant" means COWI Consult, Denmark. Danida shall engage the Consultant to perform the services covered in Annex 3 of the World Bank Staff Appraisal Report (SAR) dated October 10, 1996, including any later mutually agreed changes.

1.3 The "Project" means the Watershed Management Strategy and Program Phase I and II of the Water Resources Development Project (WRDP).

1.4 The "DENR" means the Department of Environment and Natural Resources.

**ARTICLE 2
OBJECTIVE OF THE PROJECT**

The overall development objective of the Project is to formulate a national watershed management strategy and a long-term program of investments for the sustainable management of watersheds, particularly those considered critical, and recommend appropriate policies, and legislative and institutional measures, to implement the strategy and investment program.

The specific objectives of the Project would be to recommend a package that will help:

2.1 Establish a sound policy and legislative basis for watershed management in the country;

- 2.2 Institutionalize an effective and responsive administrative machinery and procedures for watershed management and protection;
- 2.3 Minimize and control soil erosion and improve water yield and quality;
- 2.4 Promote compatible land uses and enhance productivity;
- 2.5 Enhance economic opportunities for and environmental consciousness of watershed communities; and
- 2.6 Establish a National Watershed Information System in the DENR.

ARTICLE 3

OUTPUT OF THE PROJECT

In order to achieve the immediate objectives, the Project aims at producing the following:

- 3.1 Criteria for selection of watersheds and list of priority watersheds to be managed
- 3.2 Review of existing policy and legal framework on watershed management as well as other watershed programs and projects including procedures for preparation of watershed management plans
- 3.3 Review of the institutional responsibilities and capabilities of different government agencies involved in various aspects of water and soil management
- 3.4 National strategy for watershed management specifying the policy and legislative framework required, respective roles of different government agencies, NGOs and local communities and the institutional coordination mechanism and the types of interventions which have the best potential for sustainability;
- 3.5 A long term program of investments for watersheds to be managed including an institutional strengthening program
- 3.6 Establish a National Watershed Information System (NWIS) for effective monitoring and evaluation of both biophysical and socio-economic aspects of watershed management programs

ARTICLE 4

PROJECT DOCUMENT

The WB Staff Appraisal Report (SAR) is attached as Annex A. The WB Staff Appraisal Report will be reviewed and updated in connection with joint project reviews. Changes in the Project Document are subject to the approval of the National Economic and Development Authority and the appropriate Danish authorities.

ARTICLE 5

OBLIGATION OF THE GOVERNMENT OF THE PHILIPPINES

Under this Agreement the Government of the Philippines shall make provisions for the Project as follows:

- 5.1 Make available to the Project counterpart technical, administrative and management staff totaling 61 person months

5.2 Office space, furniture and other fixtures

5.3 Use of other facilities (i.e., communication, transport etc.)

5.4 Counterpart funds in cash for operations of the Project Management Office (PMO) as follows:

Item	(In Million Pesos)
Personnel Services	.45
Maintenance and Other Operating Expenses	1.24
Total	1.69

5.5 Promptly inform Danida of any condition which interferes or threatens to interfere with the successful implementation of the project.

5.6 Give its advice on all sketches, drawings, reports, recommendations and other matters properly referred to it for advice by Danida within a reasonable time in order not to delay or disrupt the execution of the services or the works.

5.7 Ensure funds for the payment of all other expenses required for the establishment and operation of the Project which are not mentioned as items to be provided by the Government of Denmark.

ARTICLE 6

ITEMS TO BE PROVIDED BY THE GOVERNMENT OF DENMARK

The Government of Denmark shall provide the following items :

	(In Million DKK)
Technical assistance	6.5
Operational Costs	0.7
Total	7.2

Any proposal for additional components or for reallocation between components shall be subject to approval by both Parties.

ARTICLE 7

SHIPMENT

All shipments covered by this Agreement will be in keeping with the principle of free circulation on ships in international trade in free and fair competition.

ARTICLE 8

IMPORTATION, IMPORT AND OTHER PUBLIC CHARGES

The Government of the Philippines shall secure a timely importation and clearance through customs of goods covered by this Agreement, which include lists of materials to be imported by contractor according to specification in the Works Contract. The Parties shall ensure that the Danish grant is not used for payment of any import duty, tax, national or other public charge such as import surcharges, duties to compensate for domestic insurance of payments, licenses or import