

Appendixes

1. Member List of the Study Team
2. Study Schedule
3. List of Parties Concerned in the Recipient Country
4. Minutes of Discussions (Site Survey)
Technical Note (Site Survey)
5. Minutes of Discussions (Explanation of the Draft Report)
6. Comprehensive Evaluation of the 12 Sites

Member of the Study Team

(From November 2 to December 13, 2006)

The Basic Design Study on the Project
for Rural Electrification in Northern Luzon in Republic of the Philippines

1. Mr. Hiroyuki HAYASHI
Leader
Senior Program Administration Officer, Transportation and Electric Power Team, Project Management Group I, Grant Aid Management Department, JICA
2. Mr. Michio HASEGAWA
Chief Consultant / Power Supply Planner / Specialist on the Environmental & Social Consideration
NIPPON KOEI Co., Ltd.
3. Mr. Yuichi SANO
Generating Equipment Planner I / Natural Conditions Surveyor I (Hydrological)
NEWJEC Inc.
4. Mr. Shuji NAKATA
Generating Equipment Planner II/ Hydraulic Turbine Generator)/Operation & Maintenance Planner
NIPPON KOEI Co., Ltd.
5. Mr. Hitoshi Egawa
Distribution Facilities Planner I/ Distribution Equipment Planner
NIPPON KOEI Co., Ltd.
6. Mr. Masayoshi HAYASHI
Distribution Facilities Planner II/ Natural Conditions Surveyor II (Topographic, Geology)
NEWJEC Inc.
7. Mr. Masaaki KAMEDA
Construction & Equipment Planner
NIPPON KOEI Co., Ltd.

Member of the Study Team

(From May 30 to June 8, 2007)

The Basic Design Study on the Project
for Rural Electrification in Northern Luzon in Republic of the Philippines

1. Mr. Hiroyuki HAYASHI
Leader
Senior Program Administration Officer, Transportation and Electric Power Team, Project Management Group I, Grant Aid Management Department, JICA
2. Mr. Michio HASEGAWA
Chief Consultant / Power Supply Planner / Specialist on the Environmental & Social Consideration
NIPPON KOEI Co., Ltd.
3. Mr. Yuichi SANO
Generating Equipment Planner I / Natural Conditions Surveyor I (Hydrological)
NEWJEC Inc.
5. Mr. Hitoshi EGAWA
Distribution Facilities Planner I / Distribution Equipment Planner
NIPPON KOEI Co., Ltd.

Study Schedule: from November 2 to December 13, 2006

No.	Day	Date	Stay	JICA	Consultant					
				H.Hayashi	M. Hasegawa	Y. Sano	H. Egawa	M. Hayashi	S. Nakata	M. Kameda
1	2006/11/2	Thu	Manila	Travel:NaritaJAL741/9:35)→Manila (13:25) JICA Hayashi, Consultant Hasegawa, Egawa, Kameda Osaka(TG621/10:00)→Manila(13:10) Sano, Hayashi						-ditto to left-
2	2006/11/3	Fri	Manila	Discussion with JICA Manila Office on Policy of Survey Discussion with DOE on Inception Report						-ditto to left-
3	2006/11/4	Sat	Ifugao	Travel to Site Survey Mania→Banaue Discussion with Mayor of Banaue						Preparation of Market Survey
4	2006/11/5	Sun	Cambulo	Travel:Banaue→Cambulo and Site Survey						Preparation of Market Survey
5	2006/11/6	Mon	Manila	Site Survey and Travel:Cambulo→Banaue→Manila						Meeting With DOE Marketing Survey
6	2006/11/7	Tue	Manila	Obtaining Social Survey Report at JICA Manila Office Discussion with DOE on Inception Report					Narita→Manila	Marketing Survey
7	2006/11/8	Wed	Manila	Discussion with DOE on M/D Guidance on Security Situation on Balaban in Karinga at JICA Manila Office						Marketing Survey
8	2006/11/9	Thu	Manila & Sites	Discussion with DOE on M/D Report to JICA Manila Office on M/D				Travel: Manila→Banaue		Marketing Survey
9	2006/11/10	Fri	Manila & Sites	Discussion with DOE on M/D and Signing Report to EOJ				Travel: Baneue→Pula		Marketing Survey
10	2006/11/11	Sat	Manila & Sites	Travel Manila(JAL742/14:45) →Narita(19:45)	Study on the each site	Travel: Manira→Tabuk		Site Survey Pula	Marketing Survey	
11	2006/11/12	Sun	Manila & Sites		Holiday	Travel Tabuk→Malkusad Site Survey		Site Survey Pula	Meeting with Insurance Company	
12	2006/11/13	Mon	Manila & Sites		Discussion with DOE on Site Condition	Site Survey Malkusad	Site Survey and Travel Pula→Cambulo→Banaue		Meeting with Insurance Company	
13	2006/11/14	Tue	Manila & Sites		Preparation on Selection Reason of Subcontract	Site Survey Malkusad	Data Analysis at Banaue		Visiting to Local Factory	
14	2006/11/15	Wed	Manila & Sites		Submitting above to JICA Manila Office	Site Survey Malkusad	Internal Meeting at Banaue		Preparation of Quotation Order	
15	2006/11/16	Thu	Manila & Sites		Discussion with DOE on Site Condition	Travel: Malkusad→Malign 1, 2 and Site Survey		Travel: Banaue → Maoyao→Maga and Site Survey	Visiting to Local Factory	
16	2006/11/17	Fri	Manila & Sites		Data Collection	Site Survey Maling 1,2	Site Survey Maga		Preparation of Quotation Order	
17	2006/11/18	Sat	Manila & Sites		Data Collection	Site Survey Maling 1,2	Travel: Maga→Maoyao and Site Survey		Marketing Survey	
18	2006/11/19	Sun	Manila & Sites		Holiday	Site Survey Maling 1,2	Internal Meeting at Maoyao		Preparation of Quotation Order	
19	2006/11/20	Mon	Manila & Sites		Travel Manila→Tabuk	Site Survey Maling 1,2	Site Survey Liwo 2		Survey on Transportation Company	
20	2006/11/21	Tue	Manila & Sites		Site Survey Cargaran	Site Survey Maling 1,2	Site Survey Liwo 2		Survey on Installation Company	
21	2006/11/22	Wed	Manila & Sites		Site Survey Pantikian and Talalang	Site Survey Maling 1,2	Travel Maoyao→Banaue→Manila		Meeting with Insurance Company	
22	2006/11/23	Thu	Manila & Sites		Site Survey and Travel: Maling 1,2 →Tabuk	Site Survey and Travel Maling 1,2 →Tabuk		Data Analysis at Manila	Meeting with Installation Company	
23	2006/11/24	Fri	Manila			Internal Meeting and Travel: Tabuk→Manila		Data Analysis at Manila	Survey on Installation Company	
24	2006/11/25	Sat	Manila		Internal Meeting	Internal Meeting		Internal Meeting	Marketing Survey	

Appendix 2 Study Schedule (2/2)

No.	Day	Date	Stay	JICA	Consultant					
				H.Hayashi	M. Hasegawa	Y. Sano	H. Egawa	M. Hayashi	S. Nakata	M. Kameda
25	2006/11/26	Sun	Manila & Sites		Preparation of Site Survey Report	Travel: Manila→Tabuk		Holiday		Holiday
26	2006/11/27	Mon	Manila & Sites		Survey Schedule Coordination with DOE	Travel: Tabuk →Buaya and Site Survey		Survey Schedule Coordination with DOE		Meeting with Construction Company
27	2006/11/28	Tue	Manila & Sites		Purchasing the Map at NAMRIA	Site Survey Buaya		Travel: Manila→Kayapa		Meeting with Transportation Company
28	2006/11/29	Wed	Manila & Sites		Preparation of Site Survey Report	Site Survey Buaya		Site Survey Talicabcab		Meeting with Supply Company
29	2006/11/30	Thu	Manila & Sites		Preparation of Technical Notes	Site Survey and Travel: Buaya→Tabuk		Site Survey and Travel Talicabcab→Kayap→Solano		Meeting with Installation Company
30	2006/12/1	Fri	Manila & Sites		Preparation of Technical Notes	Data Analysis at Tabuk		Data Analysis at Solano		Manila (JAL742/14:45)→Narita(19:45)
31	2006/12/2	Sat	Manila & Sites		Preparation of Site Survey Report	Travel and Site Survey Tabuk→Lubo→Dacalan		Data Analysis at Solano		
32	2006/12/3	Sun	Manila & Sites		Preparation of Site Survey Report	Site Survey Lubo and Dacalan		Travel: Solano→Binalian		
33	2006/12/4	Mon	Manila & Sites		Preparation of Site Survey Report	Site Survey Lubo and Dacalan		Site Survey Binalian		
34	2006/12/5	Tue	Manila & Sites		Preparation of Site Survey Report	Site Survey Lubo and Dacalan		Site Survey and Travel: Binalian→Solano		
35	2006/12/6	Wed	Manila & Sites		Preparation of Site Survey Report	Site Survey Lubo and Dacalan		Travel: Solano→Bayonbon→Manila		
36	2006/12/7	Thu	Manila & Sites		Summarization of Survey Result	Site Survey Lubo and Dacalan		Summarization of Survey Result		
37	2006/12/8	Fri	Manila		Summarization of Survey Result	Travel: Lubo→Manila		Summarization of Survey Result		
38	2006/12/9	Sat	Manila		Internal Meeting on Result of Survey					
39	2006/12/10	Sun	Manila		Summarization of Survey Result					
40	2006/12/11	Mon	Manila		Summarization of Survey Result					
41	2006/12/12	Tue	Manila		Coordination Meeting with Technical Assistance Program Team at JICA Manila Office Report of Survey Result to JICA Manila Office					
42	2006/12/13	Wed	Manila		Manila (JAL746/9:45)→Narita (14:45) Hasegawa, Egawa, Nakata Manila(TG620/14:25)→Osaka(19:00) Sano, Hayashi					

Study Schedule: from May 30 to June 8, 2007

No.	Day	Date	Stay	JICA	Consultant		
				H.Hayashi	M. Hasegawa	Y. Sano	H. Egawa
1	2007/5/30	Wed.	Manila	Narita(JL741/(9:35)-Manila(13:05)JICA Hayashi, Consultant Hasegawa, Egawa Osaka(TG621/(10:35)-Manila(13:25)Sano Discussion with JICA Manila office on explanation of Draft Basic Design			
2	2007/5/31	Thu.	Manila	Visitl to Japanese Embassy for explanation of policy on draft Basic Design Visit to DOE for explanation on draft Basic Design Discussion with Technical Cooperation Program Team			
3	2007/6/1	Fri	Manila	Explanation on draft Basic Design and specification of equipment to REMD Discussion with DOE and REMD about M/D			
4	2007/6/2	Sat	Manila	Internal meeting, report drafting			
5	2007/6/3	Sun	Manila	ditto			
6	2007/6/4	Mon	Manila	Explanation and discussion with DOE and REMD about draft of M/D Report to JICA Manila office on contents of M/D Internal meeting			
7	2007/6/5	Tue	Manila	Signing of M/D with DOE			
8	2007/6/6	Wed	Manila	Report to Japanese embassy on result of explanation and M/D			
9	2007/6/7	Thu	Manila	Discussion with DOE, Collection of data from NEA			
10	2007/6/8	Fri	Manila	Manila→Narita	Manila(14:25)-Narita(19:50) by JL742, Hasegawa, Egawa Manila(14:25)-Osaka(19:50) by TG620, Sano		

Person in Charge of the Project

1. Department of Energy

- | | |
|---------------------------|--|
| 1) Mr. Mariano S. Salazar | Undersecretary |
| 2) Mr. Matanog M. Mapandi | Assistant Secretary |
| 3) Mr. Mario C. Marasigan | Director of Energy Utilization Management Bureau |

2. Renewable Energy Management Division

- | | |
|---------------------------------|---|
| 1) Mr. Ronnie N. Sargento | Supervising Science Research Specialist |
| 2) Mr. Rey V. Salvania | Senior Science Research Specialist |
| 3) Mr. Arnulfo M. Zabala | Senior Science Research Specialist |
| 4) Mr. Epifanio G. Gacusan, Jr. | Senior Science Research Specialist |
| 5) Mr. Winifredo S. Malabanan | Senior Science Research Specialist |
| 6) Mr. Nelson A. Fajardo | Science Research Specialist II |
| 7) Mr. Ramon O. Jaurigue | Science Research Specialist II |
| 8) Ms. Russelle G. Pandaraoan | Science Research Specialist II |
| 9) Ms. Jennifer L. Morante | Science Research Specialist I |

Mayor of Municipality of Project Sites

- | | |
|---------------------------------|------------------------------------|
| 1) Mr. Allen Jesse C. Mangaoang | Municipality Balbalan, Kalinga |
| 2) Mr. Artemio B. Dalsen | Municipality Pasil, Kalinga |
| 3) Mr. Francisca Cawi | Municipality Tanudan, Kalinga |
| 4) Mr. Jerry U. Dalipog | Municipality Banawe, Ifgao |
| 5) Mr. Ronnie H. Lumayna | Municipality Mayoyao, Ifgao |
| 6) Mr. Tony A. Dupiano | Municipality Kayapa, Nueva Viscaya |

Barangay Captain of the Project Sites

- | | |
|------------------------------|-------------------------|
| 1) Mr. Noel Liwaliw | Barangay Maling |
| 2) Mr. Rudy Balutoc | Barangay Buaya |
| 3) Mr. Charlemagne A. Mosing | Barangay Maluksad |
| 4) Ms. Editha Lungid | Barangay Galdang |
| 5) Mr. Jaime B. Baluga | Barangay Guinaang |
| 6) Mr. Alfonso Massagan | Barangay Pugong |
| 7) Mr. Alejandrino Dinao | Barangay Dakalan |
| 8) Mr. Alex Masa-aw | Barangay Lubo(Upper) |
| 9) Mr. Alfred Pasado | Barangay Lubo(Lower) |
| 10) Mr. Dangpason Leon Sr | Barangay Lubo(Babbanoy) |
| 11) Mr. Gabriel Benohlan | Barangay Cambulo |
| 12) Ms. | Barangay Pula (Banawe) |
| 13) Mr. Montejo Omanhan | Barangay Maga |

List of Parties Concerned in the Recipient Country

- | | |
|--------------------------|---------------------|
| 14) Mr. Paul Vicente | Barangay Liwo-2 |
| 15) Mr. Joseph Pedro | Barangay Binalian |
| 16) Mr. Monto M. Macarto | Barangay Talecabcab |

5. Embassy of Japan

- | | |
|------------------|--------------------|
| 1) Yoshio Kimura | Commercial Attache |
|------------------|--------------------|

6. JICA Manila Office

- | | |
|----------------------|-----------------------------------|
| 1) Shozo Matsuura | Resident Representative |
| 2) Kenzo Iwagami | Deputy Resident Representative |
| 3) Mitsuhiro Maehara | Assistant Resident Representative |
| 4) Kuri Orui | Project Formulation Advisor |

Person in Charge of the Project

(Study from May 30 to June 8, 2007)

1. Department of Energy

- | | |
|---------------------------|--|
| 1) Mr. Mario C. Marasigan | Director of Energy Utilization Management Bureau |
| 2) Ms. Gloria M. Guiao | Chief of Budget Division |
| 3) Ms. Elena P. Abarca | Budget Division |

2. Renewable Energy Management Division

- | | |
|---------------------------------|------------------------------------|
| 1) Mr. Fortunato Sibayan | Office in Charge |
| 2) Mr. Ronnie N. Sargento | Chief, PDEM Section |
| 3) Mr. Romubo B. Callangan Jr. | Senior Science Research Specialist |
| 4) Mr. Arturo F. Torralba, Jr. | Senior Science Research Specialist |
| 5) Mr. Epifanio G. Gacusan, Jr. | Senior Science Research Specialist |
| 6) Mr. Rey V. Salvania | Senior Science Research Specialist |
| 7) Mr. Ronald T. Angeles | Science Research Specialist II |
| 8) Ms. Russelle G. Pandaraoan | Science Research Specialist II |
| 9) Mr. Ramon N. Galamgam | Science Research Specialist II |
| 10) Mr. Ida A. Madrideo | Science Research Specialist II |
| 11) Mr. Hidelita I. Villanueva | Science Research Specialist II |
| 12) Mr. Elinor P. Quinto | Science Research Specialist II |

5. Embassy of Japan

- | | |
|----------------------|--------------------|
| 1) Mr. Yoshio Kimura | Commercial Attache |
|----------------------|--------------------|

6. JICA Manila Office

- | | |
|----------------------|-----------------------------------|
| 1) Mr. Kenzo Iwagami | Deputy Resident Representative |
| 2) Ms. Keiko Asato | Assistant Resident Representative |

7. Technical Cooperation Team

- | | |
|------------------------|------------------|
| 1) Mr. Jun Tamakawa | Chief Consultant |
| 2) Mr. Mitsuru Shimizu | |
| 3) Ms. Nobuki Hayashi | |
| 4) Ms. Fumiko Osada | |

Minutes of Discussions
on the Basic Design Study on
the Project for Rural Electrification in Northern Luzon
in Republic of the Philippines


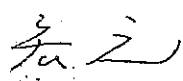
In response to the request from the Government of Republic of the Philippines (hereinafter referred to as "the Philippines"), the Government of Japan decided to conduct the Basic Design Study (hereinafter referred to as "the Study") on the project for Rural Electrification in Northern Luzon (hereinafter referred to as "the Project") and entrusted the study to the Japan International Cooperation Agency (hereinafter referred to as "JICA").

JICA sent to the Philippines the Basic Design Study Team (hereinafter referred to as "the Team"), headed by Mr. Hayashi Hiroyuki, Senior Project Administration Officer of the Transportation and Electric Power Team of the Project Management Group I, Grant Aid Management Department, JICA, and is scheduled to stay in the country from November 2 to December 13, 2006.


The Team held discussions with the concerned officials of the Government of The Philippines.

In the course of the discussions, both sides have confirmed the main items described in the attached sheets. The Team will proceed to further works and prepare the Basic Design Study Report.

Manila, November 10, 2006

Hayashi Hiroyuki
Leader
Basic Design Study Team
Japan International Cooperation Agency



Mario C. Marasigan
Director
Energy Utilization Management Bureau
Department of Energy
Republic of the Philippines

ATTACHMENT

1. Objective

The objective of the Project is to construct micro hydropower stations and distribution lines in Northern Luzon.

2. Project Site

The sites of the Project are shown in Annex-1.

3. Organizations concerned in the Philippines

The Responsible and Implementing Agency is the Department of Energy (DOE). The organization chart of DOE is shown in Annex-2.

4. Components Requested by the Government of the Philippines

After discussions with the Team, the components described in Annex-3 were finally requested by the Philippine side. JICA will assess the appropriateness of the request, and will recommend to the Government of Japan for approval.

5. Japan's Grant Aid Scheme

(1) The Philippine side understands the Japan's Grant Aid scheme and the necessary measures to be taken by the Government of the Philippines explained by the Team as described in Annex-4.

(2) The Philippine side promised to take necessary measures as described in Annex-5, for smooth implementation of the Project as a condition for the Japan's Grant Aid to be implemented.

6. Schedule of the Study

(1) The Team will proceed to further studies until December 13, 2006.

(2) JICA will prepare the draft report in English and dispatch a team to the Philippine side in order to explain its contents in the middle of May 2007.

(3) When the contents of the draft report are accepted in principle by the Government of the Philippines, JICA will complete the final report and send it to the Government of the Philippines around July 2007.

7. Other Relevant Issues

(1) The Philippine side should submit answers in English to the Questionnaire, which the Team handed to the Philippine side, by November 17, 2006.

(2) The Philippine side should provide necessary number(s) of counterpart personnel to the Team during the field survey.

(3) The Philippine side should arrange the budget allocation for securing lands for both permanent and temporary facilities, undertakings shown in Annex-4, and others described in this Minutes of Discussion. (E) (H)

(4) The Philippine side explained to the Team that the alternative sites are selected with the reasons described in Annex-6.

(5) The Team explained to the Philippine side that the candidate sites will be scrutinized based on the inventory i.e. accessibility to the site from the viewpoint of safety transportation, provisional construction period, natural conditions of the site, and results of the environmental and social considerations.

(6) The Philippine side requested the Team to carry out the training in Japan to the staff of REMD and/or relevant Local Government Unit(s) (LGUs) on operation and maintenance of new facilities as technical cooperation by JICA. The Philippine side should submit the official request regarding training with concrete contents of trainings through the Embassy of Japan/JICA Philippines Office by the end of May 2007.

(7) Both sides confirmed that the household wiring shall be, in principle, designed, procured and installed by the Philippine side. The budget allocation and implementation of the above-mentioned shall be borne by DOE.

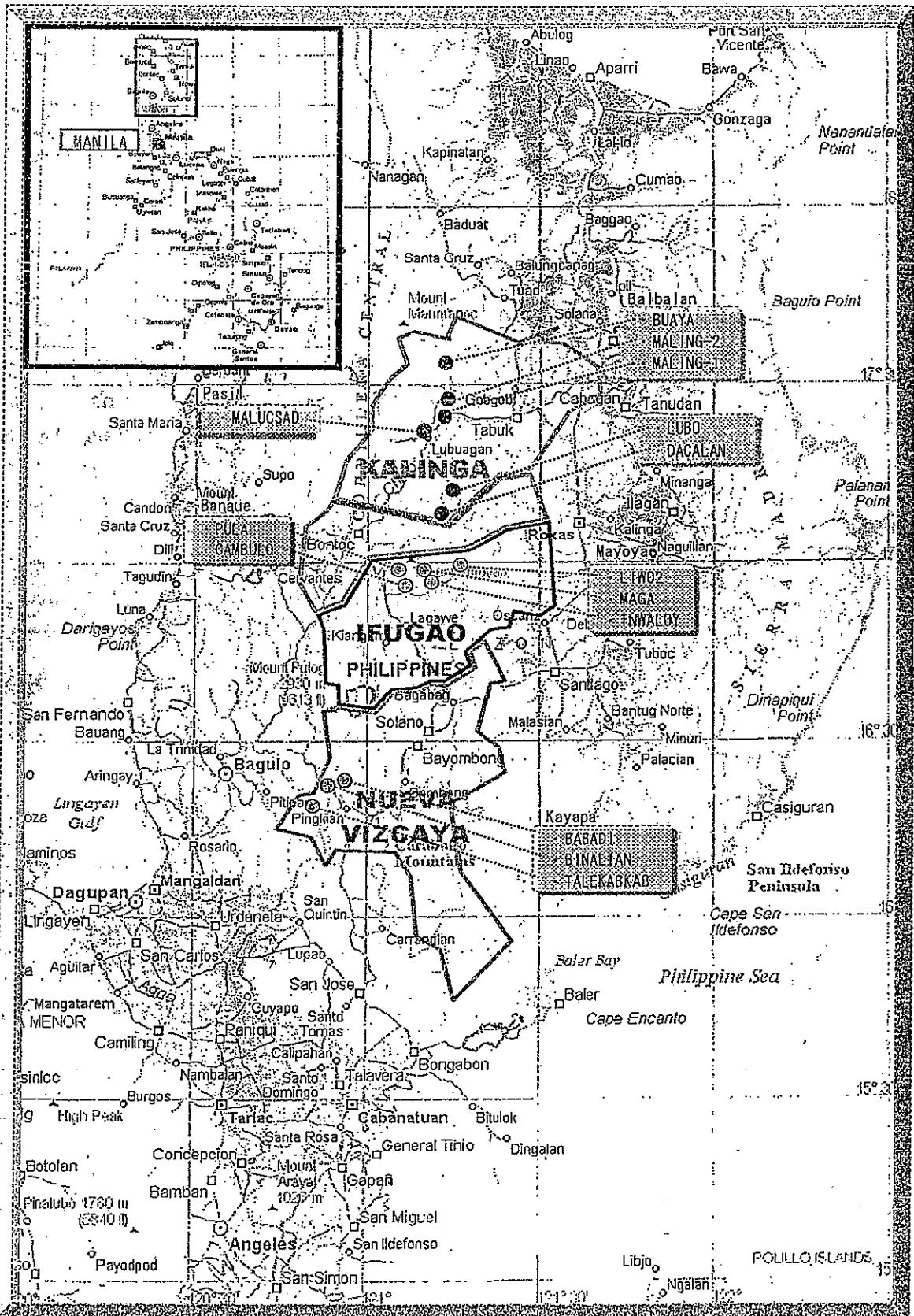
(8) The operation and maintenance of the micro hydropower stations and distribution lines should be done by the Barangay Alternative Power Association (BAPA). The Philippine side agreed to establish the BAPA for each project site by the end of March 2008.

(9) The Team requested to the Philippine side that the Philippine side should maintain the access roads to each project site for smooth transportation of the materials and/or equipment for the Project. In the case that the access roads were destroyed by natural disasters, such as landslide, flood, DOE should coordinate with related Department and/or LGU(s) to allocate the budget necessary for urgent rehabilitation of the access roads.

(10) Both sides confirmed that any candidate site, where security goes worse, should be excluded from the Project.

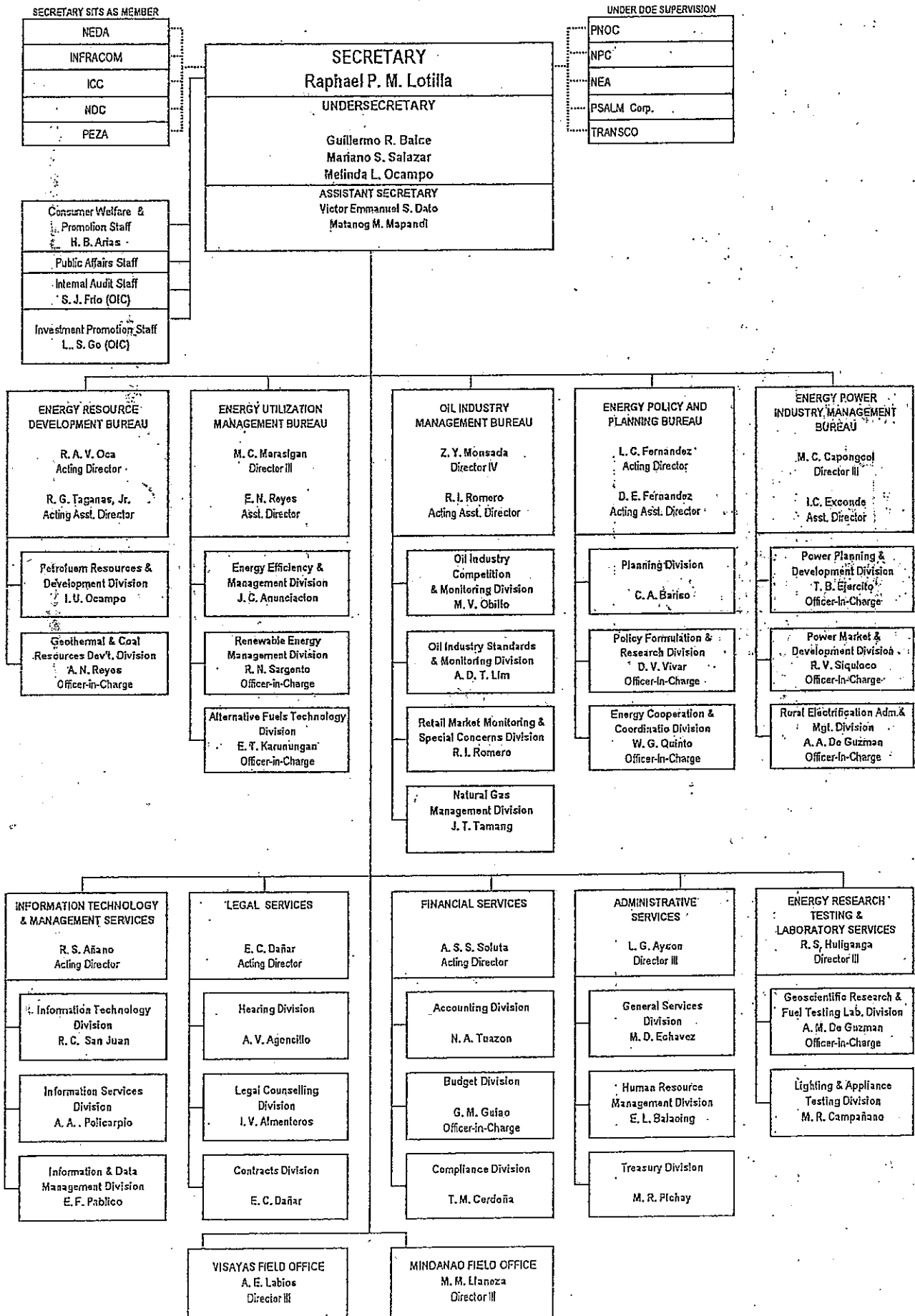
(11) The Team requested to the Philippine side that the Energy Utilization Management Bureau, DOE (EUMB) shall coordinate with the Energy Power Industry Management Bureau, DOE to avoid the duplication of the Project with other donors and EUMB report its results to the Team (through JICA Philippines Office).





The Sites of the Project

DEPARTMENT OF ENERGY



Annex-3

No.	Province	Name of Project	Micro-hydro Power Station			Transmission Line (km)
			Capacity (kW)	Head (m)	Discharge (m ³ /sec)	
1	Balbalan	Maling-2	45	40	0.19	7.0
2		Maling-1	40	17	0.4	7.0
3	Pasi	Maluksad	50	30	0.28	3.0
4	Tanudan	Dacalan	45	25	0.31	4.1
5	Banaue	Cambulo	55	27	0.35	0.8
6		Pula(Banawe)	25	55	0.08	1.0
7	Mayoyao	Inwaloy	15	40	0.06	1.6
8		Maga	20	31	0.11	1.2
9		Liwo-2	20	22	0.15	3.4
10	Kayapa	Binalian	20	20	0.17	3.0
11		Babadi	25	30	0.14	4.0
Added three requested sites						
12	Balbalan	Buaya	12	21	0.099	
13	Tanudan	Lubo	N/D	N/D	N/D	N/D
14	Kayapa	Talecabcab	8	16	0.081	

Remarks

- The data of 1 to 12 are based on the Application Form.
- The data of 12 to 14 are based on preliminary study done by GHD.
- N/D: No data.
- Length of transmission lines are to be confirmed by the Basic Design Study.

JAPAN'S GRANT AID SCHEME

The Grant Aid Scheme provides a recipient country with non-reimbursable funds to procure the facilities, equipment and services (engineering services and transportation of the products, etc.) for economic and social development of the country under principles in accordance with the relevant laws and regulations of Japan. The Grant Aid is not supplied through the donation of materials as such.

1. Grant Aid Procedures

Japan's Grant Aid Scheme is executed through the following procedures.

Application	(Request made by the recipient country)
Study	(Basic Design Study conducted by JICA)
Appraisal & Approval	(Appraisal by the Government of Japan and Approval by the Cabinet)
Determination of	(The Note exchanged between the Governments of Japan and
Implementation	recipient country)

Firstly, the application or request for a Grant Aid project submitted by a recipient country is examined by the Government of Japan (the Ministry of Foreign Affairs) to determine whether or not it is eligible for Grant Aid. If the request is deemed appropriate, the Government of Japan assigns JICA (Japan International Cooperation Agency) to conduct a study on the request.

Secondly, JICA conducts the study (Basic Design Study) using (a) Japanese consulting firm(s).

Thirdly, the Government of Japan appraises the project to see whether or not it is suitable for Japan's Grant Aid Scheme, based on the Basic Design Study report prepared by JICA, and the results are then submitted to the Cabinet for approval.

Fourthly, the project, once approved by the Cabinet, becomes official with the Exchange of Notes (E/N) signed by the Governments of Japan and the recipient country.

Finally, for the implementation of the project, JICA assists the recipient country in such matters as preparing tenders, contracts and so on.

2. Basic Design Study

(1) Contents of the study

The aim of the Basic Design Study (hereafter referred to as "the Study") conducted by JICA on a requested project (hereafter referred to as "the Project") is to provide a basic document necessary for the appraisal of the Project by the Government of Japan. The contents of the Study are as follows:

- Confirmation of the background, objectives, and benefits of the Project and also institutional capacity of agencies concerned of the recipient country necessary for the Project's implementation.
- Evaluation of the appropriateness of the Project to be implemented under the Grant Aid Scheme from a technical, social and economic point of view.
- Confirmation of items agreed on by both parties concerning the basic concept of the Project.
- Preparation of a basic design of the Project.
- Estimation of costs of the Project.

The contents of the original request are not necessarily approved in their initial form as the contents of the Grant Aid project. The Basic Design of the Project is confirmed considering the guidelines of the Japan's Grant Aid Scheme.

The Government of Japan requests the Government of the recipient country to take whatever measures are necessary to ensure its self-reliance in the implementation of the Project. Such measures must be guaranteed even though they may fall outside of the jurisdiction of the organization in the recipient country actually implementing the Project. Therefore, the implementation of the Project is confirmed by all relevant organizations of the recipient country through the Minutes of Discussions.

(2) Selection of Consultants

For smooth implementation of the Study, JICA uses (a) registered consulting firm(s). JICA selects (a) firm(s) based on proposals submitted by interested firms. The firm(s) selected carry(ies) out a Basic Design Study and write(s) a report, based upon terms of reference set by JICA. The consultant firm(s) used for the Study is(are) recommended by JICA to the recipient country to also work on the Project's implementation after the Exchange of Notes, in order to maintain technical consistency.

3. Japan's Grant Aid Scheme

(1) Exchange of Notes (E/N)

Japan's Grant Aid is extended in accordance with the Notes exchanged by the two Governments concerned, in which the objectives of the Project, period of execution, conditions and amount of the Grant Aid, etc., are confirmed.

(2) "The period of the Grant Aid" means the one fiscal year which the Cabinet approves the Project for. Within the fiscal year, all procedures such as exchanging of the Notes, concluding contracts with (a) consultant firm(s) and (a) contractor(s) and final payment to them must be completed. However, in case of delays in delivery, installation or construction due to unforeseen factors such as national disaster, the period of the Grant Aid can be further extended for a maximum of one fiscal year at most by mutual agreement between the two Governments.

(3) Under the Grant Aid, in principle, Japanese products and services including transport or those of the recipient country are to be purchased. When the two Governments deem it necessary, the Grant Aid may be used for the purchase of the products or services of a third country. However, the prime contractors, namely, consulting, constructing and procurement firms, are limited to "Japanese nationals". (The term "Japanese nationals" means persons of Japanese nationality or Japanese corporations controlled by persons of Japanese nationality.)

(4) Necessity of "Verification"

The Government of recipient country or its designated authority will conclude contracts denominated in Japanese yen with Japanese nationals. Those contracts shall be verified by the Government of Japan. This "Verification" is deemed necessary to secure accountability to Japanese taxpayers.

(5) Undertakings required of the Government of the Recipient Country

In the implementation of the Grant Aid Project, the recipient country is required to undertake such necessary measures as the following:

- a) To secure land necessary for the sites of the Project and to clear, level and reclaim the land prior to commencement of the construction,
- b) To provide facilities for the distribution of electricity, water supply and drainage and other incidental facilities in and around the sites,

- c) To secure buildings prior to the procurement in case the installation of the equipment,
- d) To ensure all the expenses and prompt excursion for unloading, customs clearance at the port of disembarkation and internal transportation of the products purchased under the Grant Aid,
- e) To exempt Japanese nationals from customs duties, internal taxes and other fiscal levies which will be imposed in the recipient country with respect to the supply of the products and services under the Verified Contracts,
- f) To accord Japanese nationals, whose services may be required in connection with the supply of the products and services under the Verified contracts, such facilities as may be necessary for their entry into the recipient country and stay therein for the performance of their work.

(6) "Proper Use"

The recipient country is required to maintain and use the facilities constructed and the equipment purchased under the Grant Aid properly and effectively and to assign staff necessary for this operation and maintenance as well as to bear all the expenses other than those covered by the Grant Aid.

(7) "Re-export"

The products purchased under the Grant Aid should not be re-exported from the recipient country.

(8) Banking Arrangements (B/A)

a) The Government of the recipient country or its designated authority should open an account in the name of the Government of the recipient country in a bank in Japan (hereinafter referred to as "the Bank"). The Government of Japan will execute the Grant Aid by making payments in Japanese yen to cover the obligations incurred by the Government of the recipient country or its designated authority under the Verified Contracts.

b) The payments will be made when payment requests are presented by the Bank to the Government of Japan under an Authorization to Pay (A/P) issued by the Government of the recipient country or its designated authority.

(9) Authorization to Pay (A/P)

The Government of the recipient country should bear an advising commission of an Authorization to Pay and payment commissions to the Bank.

(end)

Major Undertaking to be Taken by Each Government

No.	Items	To be covered by Grant Aid	To be covered by Recipient Side
1	To secure land		●
2	To Clear, level and reclaim the site when needed	●	
3	To construct gates and fences in and around the site	●	
4	To construct the parking lot	N/A	N/A
5	To maintain roads		
	1) Within the site	●	
	2) Outside the site		●
6	To construct the power house	●	
7	To bear the following commissions to the Japanese bank for banking services based upon the B/A		
	1) Advising commission of A/P		●
	2) Payment commission		●
8	To ensure unloading and customs clearance at port of disembarkation in recipient country		
	1) Marine (Air) transportation of the products from Japan to the recipient country	●	
	2) Tax exemption and customs clearance of the products at the port of disembarkation		●
	3) Internal transportation from the port of disembarkation to the project site	●	
9	To accord Japanese nationals whose services may be required in connection with the supply of the products and the services under the verified contract, such facilities as may be necessary for their entry into the recipient country and stay therein for the performance of their work.		●
10	To exempt Japanese nationals from customs duties, internal taxes and other fiscal levies which may be imported in the recipient country with respect to the supply of the products and services under the verified contract.		●
11	To maintain and use properly and effectively the facilities constructed and equipment provided under the Grant Aid		●
12	To bear all the expenses, other than those to be borne by the Grant Aid, necessary for construction of the facilities as well as for the transportation and installation of the equipment		●

(B/A: Banking Arrangement, A/P: Authorization to Pay)



Republic of the Philippines
DEPARTMENT OF ENERGY

Annex-6

12 October 2006

Mr. SHOZO MATSUURA
Resident Representative
Japan International Cooperation Agency (JICA)
40th Floor, Yuchengco Tower
RCBC Plaza, cor. Ayala Ave and
Sen. Gil J. Puyat Ave, Makati City

Dear Mr. Matsuura:

We refer to the proposed Grant-aid project entitled, "Construction of Micro-hydro Plant for the Electrification of Upland Dwellers in Northern Luzon".

We would like to inform you that as of September 2006, three (3) barangays in the original list of 14 target barangays; have been energized through grid extension. The said barangays are:

1. Bgy. Pinayag, Kayapa, Nueva Vizcaya energized in July 2005
2. Bgy. Nansiakan, Kayapa, Nueva Vizcaya energized in January 2006
3. Bgy. Tawang, Balabalan, Kalinga energized in September 2006

In this regard, we would like to request the replacement of the said barangays with other unenergized barangays such as:

1. Bgy. Talecabcab in Kayapa, Nueva Vizcaya
2. Bgy. Buaya in Balabalan, Kalinga
3. Bgy. Lubo in Tanudan, Kalinga

We recommend Bgy. Talecabcab because the potential site is among the first 20 priority sites recommended in the GHD study in-2002. We have attached the project profiles covered in the GHD study in 2002 for your reference. Moreover, Bgy. Talecabcab meets the criteria for barangay electrification.

Meanwhile, we also recommend Bgy. Buaya and Bgy. Lubo not only for having good hydropower potential but also due to the strong support of their respective local communities and LGU officials.

We would, highly appreciate your favorable action on the said requests.

Thank you for your usual support and cooperation.

More power and best regards.

Very truly yours,


MARIO C. MARASIGAN
Director
Energy Utilization Management Bureau


ENR/RNS/AFT/jlm

Technical Notes
on the Basic Design Study on
the Project for Rural Electrification in Northern Luzon
in the Republic of the Philippines

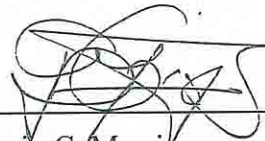
The Minutes of Discussion for the captioned study was signed between Mr. Hiroyuki Hayashi, leader of Basic Design Team and Mr. Mario C. Marasigan, Director Energy Utilization Management Bureau Department of Energy on November 10th 2006.

The Team had carried out detailed survey at the respective sites and held discussions with the engaged staffs of Department of Energy. In the course of discussions, both parties have confirmed the additional items described in the attached sheets for supplementary document of the Minutes of Discussions.

Manila, December 11, 2006



Michio Hasegawa
Chief Consultant
Basic Design Study Team
Japan International Cooperation Agency



Mario C. Marsigan
Director
Energy Utilization Management Bureau
Department of Energy
Republic of the Philippines

ATTACHMENT

1. Cancellation of two (2) Candidate Sites

By the letter subjected "Construction of Mycro-hydro Plant for the Electrification of Upland Dwellers in Northern Luzon" dated 06th November 2006 issues by Ms. M. C. Capongcol Director of Energy Power Industry Management Bureau address to Mr. Mario Marasigan, Director of Energy Utilization Management Bureau, forwarded to JICA Manila Office, it was found that the two candidate sites of BABADI in Kayapa Nueva Vizcaya and INWALOY in Mayoyao Ifugao have been already approved to energize by extending grid with the fund of DOE ER1-94 in near future.

The both parties visited and confirmed above sites with the engineers of Nueva Vizcaya Electric Cooperative and Ifugao Electric Cooperative whose covering areas are BABADI and INWALOY respectively and have confirmed that those sites are energized by the construction of grid extension with said fund by the end of 2008.

With this regards, both side have agreed to cancel the two (2) sites from the fourteen (14) candidate sites.

2. Scope of Distribution Line

Referring to clause No. 7. (7) of the Minutes of Discussion of the project, the Team explained to DOE the scope of work funded by JICA is limited as shown in Fig. TN-A1.

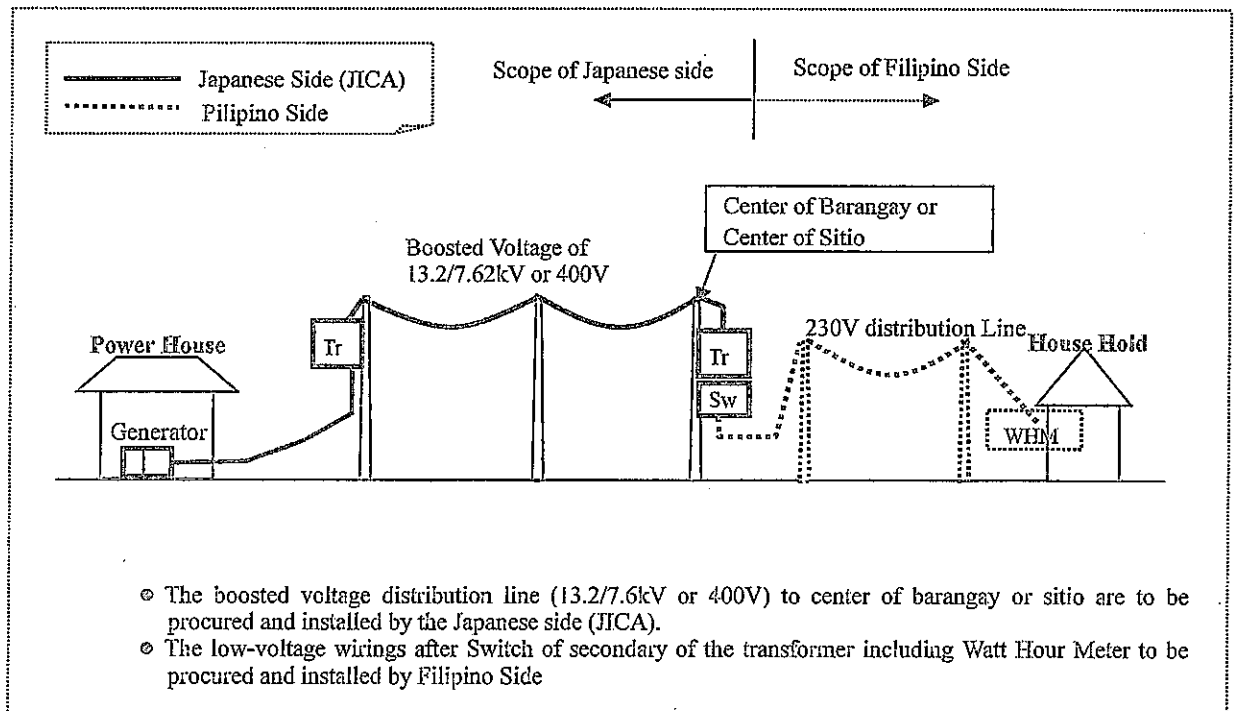


Fig. TN-A1 Scope of Works

The DOE does not agree on the suggestion at this time, and DOE shall review this further and shall provide the Team of the result by 15th of January 2007.

3. Implementation Schedule

The team explained implementation schedule of the project as shown in Fig. TN-A2.

Considering each event after the cabinet approval in Japan scheduled in July 2007, the project will be completed in end of February 2009, which is two months behind the Extended Rural Electrification Program aiming complete by end of 2008.

Year	2007						2008												2009			
Month	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	
Cabinet Approval	—																					
Exchange of Notes		—																				
Detailed Design, Preparation of Bid Document			—	—	—	—																
Tender Period							—	—														
Contract and Approval									—													
Construction	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(Seasons)	Rainy						Dry			Rainy						Dry						

Fig. TN-A2 Assumed Implementation Schedule

End ✓

AG

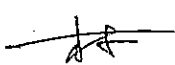
**Minutes of Discussions
on the Basic Design Study on
the Project for Rural Electrification in Northern Luzon
in Republic of the Philippines**

In November to December, 2006, the Japan International Cooperation Agency (hereinafter referred to as "JICA") dispatched a Basic Design Study Team on the Project for Rural Electrification in Northern Luzon (hereinafter referred to as "the Project") to Republic of the Philippines (hereinafter referred to as "the Philippines") and through discussion, field survey, and technical examination of the results in Japan, JICA prepared a draft report of the study.

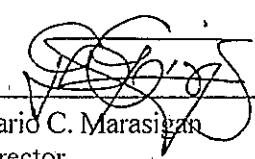
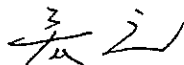
In order to explain and consult the Government of the Philippines on the components of the draft report, JICA sent to the Philippines the Draft Report Explanation Team (hereinafter referred to as "the Team"), which is headed by Mr. Hayashi Hiroyuki, Senior Project Administration Officer of the Transportation and Electric Power Team of the Project Management Group I, Grant Aid Management Department, JICA. The Team is scheduled to stay in the country from May 30 to June 8, 2007.

As a result of discussions, both sides have confirmed the main items described in the attached sheets.

Manila, June 5, 2007



Hayashi Hiroyuki
Leader
Basic Design Study Team
Japan International Cooperation Agency



Mario C. Marasigan
Director
Energy Utilization Management Bureau
Department of Energy
Republic of the Philippines

M

ATTACHMENT

1. Components of the Draft Report

The Japanese side has informed the Philippine side on the number of sites in components shown in the Draft Report.

2. Schedule of the Study

JICA will complete the Final Report in accordance with the confirmed items and send it to the Philippines side around July 2007.

3. Other Relevant Issues

(1) The Philippines side confirmed that the following major undertakings should be taken by the Philippines side at its own expenses;

- to design, procure and install the household wiring and energy meter in accordance with the Demarcation of Transmission and Distribution Line shown in **Annex-1**.
- to install the low voltage distribution line between end point of transmission line and nearby household, of which materials, i.e. poles and wires, are supplied by Japanese side.
- to maintain the access roads to each project site for smooth transportation of the materials and/or equipment for the Project as shown in the Minutes of Discussions signed on November 10, 2006 (hereinafter referred as to "the previous M/D"),
- to secure lands for both permanent and temporary facilities including compensation of damaged corps by the implementation works of the project, and
- to demolish existing facilities located in the each project site, if any.

(2) The Team requested the Philippine side to secure the necessary budget for the above-mentioned the Philippines side's scope of works, including the budget for VAT and Import Duties shown in **Annex-2**, and others shown in **Annex-5** of the previous M/D without delay.

The Philippine side would clarify on the issue of the VAT for the services of local contractor to be contracted by Japanese side by 20th of June.

(3) The Philippines side agreed to make the overall schedule with burden sharing of each party of the Philippine side up to March 2008 for establishing the Barangay Alternative Power Association (BAPA). The Philippines side should submit it to the Team through the JICA Philippines Office by end of July 2007.

(4) The Team handed three copies of the draft detailed specifications of equipment and materials to be procured of which main items and initial cost estimation are shown in **Annex-3** and **Annex-4** respectively. Both sides agreed that the draft specifications and above-mentioned initial cost estimation were confidential and should not be duplicated or released to any outside parties until the completion of the signing of the Contract(s) of the Project.



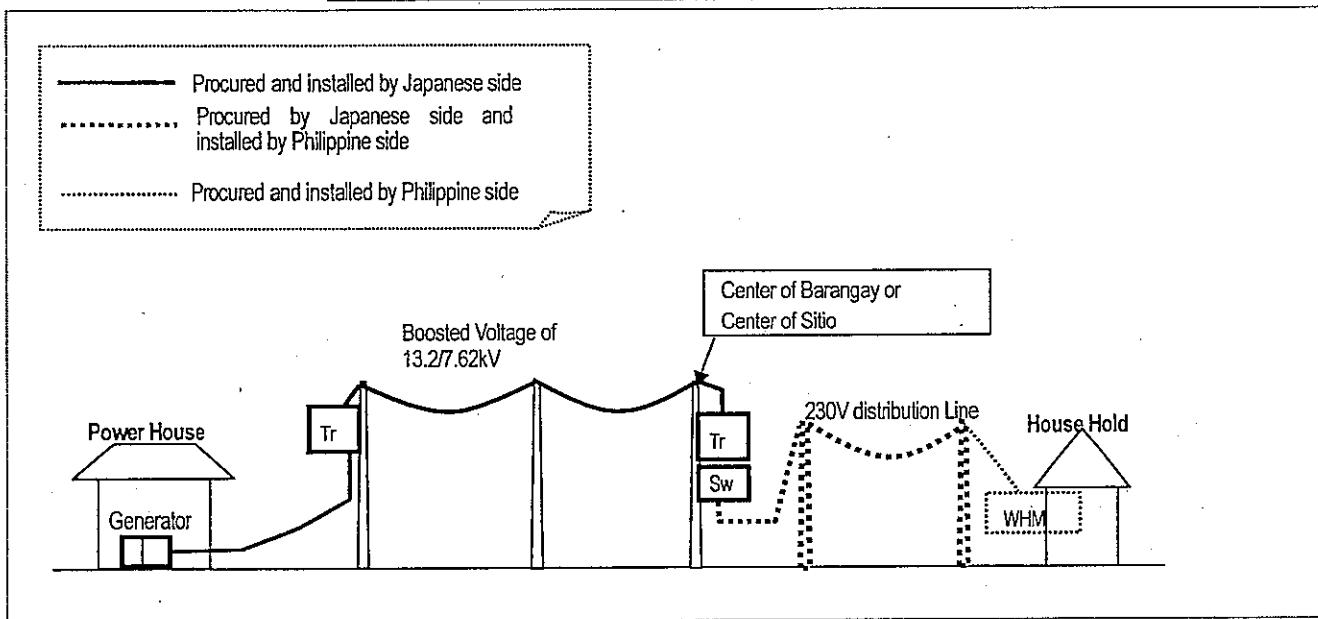
(5) The Philippines side agreed to assign at least two full time staffs to the Project for close communication and coordination with the Consultant, the Contractor, the concerned government officials, LGUs, BAPA, and local communities of Barangay, during implementation period of the Project.

***Annex-4 is excluded from the Basic Design Study Report.**

JP

JP
1

Demarcation of Transmission and Distribution Line



Scope of Work on 230V Distribution Line

Task	Target Date	Japanese Side	Philippine Side	
			LGU	BAPA
1. Procurement of the equipment and materials for distribution lines and transport to the storage yards of Barangay	Sep. 2008	○		
2. Prepare a storage yards and control the equipment and materials			○	
3. Construction work of the distribution line	Dec. 2008		○	
4. Commissioning of the distribution line	Feb. 2009		○	
5. Control of the spare parts				○
6. Maintenance of distribution line				○

JB

Handwritten signature and initials.

VAT, Duty for Japan's Grant Aid Project

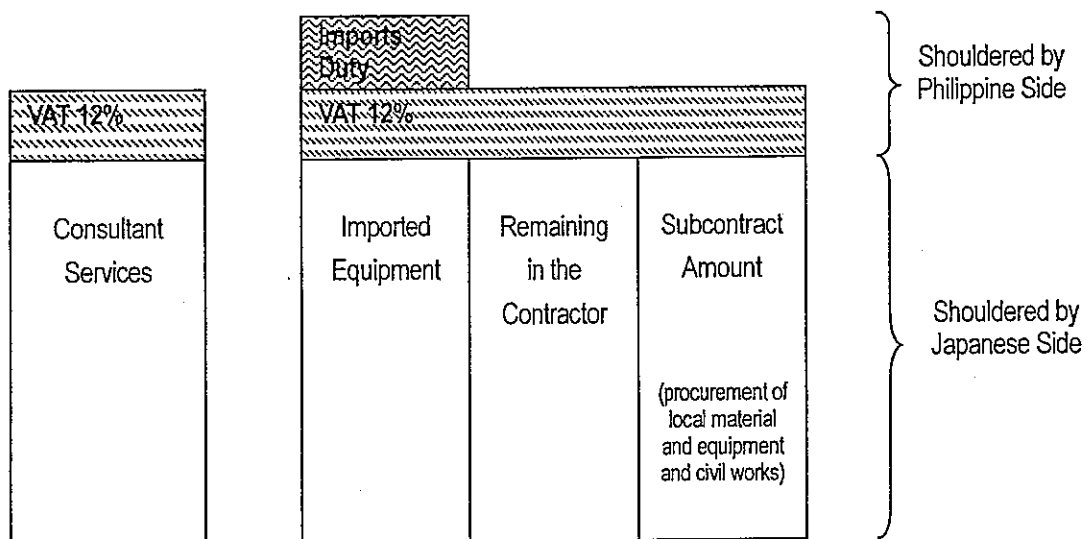
Referring Document

"REVENUE MEMORANDUM CIRCULAR No. 42-99" dated June 2, 1999 (refer to Annex-5)

"CIRCULAR LETTER No. 2006-12" dated July 27, 2006 (refer to Annex-6)

Contract to Consultant

Contract to Contractor



- The import duty shall be exempted by DOE with issuing the letter to BOC
- DOE shall pay the VAT 12% amount to the both Consultant and Contractor

[Handwritten mark]

[Handwritten mark]

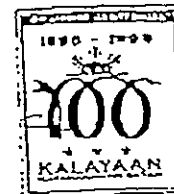
Outline of the Project

Main Items	Name of plant site					Total
	Maling -1	Maling -2	Maluksad	Cambulo	Liwo-2	
Micro Hydro Power Plant -Necessary Civil Works and Plant Building -Turbine, Generator and Protection and Control Equipment	48 kW	83kW	87kW	78kW	38kW	334kW
13.2/6.6kV Transmission Line - length is in total of 13.2/7.6kV 3phase 4wire, 2phase 3 wire and single phase 2 wire	5.4km	12.9km	3.6km	3.4km	5.6km	30.9km
230V Distribution Line - demarcation of Japanese and Philippine side is shown in Annex-1 of this M/D	3.7km (approx.)	4.7km (approx.)	5.6km (approx.)	4.7km (approx.)	3.6km (approx.)	22.3km (approx.)

1. Detailed Features of Micro-Hydro Power Plant are shown in Table 2.2-5 and 2.2-6 in Draft Report dated May 2007
2. Detailed Length of the Transmission Line are shown in Table 2.2-9 in Draft Report dated May 2007
3. Length of 230V Distribution Lines will be confirmed during Detailed Design Stage.



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE



Quezon City

June 2, 1999

REVENUE MEMORANDUM CIRCULAR NO. 4V-99

SUBJECT : Amending Revenue Memorandum Circular No. 32-99.
TO : All Internal Revenue Officers and Others Concerned.

Under the Exchange of Notes between the Japanese Government and the Republic of the Philippines for OECF Funded Projects undertaken in the Philippines, the following are the standard clauses pertaining to the tax treatment of participating Japanese contractors and nationals:

"The government of the Republic of the Philippines will exempt the Fund from all fiscal levies or taxes imposed in the Republic of the Philippines on and/or in connection with the Project Loan, the Engineering Service Package Loan, and the Commodity Loan as well as interest accruing therefrom."

"The Government of the Republic of the Philippines will, itself or through its executing agencies or instrumentalities, assume all fiscal levies or taxes imposed in the Republic of the Philippines on Japanese firms and nationals operating as suppliers, contractors or consultants on and/or in connection with any income that may accrue from the supply of products and/or services to be provided under the Project Loan."

The foregoing provisions of the Exchange of Notes mean that the Japanese contractors or nationals engaged in OECF-funded projects in the Philippines shall not be required to shoulder all fiscal levies or taxes associated with the project. Instead, the taxes shall be shouldered and borne by the executing government agencies. Hence, for the comprehensive treatment of the tax implications arising therefrom, the following rulings are hereby promulgated:

A) VALUE-ADDED TAX:

1. The invoice billings of the Japanese contractors with the executing government agencies are exempt from the 8.5% creditable VAT withholding.

BUREAU OF INTERNAL REVENUE
RECORDS DIVISION
JUN 10 1999
RECEIVED

prescribed under Section 114(C) of the National Internal Revenue Code of 1997 (then Section 110(c), old NIRC) as provided for in Revenue Memorandum Circular No. 32-99. Accordingly, the executing agencies of the Philippine government shall not withhold the 8.5% creditable VAT from the said billings of the Japanese contractors.

2. The suppliers and sub-contractors of the Japanese contractors shall bill and pass on the 10% VAT to the said Japanese contractors. The Japanese contractors, in turn, shall bill and pass on the 10% VAT to the concerned executing agencies of the Philippine government. Thus, billings to the executing government agencies shall be deemed inclusive of VAT. Since, under the Exchange of Notes, the OECF Fund shall not be used to pay for the tax, then the VAT is to be paid out of the Philippine counterpart fund.
3. The Japanese contractors shall file the prescribed VAT returns on gross receipts derived from OECF-funded projects, claim their input taxes from their purchases of goods, properties and services from their suppliers or sub-contractors, and shall pay the VAT thereon, after offsetting the allowable input taxes, considering that the amount intended for payment of the VAT has already been collected and received by the Japanese contractors or nationals from the executing government agencies as part of the total invoice price.
4. In cases where the executing government agencies previously withheld any 8.5% creditable VAT from the total billings of the Japanese contractors, said creditable VAT withholding shall be deducted against the VAT due from the Japanese contractors. Furthermore, if the VAT returns of the Japanese contractors show that there are still excess VAT payments, after applying the 8.5% creditable VAT previously withheld from the VAT due, then such excess VAT payment constitutes taxes erroneously paid and received. Pursuant to Section 204 (C) of the Tax Code of 1997, such excess tax payment shall be refunded or credited to the Japanese contractors, either in cash or Tax Credit Certificate, as the case may be, at the option of the Japanese contractors, subject to the filing of the corresponding claim with the Commissioner or with the Court of Tax Appeals within the two-year prescriptive period.

B) INCOME TAX

1. Japanese firms or nationals operating as suppliers, contractors or consultants on and/or in connection with any income that may accrue from the supply of products and/or services to be provided under the Project Loan, shall file the prescribed income tax returns. Since the executing government agencies are mandated to assume the payment thereof under the Exchange of Notes, the said Japanese firms or nationals need not pay the taxes due thereunder.

BUREAU OF INTERNAL REVENUE
RECEIPTS DIVISION

JUN 10 1999

RECEIVED

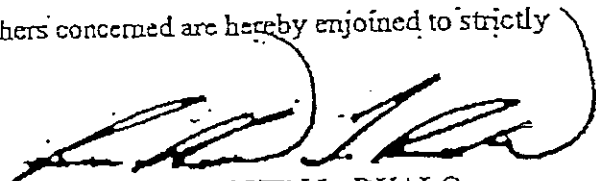
2. The concerned Revenue District Officer shall, in turn, collect the said income taxes from the concerned executing government agencies.
3. In cases where income taxes were previously paid directly by the Japanese contractors or nationals, the corresponding cash refund shall be recovered from the government executing agencies upon the presentation of proof of payment thereof by the Japanese contractors or nationals.

C) CREDITABLE EXPANDED WITHHOLDING TAX

1. The executing government agencies shall remit to the BIR the prescribed 1% creditable expanded withholding tax pursuant to the expanded withholding tax regulations, as amended by Revenue Regulations No. 2-98. However, since the executing government agencies assume payment of the income taxes due from the Japanese contractors or nationals by virtue of the agreement, the same shall not be deducted from the income payments to the Japanese contractors or nationals. Instead, the ~~executing government agencies shall~~ assume the payment thereof out of their own funds.
2. The executing government agencies shall furnish the Japanese contractors or nationals with the prescribed withholding tax statement showing the amount of the 1% creditable expanded withholding tax remitted to the BIR.
3. The 1% creditable expanded withholding tax remitted by the executing government agencies shall be credited or deducted by the Japanese contractors or nationals in computing the net income tax due as referred to in paragraph B hereof.
4. In case the executing government agencies withheld the 1% creditable expanded withholding tax from the Japanese contractors or nationals, instead of having assumed and paid the same out of their own funds as provided for under the Exchange of Notes, the corresponding cash refund shall be recovered by the Japanese contractors or nationals from the said executing government agencies.

Any ruling or revenue issuance which is inconsistent herewith is hereby amended, repealed or modified accordingly.

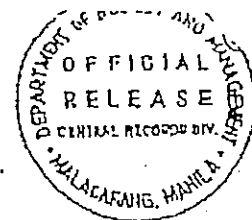
All internal revenue officers and others concerned are hereby enjoined to strictly implement the provisions of this Circular:


 BEETHOVEN L. RUALO
 Commissioner of Internal Revenue

LEG/AIO/bvy

3

BUREAU OF INTERNAL REVENUE
 RECORDS DIVISION
 JUN 10 1999
 RECEIVED



Republic of the Philippines
Department of Budget and Management
 Malacañang, Manila

CIRCULAR LETTER

No. 2006-12
 July 27, 2006

TO : Heads of National Government Agencies (NGAs), State Universities and Colleges (SUCs), Government-Owned and/or -Controlled Corporations (GOCCs), Government Financial Institutions (GFIs), Local Government Units (LGUs), and All Others Concerned

SUBJECT : Budgetary Policies and Procedures on Value Added Taxes (VAT) Arising from Foreign Donations, Grants and Loans

1.0 RATIONALE

Where loan/grant agreements or any other international agreements entered into by the Government of the Philippines (GOP) expressly prohibit the payment of any form of local/domestic taxes from loan/grant proceeds, or where the foreign contractors, suppliers or nationals engaged in foreign-assisted projects in the Philippines are not required to shoulder all fiscal levies or taxes associated with the project, the payment for such taxes shall be assumed by the Philippine Government as counterpart contribution.

National internal revenue taxes and customs duties payable by NGAs to the national government arising from foreign donations, grants and loans are treated in the national budget as part of the annually automatically appropriated budget of a government agency, without cash outlay. All other taxes and duties payable to the contractors, including VAT, are included in the annually appropriated budget of the agency. In the case of GOCCs, GFIs, SUCs and LGUs, payments for these taxes are sourced from their own funds.

However, it has been observed that there have been delays in the payment of VAT assumed by these government entities mainly due to lack of budgetary cover (peso counterpart) for the purpose.

This Circular Letter is being issued to prescribe the budgetary policies and procedures to ensure that VAT arising from foreign donations, grants and loans is included in the budgets of the respective implementing agencies.

2.0 . . . COVERAGE

- 2.1 This Circular Letter shall cover all NGAs, GOCCs, GFIs, SUCs and LGUs implementing foreign loan and grant-assisted projects.

3.0 POLICY GUIDELINES

- 3.1 All national internal revenue taxes, including VAT, shall be included in the estimated total cost of the proposed project. It shall be reflected as part of the Philippine counterpart fund.
- 3.2 VAT payable by NGAs to the *national government* arising from foreign donations, grants and loans is deemed automatically appropriated pursuant to pertinent general provisions of the annual appropriations act.
- 3.3 VAT payable by NGAs to their *contractors/suppliers* arising from foreign donations, grants and loans shall be included in the regular annually appropriated budget of the agencies, and shall be paid within the same calendar year the billing is received from the contractor/supplier.
- 3.4 The release of funds for VAT shall be within authorized appropriations and expenditure program of the national government for a given calendar year. Thus, any request for release in excess of the programmed VAT for the current year shall be deferred and proposed in the budget for the ensuing year.
- 3.5 GOCCs shall use their corporate funds to pay VAT arising from grants and loans, including those relented by the national government. Requests of GOCCs for Tax Expenditure Subsidy from the national government to cover VAT assumed by GOCCs pursuant to a valid agreement are subject to the approval of the Fiscal Incentives Review Board (FIRB) and governing guidelines under Executive Order No. 93, series of 1986, as amended.
- 3.6 SUCs that are beneficiaries or implementers of foreign loans and grants shall assume VAT out of their normative funding for Maintenance and Other Operating Expenses (MOOE) or from their internally generated income. VAT and other taxes arising from foreign grants and loans shall not be passed-on to the national government.
- 3.7 LGUs as borrowers or recipients of grants and/or loan assistance from the national government shall likewise pay the contract cost, including VAT, to the contractor or supplier of foreign-assisted projects out of their local funds.
- 3.8 In line with the previous policy per BIR Revenue Memorandum Circular No. 42-99, series of 1999, VAT arising from foreign donations, grants and loans, which are passed-on by the Japanese contractors/suppliers to implementing government entities, are

exempted from withholding tax prescribed under Section 114(c) of the National Internal Revenue Code.

Accordingly, the implementing government agencies shall not deduct the amount of VAT from the amount to be paid to the Japanese contractor/supplier.

- 3.9 Refund of erroneous or excess VAT imposed on contractors/suppliers shall be processed by the Bureau of Internal Revenue (BIR), chargeable against the BIR Tax Refund Fund, a special account in the General Fund.

4.0 SPECIFIC GUIDELINES

4.1 NGAs

4.1.1 Prior to submission of the budget proposal, agencies shall determine the estimated and unpaid VAT due on transactions arising from all foreign-assisted projects being implemented by them based on the following documents:

a. Estimated VAT

1. Projected work program for the budget year; and
2. Signed contract agreement with the contractor/supplier.

b. Unpaid prior years' VAT

1. Billing Notice from the contractor/supplier;
2. VAT Return filed by the contractor/supplier with the Revenue District Office (RDO) of the BIR (with supporting attachments); and
3. VAT payment plan previously coordinated with contractor/supplier and lending/donor institutions, if any.

4.1.2 The estimated VAT shall be reflected in the budget proposal as GOP counterpart of the project under MOOE - Taxes, Insurance Premiums and Other Fees.

4.1.3 Upon approval of the budget, agencies shall prepare their allotment release and annual cash program or a special budget request based on their work plan for the year and submit the same to the DBM. The head of the agency shall ensure that the submitted program includes the corresponding VAT for the activities to be undertaken.

4.1.4 After evaluation, the DBM shall issue the Agency Budget Matrix (ABM) or Special Allotment Release Order (SARO) to the agency. The issuance of the corresponding Notice of Cash Allocation (NCA), when necessary, shall be made either through the common fund scheme or direct payment system.

- 4.1.4.1 For those under the common fund release system, agencies need not request for the issuance of NCA to cover payment of VAT. The NCA issued for the GOP requirements of the project on a monthly or quarterly basis can be utilized to cover payment of VAT of programmed transactions.
- 4.1.4.2 For those covered under the direct payment scheme, agencies shall include the VAT claims in the List of Due and Demandable Accounts Payables for External Creditors (LDDAP-EC) which shall be submitted to the DBM on or before the 25th of every month. All LDDAP received shall be chronologically acted upon by the DBM based on the "first-in, first-out" policy, that is, according to the batch number of the LDDAP submitted by the agency.
- 4.1.5 The DBM shall issue NCA directly to the Modified Disbursement Scheme Government Servicing Bank (MDS-GSB). Agency concerned shall be provided a Letter of Advice of NCA Issued (LANCAI) to officially inform them of the NCA released.
- 4.1.6 Upon receipt of the release documents, the NGA shall obligate and liquidate obligations in accordance with the existing budgeting, accounting and auditing procedures. The VAT shall be paid out of the peso counterpart fund of the project chargeable against the regular budget of the NGA concerned.
- 4.2 GOCCs and GFIs
- 4.2.1 For VAT paid out of corporate funds
- 4.2.1.1 The GOCC or GFI shall determine the estimated or unpaid prior years' VAT arising from foreign donations, grants and loans and shall include the same in their Corporate Operating Budget required under Executive Order No. 518 based on the documents enumerated under item 4.1.1.
- 4.2.1.2 During project implementation, the VAT claim shall be processed by the GOCC or GFI upon receipt of the Billing Notice from the contractor or supplier. If it pertains to unpaid prior years' VAT, the contractor or supplier concerned shall also provide the GOCC or GFI a copy of the VAT Return filed with the RDO.
- 4.2.1.3 The GOCC or GFI concerned shall obligate and pay the amount of VAT due out of the peso

counterpart fund of the project chargeable against its corporate funds.

- 4.2.2 For VAT covered by the Tax Subsidy approved by the FIRB
- 4.2.2.1 The GOCC or GFI must first secure a Certificate of Entitlement to Subsidy (CES) from the FIRB.
- 4.2.2.2 In turn, the DBM shall issue the corresponding SARO in favor of the Bureau of the Treasury and shall provide a copy to the RDO of the GOCC or GFI concerned.
- 4.2.2.3 The settlement of VAT may follow the guidelines and procedures prescribed under Revenue Regulations No. 17-2005 dated 21 October 2005 (Providing for the Policies, Guidelines and Procedures in the Implementation of the Tax Subsidy Granted by the FIRB to Bases Conversion Development Authority for the Subic-Clark-Tarlac Expressway Project) or any alternative mechanism that may be agreed upon by all concerned parties.

4.3 SUCs and LGUs

- 4.3.1 Based on the documents enumerated under item 4.1.1, the implementing or benefited entity shall determine the estimated requirements of the project for the year, inclusive of VAT, and include the same in their annual operating budget. The head of the implementing entity shall ensure that the amount of VAT corresponding to the transactions arising from foreign-assisted projects being implemented is included within the approved budget.
- 4.3.2 During project implementation, the contractor shall submit its Billing Notice to the implementing agency together with other supporting documents that may be required by the implementing entity concerned. If it pertains to unpaid prior years' VAT, the contractor or supplier concerned shall also provide a copy of the VAT Return filed with the RDO.
- 4.3.3 The implementing entity shall obligate and pay the VAT passed-on by its contractor or supplier from the peso counterpart fund of the project chargeable against their budget.

5.0 EFFECTIVITY

This Circular Letter shall take effect immediately.

ROLANDO G. ANDAYA, JR.
Secretary

Table1 Comprehensive Evaluation of 12 Candidate Micro- Hydro Power Station Sites

: Good score, over 11 out of a total 20 possible points as a result of Comprehensive Evaluation in ⑤
Red : Poor score, less than 10

No.	Name of Barangay	① Accessibility to Grid Distribution Line Max. 5 points value	② Willingness of Local Community to Participate Max. 5 points	Number of Households	③ Potential Power (a) Demand Power (b) (a)/(b) Max. 5 points	④ Construction Cost per Household Max. 5 points	⑤ Comprehensive Evaluation ①+②+③+④	⑥ Access to Site Max. 5 points	⑦ Constraints to Construction Max. 5 points	Possibility of Construction H18.3~H19.2 12 months Lower value of ⑥ or ⑦ OK if greater than 3
1	Maling-2	End point of an existing distribution line is about 25km from the barangay on the National Road to Tabuk, the capital city of Kalinga state.	Mayor is a strong leader and is very keen on the project as attested by his participation in the site reconnaissance. The barangay captain is also a good leader and is very concerned about the project	244+218+16=478	57 (96) (59%)	0.35	OK	In all seasons of the year, small and medium size 4-wheel drive vehicles can approach both the barangay and power station site.	As river water flow is heavy, construction of a weir can only be performed in the latter part of the dry season i.e. March to May.	OK
		5	5		3	5	18	5	3	3
2	Maling-1	- ditto above -	- ditto above -	54+163=217	31 (44) (70%)	0.42	OK	In all seasons of the year, small and medium 4-wheel drive vehicles can approach the barangay. The power station site is about 1 km away, and half of the distance is accessible only by a foot path.	Construction of a weir can be performed in the dry season up to the early part of the rainy season.	OK
		5	5		3	4	17	5	5	5
3	Buaya	A distribution line was extended in 2006 to the neighboring barangay, Tawang, about 4 km from Buaya.	As the PRA was only held once, resident's willingness to participate remains to be nurtured. As sitios are scattered over a wide area in the barangay, the residents' concerns have not been consolidated yet.	146	9 (28) (32%)	1.24	NO	Ordinary cars can approach to within 14km of the barangay in the rainy season and 4-wheel drive vehicles to within 8km in the dry season. The power station site is 1 km from the barangay but there is no foot path from the barangay to the site.	Construction of a weir can be performed in the dry season up to the early part of the rainy season.	NO
		3	1		1	1	6	1	5	1
4	Maluksad	End point of an existing distribution line is about 10km from Maluksad.	The community was very cooperative, though there was less cooperation by the LGU engineer as illustrated by not participating in the site reconnaissance. Consolidation of interest in the electrification project seems difficult.	80+156+120+60=416	52 or 67 (84) (62% or 80%)	0.34	OK	Medium size trucks can approach to within 0.5km of the barangay. They can also go to the power station site in all seasons of year. There is, however, the possibility of landslides on the access road during typhoon season.	As river water flow is heavy, construction of a weir can only be performed in a limited period during the latter part of the dry season i.e. March to May.	OK
		5	3		4	5	17	4	3	3
5	Dacalan	End point of an existing distribution line is about 20km from Dacalan.	The community was very cooperative as illustrated by LGU engineer's participation in the site reconnaissance. The barangay captain is also a good leader and showed keen interest in the project.	179	36 (36) (100%)	0.51	OK	Small 4-wheel drive vehicles can approach to within 11.5km of the barangay in the dry season and small special 4-wheel drive vehicles to within 18km in the rainy season. As there is only a foot path to the power station site, transportation of equipment and materials is extremely difficult throughout the year.	As river water flow is heavy, construction of a weir can only be performed in a limited period during the end of the dry season i.e. March to May.	NO
		5	5		5	3	17	1	3	1
6	Lubo	End point of an existing distribution line is about 15km from Lubo	The community was very cooperative as illustrated by the LGU engineer's participation in the site reconnaissance. As the PRA was only held once, residents' willingness to participate remains to be nurtured.	122+127+118=367	16 (74) (22%)	0.83	NO	-ditto above- As there is only a foot path between the barangay and the power station site that is about 7km away, transportation of equipment and materials is extremely difficult throughout the year.	Construction of a weir can be performed in the dry season up to the early part of the rainy season.	NO
		5	2		1	2	10	1	5	1
7	Cambulo	A distribution line was extended to the neighboring barangay, Batad, which is about 6 km from Cambulo.	The community was very cooperative as illustrated by the LGU engineer's and staff's participation in the site reconnaissance.	274+65=339	68 (68) (100%)	0.35	OK	Small special 4-wheel drive cars can approach to within 4km of the barangay in all seasons of the year. Materials can be transported only by man power. For heavy equipment, helicopters will have to be hired.	As river water flow is heavy, construction of a weir can only be performed in a limited period during the end of the dry season i.e. March to May.	OK
		4	5		5	5	19	3	3	3

8	Pula	End point of an existing distribution line is about 8km from Pula.	The community was very cooperative as illustrated by the LGU engineer's and staff's participation in the site reconnaissance.	85	15 (17) (88%)	0.81	OK	Large size trucks can approach to within 13km of the barangay in all seasons of the year. As there is only a 50 cm wide foot path to the barangay after the end point, transportation of equipment and materials is extremely difficult in all season of the year.	Construction of a weir can be performed in the dry season up to the early part of the rainy season.	NO
		5	5		4	2	16	1	5	1
9	Maga	A distribution line will be extended to neighboring barangay, Inwaloy, by 2008, which is about 4.5 km from Maga.	The community was cooperative as illustrated by the LGU staff's participation in the site reconnaissance. The barangay captain was also very cooperative.	115	17 (23) (74%)	0.75	OK	Medium size trucks can approach to within 10km of the barangay in all seasons of the year. As there is only a 50 cm wide foot path to the barangay after the end point, transportation of equipment and materials is extremely difficult in all season of the year.	Construction of a weir can be performed in the dry season up to the early part of the rainy season.	NO
		3	4		3	2	12	1	5	1
10	Liwa-2	End point of an existing distribution line is about 8km from Liwa-2.	The community was cooperative as illustrated by the LGU staff's participation in the site reconnaissance. The barangay captain was also very cooperative.	152	30 (30) (100%)	0.49	OK	Medium size trucks can drive to the barangay in all seasons of year.	Construction of a weir can be performed in the dry season up to the early part of the rainy season.	OK
		5	4		5	4	18	4	5	4
11	Binalian	A distribution line will be extended to neighboring barangay, Babadi, by 2007, which is 1 km from Binalian	The community was cooperative as illustrated by the LGU staff's participation in the site reconnaissance.	38	8 (8) (100%)	1.22	NO	Special 4-wheel drive trucks can drive to the barangay; however, as there is normally no vehicle traffic, it is difficult to determine the condition of the access way in the rainy season.	Construction of a weir can be performed in the dry season up to the early part of the rainy season.	OK
		1	3		5	1	10	4	5	4
12	Talicabab	A distribution line has been extended to within 2km from the center of Talicabab. In addition, another distribution line runs to within 1.5km of sitio Oyawa.	The community was cooperative as illustrated by the LGU staff's participation in the site reconnaissance.	38	8 (8) (100%)	1.22	NO	Medium size 4-wheel drive trucks can drive to the barangay. However, in all seasons of year the power site must be approached along another access route on which medium 2-wheel drive trucks can approach to within 2.5km of the power site.	Construction of a weir can be performed in the dry season up to the early part of the rainy season.	OK
		1	3		5	1	10	4	4	4

Remarks: Construction cost per household is calculated based on a limited number of households (possible output power/200W).

Table 2 Implementation Schedule

Year	2007						2008												2008			
Month	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	
Cabinet Meeting (Japan)	-																					
Exchange of Notes		-																				
Detailed Design and Bidding Documents			-	-	-	-																
Tendering							-	-														
Contract/ Approval								-														
Construction									-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Rainy/Dry)			Rainy	Rainy	Rainy	Rainy	Dry	Dry	Rainy	Rainy	Rainy	Rainy	Rainy	Rainy	Rainy	Rainy	Rainy	Rainy	Dry	Dry	Dry	