

**PROJECT AGREEMENT BY AND BETWEEN THE GOVERNMENT OF  
THE PHILIPPINES AND THE GOVERNMENT OF DENMARK ON THE  
NEGROS WATER SUPPLY AND SANITATION PROJECT**

With reference to the Financing Agreement between the Government of the Philippines and the Government of Denmark signed in Manila on 30 October 1989 and Note Verbale dated 20 May 1997 from the Government of the Republic of the Philippines, the Government of the Kingdom of Denmark has agreed within an amount of DKK 62.1 Million broken down as follows:

Grant No. 1	- DKK	47.7	Million
Cost of Materials on stock	-	5.2	Million
Re-allocated grant	-	9.2	Million
	<b>DKK</b>	<b>62.1</b>	<b>Million</b>

(approximately PHP 280 Mil lion/approximately USD 11 Million) to support on a grant basis the implementation of The Negros Water Supply and Sanitation Project, covering the five towns of Bago, Cadiz, La Castellana and Talisay of Negros Occidental and the town of Bayawan of Negros Oriental.

The Government of the Republic of the Philippines and the Government of the Kingdom of Denmark have agreed that the project be carried out in accordance with the following provisions of this Agreement and the annexes attached.

**ARTICLE 1  
DEFINITION**

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

1.1 "Competent Authorities" shall 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 Parties" shall mean the Competent Authorities.

1.3 "The Project Document" shall mean the document which has been approved by the National Economic and Development Authority (NEDA) and the Royal Danish Embassy and is attached as Annex I to this Agreement and constitutes an integral part of the same Agreement.

1.4 "The Project" shall mean Negros Water Supply and Sanitation Project.

1.5 "The Client" shall mean the five Water Districts (WDs)

1.6 "The Consultant" shall mean Engineering and Development Corporation of the Philippines (EDCOP) of 6th and 7th Floors, CLMC Building, 259-269 E. De los Santos Avenue, Greenhills, Mandaluyong City, Metro Manila, Philippines. Danida shall

engage the Consultant to perform the services covered in the Project Document dated May 1996, including any later mutually agreed changes.

1.7 "The Resident Engineer" shall mean the expatriate Danida technical adviser.

1.8 "The LWUA" shall mean the Local Water Utilities Administration.

## **ARTICLE 2 OBJECTIVES OF THE PROJECT**

The overall development objective of the Project is:

to improve the living conditions including improved health situation of the target population in the five Water Districts of Bago, Cadiz, La Castellana, Talisay and Bayawan through clean drinking water supply and improved hygiene awareness and sanitary conditions.

The immediate objectives of the Project are:

2.1 Provision of sufficient and sustainable drinking water supply from the five Water Districts to cover the 24-hour demand of the connectees in the service areas;

2.2 Improved hygiene practices, especially amongst the lower income level part of the populations;

2.3 Significant reduction in use of water from shallow wells in the five Water District service areas, and

2.4 Improved household and environmental sanitation, especially amongst the lower income parts of the populations.

## **ARTICLE 3 OUTPUT OF THE PROJECT**

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

3.1 Water not-accounted-for reduced to 25 % of water production,

3.2 Source capacity increased to match 24 hours water supply demand,

3.3 Water District service areas extended to cover all parts of the five towns proper and adjacent barangays, and 50% of the population connected to the Water District networks of Bago, Cadiz and Bayawan, and 60% in Talisay and La Castellana

3.4 Level 2 water supply considerably increased,

3.5 Water quality testing improved and institutionalized,

3.6 Adequate water treatment provided,

3.7 Water District staff and members of the Water Supply Coordination Groups and the Water Quality and Service Surveillance Groups suitably trained,

3.8 Active partnership established between the Water Districts, and Local Government Units (LGU) and the Barangays within the service areas. Water Supply

Coordination Groups established and a process commenced to integrate all water supplies in the service areas under the Water Districts,

3.9 Messages on the relation between health and hygiene and on water handling conveyed efficiently to all target beneficiaries with special consideration to the lower income part of the population,

3.10 Messages on the health hazards in using water from shallow wells conveyed efficiently to all target beneficiaries with special consideration to the lower income part of the population,

3.11 Messages on improved household and environmental sanitation conveyed efficiently to all target beneficiaries with special consideration to the lower income part of the population,

3.12 Appropriate and affordable latrine solutions offered to the target beneficiaries with special consideration to the population (often low income) in the coastal area and along the banks of rivers, streams and creeks, and

3.13 Environmental sanitation at household level improved.

#### **ARTICLE 4 PROJECT DOCUMENT**

The Project Document is attached as Annex I. The Project Document 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 (NEDA) and the Danish competent authorities.

#### **ARTICLE 5 OBLIGATIONS OF THE GOVERNMENT OF THE PHILIPPINES**

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

5.1 The Government of the Philippines shall promptly inform Danida of any condition which interferes or threatens to interfere with the successful implementation of the project.

5.2 The Government of the Philippines shall 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.

5.3 Ensure funds for the payment of the LWUA part of DKK 0.4 Million (?2.0 Million) the Municipal Equity contributions from the five participating municipal governments DKK 4.36 Million (P20.5 Million), and other amounts and 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.

##### **5.4 LWUA:**

a) Serves as the implementing agency in behalf of NEDA

b) Serves as the project coordinator and conduit of the DANIDA grant.

- c) Advisory and Counselling support to the WDs during Project detailed design and implementation in technical matters and decision-making.
- d) Training of WD staff in accordance with needs assessments and plans worked out by the Resident Engineer.
- e) Restructuring of WDs financial situation through a loan-servicing holiday during the Project period for present LWUA loans, and a reduced interest rate on the combined present and new loans for the financially weak WDs, and
- f) Release the materials in store or the equivalent in cash from prior Danida-supported water supply schemes, amounting to DKK 5.2 Million.
- g) Receive the funds from Danida and partly on-lent to the five Water District.

#### **5 5 LGUs:**

- a) Equity contribution to WDs equal to 10% of the capital investment costs,

Bago	- PHP 3,900
Bayawan	- PHP 3,000
Cadiz	- PHP 4,700
LaCastellana	- PHP 1,700
Talisay	- PHP 7,200
<b>TOTAL</b>	<b>PHP 20,500 Million</b>

- b) Support to WDs through representation in Water Supply Coordination Groups,
- c) In addition it should be noted that the plans exclude WD offices/workshops and fire fighting provisions. It is considered that the LGUs should provide the former and make an additional equity contribution to cover the cost of the latter, if wanted and,
- d) Acquire required land and issue necessary permits during construction.
- e) Staff for management and monitoring of the health and hygiene awareness component and the household and environmental sanitation incentives scheme and activities, and
- f) Support to WDs through representation in the Water Quality Surveillance Groups.

#### **5.6 WDs:**

- a) Self financing from the Municipal Council equity contribution of selected items of the investment plan, e.g.:

- \* The immediate improvement programmes,
- \* Water source confirmation, development and improvement,
- \* Chlorination equipment,
- \* Office equipment, and
- \* Tools and spare parts.

#### **5.7 Beneficiaries:**

- a) Payment of connection charges,

- b) Digging trenches and backfill for level 2 installations, and
- b) Digging pits for sanitary latrines and build latrine superstructure.

## **ARTICLE 6**

### **OBLIGATIONS OF THE GOVERNMENT OF DENMARK**

The Government of Denmark shall provide the following for the effective implementation of the project:

6.1 Funds for financing of Technical Assistance, (Consulting Services) and the Resident Engineer,

6.2 Direct funds for granting pipes, fittings and accessories for level 2 connections,

6.3 Direct funds for support to Department of Health for intensified health and hygiene promotions, and household and environmental sanitation incentives scheme and activities, and

6.4 Funds to LWUA to be partly granted and partly on-lent to WDs for implementing the water supply improvements and expansions.

## **ARTICLE 7**

### **SHIPMENT**

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

## **ARTICLE 8**

### **IMPORTATION, IMPORT TAXES AND OTHER PUBLIC CHARGES AND FEES**

In accordance with the financing Memorandum Agreement of 1989, 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 excise taxes, charges or deposits in connection with the issuance of payments, work permits, licenses or import licenses for all equipment, materials, supplies and spare parts supplied by Denmark to the activities agreed upon.

## **ARTICLE 9**

### **STATUS OF EXPATRIATE PERSONNEL**

9.1 The Government of the Philippines will make provision for the exemption of officers from:

- a) all taxes in respect of any emolument paid to them from Danish sources;

- b) all duties and taxes imposed on the import and export of new as well as used household goods and personal effects imported by the advisers and their families for their exclusive use within 6 months after their arrival subject to re-export on completion of tour of services or payment of duties and taxes if sold locally. The term " household goods and personal effects" shall include inter alia for each household: one