MILLENNIUM CHALLENGE CORPORATION THRESHOLD PROGRAM

GRANT AGREEMENT

BETWEEN

THE UNITED STATES OF AMERICA,
ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION

AND

THE REPUBLIC OF THE PHILIPPINES,
ACTING THROUGH THE DEPARTMENT OF FINANCE

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THRESHOLD PROGRAM GRANT AGREEMENT

This THRESHOLD PROGRAM GRANT AGREEMENT (this "***Agreement***") is made between the United States of America (the "***United States***"), acting through the Millennium Challenge Corporation ("***MCC***"), and the Republic of the Philippines (the "***Philippines***"), acting through its government (the "***Government***"), represented by its Department of Finance ("***DOF***"). MCC and the Government are individually referred to in this Agreement as a "***Party***" and together, as the "***Parties***."

RECITALS

WHEREAS, MCC is authorized to provide assistance under Section 616 of the Millennium Challenge Act of 2003, as amended (the "***MCA Act***"), to selected candidate countries that have demonstrated a commitment to strengthening good governance, economic freedom, and investments in people in order to assist such countries to become eligible for a Millennium Challenge Compact (the "***Threshold Program***");

WHEREAS, MCC has selected the Philippines as eligible for the Threshold Program;

WHEREAS, the Parties wish to implement the program described herein to achieve the goals and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the "***Program***"); and

NOW, THEREFORE, the Parties agree as follows:

ARTICLE 1.

GOAL AND OBJECTIVES

Section 1.1 Program Goal. The overall goal of this Agreement is to assist the Philippines to become eligible for a Millennium Challenge Compact by supporting the implementation of critical institutional and policy reforms that address binding constraints to economic growth in the Philippines (the "***Program Goal***"). MCC's assistance provided under this Agreement seeks to strengthen good governance, economic freedom, and investments in the people of the Philippines.

Section 1.2 Project Objectives. The Program consists of the projects described in Annex I (each, a ***"Project"*** and collectively, the ***"Projects"***). The objective of each of the Projects (each, a "***Project Objective***" and collectively, the "***Project Objectives***") is as follows:

(a) to enable the delivery of more reliable, resilient, and financially sustainable power supply by energy sector actors, including electric cooperatives (the "***EDGE Project Objective***"); and

(b) to facilitate United States International Development Finance Corporation ("***DFC***") investments in the Philippines (the "***AIM Project Objective***").

ARTICLE 2.

GRANT FUNDING

Section 2.1 Grant Funding.

(a) MCC hereby grants to the Government, subject to the terms of this Agreement, an amount not to exceed sixty million United States Dollars (US$60,000,000) (the "***Grant***") to support implementation of the Program, as such Program is described in greater detail in Annex I.

(b) The Grant shall be disbursed from time to time (each, a "***Disbursement***") in accordance with the terms of this Agreement, including any conditions to Disbursement contained in this Agreement.

(c) Annex II sets forth the allocation of Grant funding for the Program.

Section 2.2 Interest. To the extent that any interest or other earnings accrue on the Grant before such funding is used for a Program purpose, the Government shall pay or transfer such amounts to MCC, in accordance with this Agreement.

Section 2.3 Government Resources; Budget.

(a) The Government shall provide all funds and other resources, and take all other actions, that are necessary to carry out the Government's responsibilities and obligations under this Agreement.

(b) The Government shall ensure that the amount of the Grant that it receives or is projected to receive in each of its fiscal years is fully accounted for and identified in its annual, public budget.

(c) Unless the Government discloses otherwise to MCC in writing, the Grant shall be in addition to, and shall not replace, the resources that the Government would otherwise receive or budget for the activities implemented under the Program.

Section 2.4 Use of the Grant.

(a) The Government shall ensure that the Grant and any Program Assets or services funded by the Grant, in whole or in part, are used solely in furtherance of this Agreement and the Program.

(b) The Government also shall ensure that no Grant funding is used for any purpose that would violate United States law or policy, as specified in this Agreement or as further notified to the Government in writing by MCC, including, but not limited to, the following purposes:

(i) for assistance to, or training of, the military, police, militia, national guard, or other quasi-military organization or unit;

(ii) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(iii) to undertake, fund, or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in MCC's *Environmental Guidelines* provided by MCC or posted at www.mcc.gov (the "***MCC Website***") and any guidance documents issued by MCC in connection with such guidelines (collectively, "***MCC Environmental Guidelines***"); or

(iv) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.5 Taxes.

(a) Unless the Parties agree otherwise, the Government shall ensure that the Grant is free from any and all existing or future taxes, duties, levies, contributions, or other similar charges (but not fees or charges for services that are generally applicable in the Philippines, reasonable in amount, and imposed on a non-discriminatory basis) ("***Taxes***") of or in the Philippines (including any such Taxes imposed by a national, regional, local, or other governmental or taxing authority of or in the Philippines). Specifically, and without limiting the generality of the foregoing, the Government agrees that the general exemption[1] of the previous sentence applies to (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works, or services introduced into the Philippines in connection with the Program; (ii) sales tax, goods and services tax, value-added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works, or services in connection with the Program; (iii) taxes and other similar charges on ownership, possession, or use of any property in connection with the Program; and (iv) taxes and other similar charges on income, profits, or gross receipts attributable to work performed in connection with the Program and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program except, in the case of this clause (iv), (A) natural persons who are citizens or permanent residents of the Philippines; and (B) legal persons formed under the laws of the Philippines (but excluding the Accountable Entity and any other entity formed for the purpose of implementing the Government's obligations hereunder).

(b) The Government agrees to use the mechanisms set forth in Annex IV to implement the requirements of Section 2.5(a). If necessary, the Parties may enter into one or more additional agreements to further define and detail the mechanisms to implement and ensure the benefits of the requirements contemplated by Section 2.5(a). Such mechanisms may include: (i) exemptions that have been granted in accordance with applicable law; (ii) refund or

[1] Under relevant Philippine law, the Government may only allow a tax assumption for this Agreement. Consequently, the general exemption required by applicable United States law for this Grant funding shall be effectuated by the detailed tax assumption mechanisms set forth in Annex IV.

reimbursement of Taxes by the Government to MCC, the Accountable Entity, or to the taxpayer; or (iii) payment by the Government to the Accountable Entity or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in this Section 2.5.

(c) If a Tax has been paid contrary to the requirements of this Section 2.5, the Government shall refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in the currency of the Philippines or United States Dollars within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or the Accountable Entity) that such Tax has been paid. Failure to refund any such amount within the specified time shall result in interest accruing on the unpaid amount in accordance with Section 6.3.

(d) The Government may not apply any portion of the Grant, including any proceeds thereof, or Program Assets, to satisfy its obligations under this Section 2.5.

ARTICLE 3.

ASSURANCES AND RESPONSIBILITIES

Section 3.1 Assurances. The Government hereby assures MCC that the information provided to MCC by or on behalf of the Government in the course of reaching this Agreement is true, correct, and complete in all material respects.

Section 3.2 Responsibilities.

(a) Principal Responsibility. The Government has principal responsibility for overseeing and supervising the implementation of the Program.

(b) Accountable Entity. The Government has established Millennium Challenge Account-Philippines ("***MCA-Philippines***") as an independent entity that shall have a board of directors and other characteristics and features as discussed in Section B of Annex I, and hereby designates MCA-Philippines to implement the Program and to exercise and perform the Government's right and obligation to oversee, manage, and implement the Program, including without limitation, managing the implementation of the Projects, allocating resources, and managing procurements. Such entity shall: (i) be referred to herein as the "***Accountable Entity***"; (ii) have the authority to bind the Government with regard to the Program (including, without limitation, the legal authority to execute contracts, grants, cooperative agreements, or other similar arrangements); and (iii) act in accordance with MCC's *Policy for Accountable Entities and Implementation Structures* provided by MCC or posted on the MCC Website (the "***MCC Accountable Entity Policy***") (to the extent applicable to the Threshold Program and as may be further instructed by MCC from time to time). The designation of the Accountable Entity contemplated by this Section 3.2(b) does not relieve the Government of any obligations or responsibilities hereunder or under any related agreement for which the Government remains fully responsible. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) Policy Performance. In addition to undertaking the specific policy, legal, and regulatory reform commitments identified in this Agreement (if any), the Government shall seek to maintain and improve its level of performance under the policy criteria identified in Section 607 of the MCA Act and under the selection criteria and methodology used by MCC.

(d) Achievement of Project Objectives. The Government shall take all necessary or appropriate steps to achieve each of the Project Objectives prior to the Completion Date (including, without limitation, funding all costs that exceed the Grant and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise).

(e) Intellectual Property. The Government shall retain ownership of any Intellectual Property developed, in whole or in part, with Grant funding. The Government hereby grants to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right, and license to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

(f) Impoundment; Liens or Encumbrances. The Government shall ensure that neither the Grant nor any asset acquired with Grant funding is at any time subject to any impoundment, rescission, sequestration, liquidation, lien, attachment, enforcement of judgment, pledge, or encumbrance of any kind (each, a "***Lien***"), except with MCC's prior written approval. In the event any Lien is nonetheless imposed, the Government shall promptly seek the release of such Lien and, if such Lien is imposed by a final non-appealable court order, shall pay any amounts due in order to obtain such release; *provided*, *however*, that the Government may not apply any portion of the Grant, including any proceeds thereof or Program Assets, to satisfy any of its obligations under this Section 3.2(f); and *provided, further,* that nothing in this Section 3.2(f) shall be deemed to waive any immunities enjoyed by the Government under international law.

(g) Insurance; Performance Guaranties. The Government shall ensure to MCC's satisfaction that all Program Assets are insured and arrange such other appropriate insurance to cover against risks or liabilities associated with the Program and the transactions contemplated thereby, including by requiring Providers or Covered Providers to obtain adequate insurance and to post adequate performance bonds or other guaranties. The Government or the Accountable Entity shall be named as the payee (or an additional insured, as the case may be) on any such insurance and the beneficiary of any such guaranty or bonds. The Government shall promptly notify MCC of the payment of any proceeds from claims paid under such insurance or guaranty, and ensure that any such proceeds are used to replace or repair any lost, stolen, or damaged Program Assets; *provided, however*, that, at MCC's election, such proceeds shall be deposited in an account as designated by or as otherwise directed by MCC.

(h) Autonomy. The Government shall ensure that (i) no decision of the Accountable Entity is modified, supplemented, unduly influenced, or rescinded by any governmental authority, except by a non-appealable judicial decision or as otherwise approved by MCC, and (ii) the authority of the Accountable Entity is not expanded, restricted, or otherwise modified, except in accordance with this Agreement or as otherwise approved by MCC in writing.

(i) Performance Liabilities. No Grant funding or any Program Assets may be used to pay any damages, including any indemnification-related payments, incurred or owed by the Government or the Accountable Entity under any agreement between the Government or the Accountable Entity, on the one hand, and any third party on the other hand.

(j) Publicity. The Government shall give appropriate publicity to this Agreement as a program to which the United States, through MCC, has contributed, including by posting this Agreement, as MCC may request, on an agreed website, identifying the Grant activity sites, and marking assets acquired with the Grant, all in accordance with MCC's *Standards for Global Marking* provided by MCC or posted on the MCC Website (the "***MCC Marking Standards***"); *provided, however,* that any press release or announcement made by or on behalf of the Government regarding MCC or the fact that MCC is making the Grant or any other publicity materials referencing MCC shall be subject to mutual coordination and MCC's prior written approval. MCC may post this Agreement on the MCC Website. MCC may also freely use any information it receives in any report or document provided to it with respect to the Program, the Grant, or this Agreement.

(k) Due Care. The Government shall carry out its obligations hereunder with, and shall ensure that the Program is implemented with, due care, efficiency, and diligence in conformity with sound technical, financial, procurement, and management practices, and in conformity with this Agreement, each Implementation Letter, the Program Guidelines, and any supplemental agreement to this Agreement.

(l) Further Assurances. The Government shall promptly do and perform such other and further acts, and take all necessary and appropriate actions, including using its best efforts to obtain all necessary approvals and consents to otherwise effectively carry out the obligations of the Government set forth in this Agreement.

(m) Cooperation with MCC Service Providers. The Government shall cooperate with MCC and MCC Service Providers in facilitating the implementation of all MCC Service Provider Contracts in accordance with this Agreement.

(n) Additional Requirements. The Government shall assist foreign personnel (including individual consultants or personnel of firms) providing goods, works, or services under this Agreement with work permits or such other documents as shall be necessary to enable the foreign personnel to perform services and to remain in the Philippines for the duration of this Agreement.

ARTICLE 4.

IMPLEMENTATION FRAMEWORK

Section 4.1 Program Implementation Plan. The Parties agree that the framework for the Program's implementation shall be further elaborated in a set of documents, in form and substance approved by MCC, consisting of: (i) the Detailed Financial Plan; (ii) one or more Procurement Plans; (iii) a Work Plan; and (iv) an Audit Plan (each, an "***Implementation Plan Document***" and, collectively, the "***Implementation Plan***"). The Government shall submit its

proposed Implementation Plan for review and approval by MCC by the timeframes set forth in this Agreement and at least on an annual basis thereafter (or in such other interval as may be required by the Program Guidelines). MCC shall review the proposed Implementation Plan and as necessary may request the Government to submit clarifications or adjustments. The Government shall submit an updated Implementation Plan or updated Implementation Plan Document during any quarter in which significant changes or modifications are made to a Project or to the Program, or when the Government determines that the expected results, targets, and milestones for the specified year are not likely to be achieved; *provided, however*, that an updated Detailed Financial Plan shall be submitted each quarter and an updated Procurement Plan shall be submitted at least every six months. In such instances, the Government shall submit to MCC for approval a proposed revised Implementation Plan or updated Implementation Plan Document, as applicable, on the same date as the next Disbursement Request is due. The Government shall ensure that the implementation of the Program is conducted in accordance with the Implementation Plan.

(a) Detailed Financial Plan. Unless MCC agrees otherwise, the Government shall develop, adopt, and implement a detailed financial plan (as approved by MCC) in accordance with the MCC Reporting Policy for all activities other than the MCC Contracted Activities (as supplemented or otherwise modified from time to time, the "***Detailed Financial Plan***"). The Detailed Financial Plan shall set forth the funding requirements (including administrative costs) for each Activity of the Program except for MCC Contracted Activities and for each Project, broken down to the Sub-activity level (or lower, where appropriate), and projected both on a commitment and cash requirement basis.

(b) Procurement Plan. The Government shall develop, adopt, and implement a procurement plan covering each procurement relating to the Program except for MCC Contracted Activities (each, a "***Procurement Plan***"), and submit such Procurement Plan to MCC for approval before commencing the relevant procurement. Each Procurement Plan shall identify, among other things, the method of procurement for the goods, works, or services to be procured. The Government shall ensure that all goods, works, or services are procured using the procurement method as approved in each Procurement Plan, and comply with the method of procurement outlined in such Procurement Plan. In addition, the Government shall develop and implement a bid challenge system ("***BCS***") for Government Contracted Activities that provides suppliers, contractors, and consultants that are interested parties the ability to seek review of procurement actions and decisions. The organization, rules, and procedures of such BCS shall be subject to MCC approval. Upon MCC's approval of the BCS, the Government shall publish the BCS on an agreed website.

(c) Work Plan. The Government shall develop, adopt, and implement a work plan, in form and substance satisfactory to MCC, for the overall administration of the Program other than the MCC Contracted Activities (the "***Work Plan***"). In addition, the Government shall develop, adopt, and implement such other work plans relating to the Projects and/or Activities as MCC may request from time to time.

(d) Audit Plan. The Government shall develop, adopt, and implement a plan, in accordance with MCC's *Accountable Entities Audit Policy & Guidelines for Contracted Financial Audits* provided by MCC or posted on the MCC Website (the "***AE Audit Policy***"), for

the audit of the expenditures under this Agreement consistent with the AE Audit Policy (the "***Audit Plan***"). The Audit Plan shall be in form and substance satisfactory to MCC and shall be developed no later than sixty days before the end of the first period to be audited. Unless MCC agrees otherwise, the Government shall engage one or more auditors as contemplated in the AE Audit Policy (each, an "***Auditor***") to undertake the audits contemplated by the Audit Plan.

Section 4.2 Monitoring and Evaluation. The Government shall develop, adopt, and implement a monitoring and evaluation plan (the "***M&E Plan***") in accordance with MCC's *Policy for Monitoring and Evaluation of Compacts and Threshold Programs* provided by MCC or posted on the MCC Website (the "***M&E Policy***"). The M&E Plan shall serve as the primary governing document for monitoring and evaluation activities for the Program.

Section 4.3 Procurement and Grants.

(a) The Government shall ensure that all procurements for goods, works, and services required to implement the Program, other than procurements related to the MCC Contracted Activities, are undertaken solely in accordance with MCC's *Accountable Entity Procurement Policy & Guidelines* provided by MCC or posted on the MCC Website (the "***PPGs***"). The PPGs include, among others, the following requirements:

(i) open, fair, and competitive procedures must be used in a transparent manner to solicit, award, and administer contracts and to procure goods, works, and services;

(ii) solicitations for goods, works, and services must be based upon a clear and accurate description of the goods, works, and services to be acquired;

(iii) contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and

(iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices shall be paid to procure goods, works, and services.

(b) The Government shall ensure that any grant issued in furtherance of the Program (each, a "***Program Grant***") is awarded, implemented, and managed in accordance with MCC's *Program Grant Guidelines* (the *"**MCC Program Grant Guidelines**"*), unless the Parties agree otherwise in writing. The MCC Program Grant Guidelines must be interpreted and applied consistent with the principle that open, competitive, and fair procedures are used in a transparent manner in the award and administration of Grants, for the accomplishment of objectives under this Agreement.

Section 4.4 Fiscal Accountability. Unless MCC agrees otherwise and other than with respect to any MCC Contracted Activities, the Government shall develop, adopt, and implement a manual (as approved by MCC) setting forth the principles, mechanisms, and procedures (the "***Fiscal Accountability Plan***") that shall be used to ensure appropriate fiscal accountability and compliance with MCC's *Cost Principles for Government Affiliates* provided by MCC or posted

on the MCC Website (the "***MCC Cost Principles***") for the use of the Grant funding. The Fiscal Accountability Plan shall include, among other things, requirements with respect to (a) budgeting; (b) accounting; (c) cash management; (d) financial transactions (receipts and payments); (e) opening and managing Permitted Accounts; (f) personnel and payroll; (g) travel and vehicle use; (h) asset and inventory control; (i) audits; and (j) reporting. The Fiscal Accountability Plan shall be revised periodically, subject to review and approval by MCC.

Section 4.5 Environmental, Social, and other Program Guidelines.

(a) Unless MCC agrees otherwise, the Government shall ensure that activities undertaken, funded, or otherwise supported, in whole or in part (directly or indirectly), by Grant funding comply with MCC's *Environmental Guidelines*, including the environmental and social performance standards set forth in the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (as in effect from time to time, the "***IFC Performance Standards***") that have been incorporated by reference into MCC's *Environmental Guidelines*. The Government also shall ensure that the Program complies with all Philippine environmental laws and regulations, licenses, and permits. Where there is a difference between Philippine laws, regulations, or policies and the standards required by this Agreement, the Program shall follow the stricter standard provided it remains in compliance with this Agreement. Unless MCC agrees otherwise, the Government shall fund all necessary costs of environmental and social mitigation measures (including, without limitation, costs of resettlement) not specifically provided for, or that exceed the amount of Grant funding specifically allocated for such costs, in the Detailed Financial Plan for any Project.

(b) Unless MCC agrees otherwise, the Government shall ensure that activities undertaken, funded, or otherwise supported, in whole or in part (directly or indirectly), by Grant funding comply with MCC's Counter-Trafficking in Persons Policy and other social analysis guidance made available on the MCC Website or otherwise made available to the Government. The Program shall comply with all Philippine laws, regulations, and policies related to counter-trafficking and social issues as relevant to the Program. Where there is a difference between Philippine laws, regulations, or policies and the standards required by this Agreement, the Program shall follow the stricter standard provided it remains in compliance with this Agreement.

(c) Unless MCC agrees otherwise, the Government shall ensure that activities undertaken, funded, or otherwise supported, in whole or in part (directly or indirectly), by Grant funding comply with the Program Guidelines, which, if not directly applicable, shall apply, *mutatis mutandis*, to the Program and this Agreement as if references in such guidelines to a "compact" were references to this Agreement.

Section 4.6 Reports.

(a) Periodic Reports. Unless MCC agrees otherwise, the Government shall provide to MCC the periodic reports required by the *MCC Policy on Accountable Entities' Submission of the Quarterly Disbursement Request Package* provided by MCC or posted on the MCC Website

(the "***MCC Reporting Policy***"), in each case timely delivered and in form and substance satisfactory to MCC.

(b) Additional Reports. In addition to the reports required by Section 4.6(a), the Government shall provide to MCC within thirty (30) days of a written request by MCC, or as otherwise agreed by the Parties, such other reports, documents, and information as MCC may request from time to time related to the Program or necessary for implementing, monitoring, or evaluating the Program.

Section 4.7 Records; Accounting; Providers; Access.

(a) Records. The Government shall maintain and use its best efforts to ensure that the Accountable Entity and any Covered Providers maintain accounting books, records, documents, and other evidence relating to the Program adequate to show, to MCC's satisfaction, the use of all Grant funding (collectively, the "***Records***"). The Government shall furnish or cause to be furnished to MCC upon MCC's request originals or copies of all such Records.

(b) Accounting. The Government shall maintain and use its best efforts to ensure that the Accountable Entity and any Covered Providers maintain Records in accordance with generally accepted accounting principles prevailing in the United States or, at the Government's option and with MCC's prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board or (ii) then prevailing in the Philippines. Records must be maintained for at least five years after the end of the term of this Agreement or for such longer period, if any, required to resolve any litigation, claims or audit findings, or any statutory requirements.

(c) Access. Upon MCC's request, the Government, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC ("***Inspector General***"), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Agreement, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review, or evaluation of the Program, the opportunity to audit, review, evaluate, or inspect facilities, assets, and activities funded, in whole or in part, by the Grant funding.

Section 4.8 Audits; Reviews.

(a) Government Audits. Unless MCC agrees otherwise, the Government shall conduct, or cause to be conducted, on an annual basis (or on a more frequent basis if requested by MCC in writing), financial audits of all Disbursements of Grant funding covering the period from signature of this Agreement until such date determined by MCC and consistent with the AE Audit Policy. Upon MCC's request, the Government shall ensure that such audits are (i) conducted by an independent auditor approved by MCC and selected in accordance with the AE Audit Policy and (ii) performed in accordance with the AE Audit Policy. Each audit must be

completed and the audit report delivered to MCC no later than the deadline as required in the AE Audit Policy, or as otherwise agreed by the Parties.

(b) Audits of Other Entities. The Government shall ensure that MCC-financed agreements between the Government and any Covered Provider state that the Covered Provider is subject to audit in accordance with the AE Audit Policy.

(c) Corrective Actions. The Government shall use its best efforts to ensure that each Covered Provider (i) takes, where necessary, appropriate and timely corrective actions in response to audits, (ii) considers whether the results of the Covered Provider's audit necessitate adjustment of the Government's records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC has the right to arrange for audits of the Government's use of Grant funding.

Section 4.9 Required MCC Approvals. Each of the following transactions, agreements, and documents require MCC's prior written approval:

(a) each Disbursement Request;

(b) Implementation Plan (including each element or component thereof), the Fiscal Accountability Plan, the M&E Plan, and any modification of any of the foregoing;

(c) all agreements between the Government and the Accountable Entity, and all agreements in which any of the following are appointed, hired, or otherwise engaged (each of the foregoing, a "***Material Agreement***"):

(i) Auditor;

(ii) Fiscal and Procurement Agent;

(iii) Bank;

(iv) Implementing Entity;

(v) a member of the Board (including any observer); and

(vi) Key Staff of the Accountable Entity (including agreements regarding compensation for any such person);

(d) any modification, termination, or suspension of a Material Agreement, or any action that would have equivalent effect;

(e) any agreement or transaction of the Accountable Entity that is not arm's-length;

(f) any pledge of any Grant funding or any Program Assets, or any incurrence of material indebtedness or any guarantee, directly or indirectly, of any indebtedness;

(g) any decree, legislation, regulation, charter, contractual arrangement, or other document establishing or governing (other than public laws of general application to all public institutions), or relating to the formation, organization, or governance of, the Accountable Entity, and any amendment, supplement, modification, repeal, or other alteration thereof or thereto (each, a "***Governing Document***");

(h) any disposition, in whole or in part, liquidation, dissolution, winding up, reorganization, or other change of the Accountable Entity;

(i) any change in character or location of any Permitted Account;

(j) (i) any change of any member of the Board, any observer, or the chairperson of the Board, the filling of any vacant seat on the Board, the replacement of any observer, or any change to the composition or size of the Board; (ii) any change of any Key Staff of the Accountable Entity, the filling of any vacant position of any Key Staff of the Accountable Entity, or any change to the composition or size of the Accountable Entity's Operations Unit;

(k) any decision by the Accountable Entity to engage, accept, or manage any funds in addition to the Grant (including from any donor agencies or organizations) prior to the Completion Date, or to engage in any activities or undertake any duties or responsibilities other than those contemplated under this Agreement or any related agreement or document;

(l) any agreement, transaction, decision, or other action or document for which MCC approval is required under any of the Program Guidelines, including the PPGs; and

(m) any decision to amend, supplement, replace, terminate, revoke, or otherwise change any of the foregoing documents or arrangements.

Section 4.10 Implementation Letters. From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Agreement, the Grant, or implementation of the Program. The Government shall use such advice in implementing the Program. The Parties may also issue jointly agreed-upon writings to confirm and record their mutual understandings on aspects related to the implementation of this Agreement or other related agreements. Both types of writings are referred to herein as "***Implementation Letters***."

Section 4.11 Service Provider Contracts. Consistent with the Activities in Annex I, either the Government or MCC, as the case may be, may procure and manage the services of one or more providers of goods, works, or services to implement each of the Activities.

(a) Government Service Provider Contracts. The Government shall procure and manage the services of providers of goods, works, or services for implementation of the Program for each of the Government Contracted Activities (each, a "***Government Service Provider***"), and the Government shall enter into contracts, in a form acceptable to MCC, with the Government Service Providers ("***Government Service Provider Contracts***"). The Government shall be the primary point of contact for each Government Service Provider throughout the term of each Government Service Provider Contract. Any and all instructions to the Government Service Provider shall be made by the Government unless otherwise provided in such Government

Service Provider Contract. No Government Service Provider Contract may be assigned by the Government without the prior written approval of MCC.

(b) MCC Service Provider Contracts. MCC shall procure and manage the services of one or more providers of goods, works, or services for each of the MCC Contracted Activities (each, a "***MCC Service Provider***") in accordance with the U.S. Government's Federal Acquisition Regulation. MCC shall enter into one or more cooperative agreements or contracts with the MCC Service Providers implementing the MCC Contracted Activities ("***MCC Service Provider Contracts***"). MCC shall be the primary point of contact for each MCC Service Provider throughout the term of each MCC Service Provider Contract. All instructions to the MCC Service Provider shall be made by and through MCC, unless otherwise provided in such MCC Service Provider Contract.

(c) For the purposes of this Agreement, (i) MCC Service Providers and Government Service Providers shall be collectively referred to herein as "***Service Providers***" and (ii) MCC Service Provider Contracts and Government Service Provider Contracts shall be collectively referred to herein as "***Service Provider Contracts***."

ARTICLE 5.

DISBURSEMENT OF GRANT FUNDING

Section 5.1 Disbursement Process.

(a) MCC Service Provider Disbursements. Except as otherwise agreed in writing by the Parties, MCC shall make Disbursements of the Grant from time to time for the MCC Contracted Activities, directly to each MCC Service Provider that has entered into an MCC Service Provider Contract with MCC (each, an "***MCC Service Provider Disbursement***"). The Government hereby consents to the MCC Contracted Activities and any related MCC Service Provider Disbursement. For the avoidance of doubt, the conditions set forth in Section 5.1(b), including those in Annex III, do not apply to MCC Service Provider Disbursements.

(b) Government Disbursement Requests. The Government may request Disbursements of the Grant by submitting a written request to MCC substantially in the form of the disbursement request package provided by MCC or posted on the MCC Website (each, a "***Disbursement Request***"), duly completed, not later than 20 days (or such other period of time as may be agreed by MCC) prior to the commencement of each Disbursement Period. Unless MCC agrees otherwise, the Government may submit only one Disbursement Request for each calendar quarter (such quarter, or any other period of time as agreed by MCC, the "***Disbursement Period***").

(c) Approval of Disbursement Requests; Release of Proceeds.

(i) Upon receipt of a Disbursement Request, MCC shall determine the appropriate aggregate amount of Disbursements permitted for the applicable Disbursement Period based on, among other things: (A) progress achieved under the Implementation Plan; (B) the amount of funds required to complete the activities described in the accompanying

Disbursement Request during such Disbursement Period; and (C) the satisfaction, waiver, or deferral of the conditions precedent applicable to the requested Disbursements.

(ii) MCC may, in its discretion, reject any Disbursement Request completely, or reject or reduce the amount of any Disbursement requested thereunder, based on among other things: (A) any modification made to, or lack of progress under, the Implementation Plan; and (B) if any condition precedent applicable to the requested Disbursements has not been satisfied, waived, or deferred. MCC shall communicate any such rejection or reduction to the Government in writing.

(iii) Subject to MCC's approval of a Disbursement Request, the proceeds of the approved Disbursements may be transferred, at MCC's election: (A) to a Permitted Account; (B) directly to a third party as payment for goods, works, or services received by the Government or the Accountable Entity, as applicable, in accordance with MCC's common payment system (the "***Common Payment System***") or any alternate payment system approved by MCC; or (C) directly to an employee of the Accountable Entity (or to the Government, as reimbursement for authorized expenses); *provided, however*, that any expenditure of such proceeds is authorized by the Government or the Accountable Entity, as applicable, and any related payment complies with the most recently approved Detailed Financial Plan and the standards and procedures set forth in the Fiscal Accountability Plan.

(iv) Unless MCC agrees otherwise, any Disbursement or financial commitment involving Grant funding may be made, and a Disbursement Request may be submitted, only if the related expense is provided for in the Detailed Financial Plan and sufficient uncommitted funds exist in the Detailed Financial Plan for that object of expense and for the relevant Disbursement Period.

(d) Permitted Accounts.

(i) Any Grant funding to be disbursed to a bank account of the Government or Accountable Entity must be deposited in a bank account (the "***Local Account***") established by the Government or the Accountable Entity, as applicable, in the local currency of the Philippines or United States Dollars, as agreed by the Parties, at a financial institution acceptable to MCC. With prior MCC approval, the Accountable Entity may establish such other bank accounts as are needed for the purposes of implementing the Program (each such other bank account, together with the Local Account, a "***Permitted Account***"). Before any Grant funding is deposited into a Permitted Account, the Government shall ensure that the Accountable Entity enters into an agreement, in form and substance satisfactory to MCC, with the financial institution approved by MCC to hold such Permitted Account (each, a "***Bank***"), which sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to such Permitted Account (each, a "***Bank Agreement***"). The Bank shall be a commercial financial institution unless MCC otherwise agrees. The terms and operation of the Permitted Accounts shall be set forth in the Fiscal Accountability Plan and the Bank Agreement.

(ii) Unless MCC agrees otherwise, Grant funding held in a Permitted Account shall accrue interest or other earnings in accordance with the applicable Bank Agreement. On a quarterly basis and upon the termination or expiration of this Agreement or the relevant Bank

Agreement, the Government shall ensure the transfer to MCC of any interest accrued on amounts held in a Permitted Account.

(iii) Unless MCC agrees otherwise, no funds shall be commingled in a Permitted Account other than Grant funding and accrued interest and earnings thereon. MCC has the right, among other things, to view any Permitted Account statements and activity directly on-line, and where such viewing is not feasible, the Government shall provide copies of such statements to MCC upon its request.

(iv) Unless MCC agrees otherwise, if Grant funding is held in any Permitted Account other than the Local Account, the Government shall ensure that such Grant funding is denominated in United States Dollars prior to release. Unless MCC agrees otherwise, to the extent that any amount of Grant funding held by a Bank in United States Dollars must be exchanged into the currency of the Philippines for any purpose, the Government shall ensure that such exchange is consistent with the requirements of the Bank Agreement.

Section 5.2 Conditions Precedent to the Initial Disbursement of Grant Funding other than MCC Service Provider Disbursements and Conditions Precedent to the Fifth Disbursement of Grant Funding other than MCC Service Provider Disbursements.

(a) Unless waived or deferred by MCC in writing, the conditions set forth in this Section 5.2(a) and the conditions set forth in Section 5.3 must be met to MCC's satisfaction before the initial Disbursement of Grant funding other than for MCC Service Provider Disbursements:

(i) Entry into Force. This Agreement has entered into force as provided in Article 8.

(b) Unless waived or deferred by MCC in writing, the conditions set forth in this Section 5.2(b) and the conditions set forth in Section 5.3 must be met to MCC's satisfaction before the fifth Disbursement of Grant funding other than for MCC Service Provider Disbursements:

(i) Implementation Plan. The Accountable Entity has developed a complete Implementation Plan; *provided, however*, that the Accountable Entity is only required to develop the Audit Plan by the time of the fifth Disbursement if so required by the AE Audit Policy.

(ii) Fiscal and Procurement Documents. The Accountable Entity has developed the Fiscal Accountability Plan (or an interim version) and an interim Procurement Operations Manual and the plan has been approved by MCC and the Board.

(iii) Permitted Account. To the extent that any portion of the Disbursement is to be held in a Permitted Account, a Bank has been engaged, the Local Account and any other required Permitted Account has been established, and the Accountable Entity has delivered to MCC a copy of the Bank Agreement.

(iv) Fiscal and Procurement Agent. The Fiscal and Procurement Agent has been engaged and the Accountable Entity has delivered to MCC a copy of the related Fiscal and Procurement Agent Agreement.

(v) Accountable Entity Governing Documents. The Accountable Entity has delivered to MCC full copies of all Governing Documents of the Accountable Entity.

Section 5.3 Conditions Precedent to Each Disbursement other than for MCC Contracted Activities. Unless waived or deferred in writing by MCC, the following conditions must be met to MCC's satisfaction before each Disbursement of the Grant other than for MCC Contracted Activities:

(a) Deliverables. The Government has delivered to MCC the following documents, in form and substance satisfactory to MCC:

(i) a completed Disbursement Request, together with the periodic reports required under Section 4.6, covering the related Disbursement Period;

(ii) a certificate from the Accountable Entity, dated as of the date of such Disbursement Request, substantially in the form provided by MCC; and

(iii) a certificate of the Fiscal and Procurement Agent, substantially in the form provided by MCC (the "***Fiscal and Procurement Agent Disbursement Certificate***").

(b) Other Conditions Precedent. MCC has determined in its discretion that:

(i) any applicable conditions precedent in Annex III have been duly satisfied, deferred, or waived pursuant to the terms of this Agreement;

(ii) the Government's representations set forth in Section 3.1 are true and correct on and as of the date of such Disbursement Request as though made on and as of such date;

(iii) no material breach of any responsibility, covenant, or obligation by the Government, the Accountable Entity, or any other Government entity has occurred and is continuing under this Agreement;

(iv) the activities to be funded with such Disbursement do not violate any applicable law or regulation;

(v) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan related to such Disbursement;

(vi) there has been progress satisfactory to MCC on the M&E Plan (including the targets set forth therein, any related baseline data collection requirements set forth therein, or

any applicable reporting requirements set forth therein for the relevant Disbursement Period) and the SAIP;

(vii) there has been no material negative finding in any financial audit report delivered in accordance with this Agreement and the Audit Plan for the prior two quarters (or such other period as the Audit Plan may require);

(viii) any Taxes paid with Grant funding through the date ninety days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.5; and

(ix) each of the Key Staff remains engaged or, if a position is vacant, the Government (a) is actively engaged, to MCC's satisfaction, in recruiting to fill that position and (b), for such period as agreed between MCC and the Government, the responsibilities of the position are covered by the relevant Government personnel.

ARTICLE 6.

COMPLETION DATE; TERMINATION AND SUSPENSION

Section 6.1 Completion Date. Unless the Parties agree otherwise, the date four years and nine months after this Agreement enters into force in accordance with Article 8 is the date by which the Parties estimate that all of the activities related to the implementation of the Program and the achievement of the Project Objectives are expected to be completed (the "***Completion Date***"). Unless MCC agrees otherwise, Grant funding may not be used for expenditures incurred after the Completion Date.

Section 6.2 Termination and Suspension; Expiration.

(a) Either Party may terminate this Agreement without cause in its entirety by giving the other Party 30 days' written notice through diplomatic channels; *provided, however,* that notwithstanding such termination, this Agreement shall continue to be effective with respect to any activity for which a Disbursement has already been issued or approved by MCC.

(b) MCC may immediately, upon written notice through diplomatic channels to the Government, suspend or terminate this Agreement or the Grant, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC as a basis for suspension or termination (whether in writing to the Government or by posting on the MCC Website) has occurred, which circumstances include, but are not limited to, the following:

(i) the Government fails to comply with its obligations or commitments under this Agreement or any other agreement or arrangement entered into by the Government in connection with this Agreement or the Program;

(ii) any statement, affirmation, or assurance of the Government made in this Agreement, any supplemental agreement, or in any certificate or other document delivered in connection with this Agreement proves to have been willfully false or misleading as of the date when made;

(iii) an event or series of events has occurred that MCC determines makes it improbable that the Program can be performed, that any of the Project Objectives can be achieved before the Completion Date, or that the Government can perform its obligations under this Agreement;

(iv) a use of the Grant or continued implementation of this Agreement would violate applicable law or United States government policy, whether now or hereafter in effect;

(v) the Government or any other person or entity receiving Grant funding or using assets acquired, in whole or in part, with Grant funding is engaged in activities that are contrary to the national security interests of the United States;

(vi) an act has been committed or an omission or an event has occurred that would render the Philippines ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq*.), by reason of the application of any provision of the Foreign Assistance Act of 1961 or any other provision of law;

(vii) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of the Philippines for assistance under the MCA Act; and

(viii) a person or entity receiving Grant funding or using assets acquired, in whole or in part, with Grant funding is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

(c) All Disbursements shall cease upon expiration, suspension, or termination of this Agreement; *provided, however*, that Grant funding may be used, in compliance with this Agreement, to pay for: (i) reasonable expenditures for goods, works, or services that are properly incurred under or in furtherance of this Agreement before expiration, suspension, or termination of this Agreement; and *provided, further,* that the request for such expenditures is submitted within 90 days after such expiration, suspension, or termination; and (ii) reasonable expenditures (including administrative expenses) properly incurred in connection with the winding up of the Program within 120 days after the expiration, suspension, or termination of this Agreement.

(d) Subject to Section 6.2(c), upon the expiration, suspension, or termination of this Agreement: (i) any amounts of the Grant not disbursed by MCC shall be automatically released from any obligation in connection with this Agreement without any action from the Government or MCC; and (ii) any amounts of the Grant disbursed by MCC to the Government but not expended before such expiration, suspension, or termination of this Agreement, including any amounts in a Permitted Account, plus accrued interest thereon, shall be returned to MCC within 30 days after the Government receives MCC's request for such return, and the Government shall ensure that such amount is returned promptly to such account(s) designated by MCC.

(e) Unless MCC agrees otherwise, at least one year prior to the expiration, or upon termination, of this Agreement, the Parties agree to consult in good faith with a view to reaching agreement in writing on (i) the treatment of the Accountable Entity after the Completion Date, (ii) the process for ensuring the refunds of Disbursements that have not yet been released from a Permitted Account or committed in accordance with Sections 6.2(c) and (d), and (iii) any other

matter related to the winding up of the Program, including the proper disposition of all Program Assets. If the Accountable Entity continues operations after the Completion Date, or following the termination of this Agreement, with sources of funding other than the Grant, the Accountable Entity shall cease to use the name and logo that it used during implementation of the Program, except as otherwise agreed by MCC.

(f) The Parties expect the effects of the Program to be long-ranging and its impact may not be measurable for several years after the Completion Date. Accordingly, the Parties agree to cooperatively monitor the results and evaluate the impacts of the Program in the Philippines after the termination or expiration of this Agreement.

(g) MCC may reinstate any suspended or terminated portion of the Grant under this Agreement if MCC determines that the Government, or other relevant person or entity, has committed to correct each condition for which the Grant was suspended or terminated.

Section 6.3 Refunds.

(a) If any Grant funding, any interest or earnings thereon, or any asset acquired, in whole or in part, with Grant funding is used for any purpose in violation of the terms of this Agreement, then MCC may require the Government to repay to MCC in United States Dollars the value of the misused portion of the Grant, interest, earnings, or asset, plus interest within sixty (60) days (or such other period as may be agreed in writing by the Parties) after the Government's receipt of the request for repayment. Interest shall accrue on such amount at a rate equal to the then-current United States Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such amount is paid in full. The Government shall not use Grant funding, proceeds thereof, or any other funds received from MCC (assets acquired with Grant funding or with any such other funds) to make such payment.

(b) Notwithstanding any other provision in this Agreement or any other existing agreement to the contrary, MCC's right under this Section 6.3 to obtain a refund shall continue during the term of this Agreement and for a period of (i) five years thereafter or (ii) one year after MCC receives actual knowledge of such violation, whichever is later.

ARTICLE 7.

GOVERNING LAW; AMENDMENTS; GENERAL

Section 7.1 Governing Law. This Agreement is an international agreement – which, for the Philippines, shall be considered as an executive agreement in accordance with Philippine laws, rules, and regulations – and shall be governed by international law.

Section 7.2 Consultations. Either Party may, at any time, request consultations relating to the interpretation or implementation of this Agreement. Such consultations shall begin at the earliest possible date.

Section 7.3 Representatives. For all purposes relevant to implementation of this Agreement, the Government acting through DOF is represented by the individual holding the position of, or

acting as, the Secretary of Finance, and the United States acting through MCC is represented by the individual holding the position of, or acting as, the Vice President of the Department of Policy and Evaluation of MCC (each of the foregoing, a "***Principal Representative***"). Each Party, by written notice to the other Party, may designate one or more additional representatives (each, an "***Additional Representative***") for all purposes of this Agreement except for purposes of Section 7.7(a). The Government acting through DOF hereby designates the Undersecretary for the International Finance Group of DOF and the Managing Director of the Accountable Entity as Additional Representatives for the Philippines. The United States acting through MCC hereby designates the Deputy Vice President of the Department of Policy and Evaluation of MCC and the Resident Threshold Director as Additional Representatives for the United States. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 7.4 Communications. Any document or communication required or submitted by either Party to the other under this Agreement must be submitted in writing and, except as otherwise agreed, in English. All such documents or communication must be submitted to the addresses set forth below or to such other address as may be designated by either Party in a written notice to the other Party.

To the Government:

Department of Finance
Attention: Secretary of Finance
(with a copy to the Undersecretary for the International Finance Group)
6/F, DOF Building, Department of Finance
Bangko Sentral ng Pilipinas Complex
Roxas Boulevard corner Pablo Ocampo, Sr. Street
Manila 1004 Philippines
Facsimile: +63 (2) 8523-4955 / 8525-4194
Telephone: +63 (2) 8523-9911 / 8525-4194
Email: secfin@dof.gov.ph / osec@dof.gov.ph
(with a copy to ifg_bilateral@dof.gov.ph)

To MCC:

Millennium Challenge Corporation
Attention: Vice President, Department of Policy and Evaluation
(with a copy to the Vice President and General Counsel, Office of General Counsel)
1099 Fourteenth Street, NW, Suite 700
Washington, DC 20005
United States of America
Facsimile: +1 (202) 521-3700
Telephone: +1 (202) 521-3600
Email: VPPolicyEvaluation@mcc.gov (Vice President, Department of Policy and Evaluation)

VPGeneralCounsel@mcc.gov (Vice President and General Counsel, Office of General Counsel)

Section 7.5 MCC Status. MCC is a United States government corporation acting on behalf of the United States government in the implementation of this Agreement and the Program. MCC and the United States assume no liability for any claims or loss arising out of activities or omissions under this Agreement. The Government waives any and all claims against MCC or the United States or any current or former officer or employee of MCC or the United States for all loss, damage, injury, or death arising out of activities or omissions under this Agreement, and agrees that it shall not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that MCC and the United States or any current or former officer or employee of MCC or the United States shall be immune from the jurisdiction of all courts and tribunals of the Philippines for any claim or loss arising out of activities or omissions under this Agreement.

Section 7.6 No Assurance of Future Assistance. Nothing contained in this Agreement creates an obligation on the part of the United States or MCC to provide any further funding or assistance, other than the Grant, in relation to any other project or program in the Philippines.

Section 7.7 Amendment.

(a) The Parties may amend this Agreement only by written agreement. Such agreement shall specify how it enters into force.

(b) Notwithstanding subsection (a), the Parties agree that the Government and MCC may by written agreement, which shall enter into force upon signature (i) modify any annex to this Agreement to, in particular, but without limitation, (A) suspend, terminate, or modify any project or activity described in Annex I or create a new project or activity, (B) add, delete, or waive any condition precedent described in Annex III, or (C) modify the designation or allocation of funds among the activities identified in Annex II; or (ii) extend the Completion Date; *provided, however,* that, in each case, any such modification (A) is consistent in all material respects with the Project Objectives, (B) does not cause the amount of the Grant to exceed the aggregate amount specified in Section 2.1(a), and (C) does not cause the Government's responsibilities or contribution of resources to be less than as specified in this Agreement. Any such modification pursuant to this subsection (b) shall not be deemed an amendment of this Agreement pursuant to subsection (a).

Section 7.8 Survival. The obligations under Sections 2.4 (Use of the Grant), 2.5 (Taxes), 3.2 (Government Responsibilities), 4.7 (Records; Accounting; Providers; Access), 4.8 (Audits; Review), 6.2 (Termination and Suspension; Expiration), 6.3 (Refunds), 7.1 (Governing Law), and this Section 7.8 (Survival) shall survive the expiration, suspension, or termination of this Agreement; *provided, however,* that the terms of Section 2.5 shall survive for only 120 days following this Agreement's expiration.

Section 7.9 Definitions; Interpretation.

(a) Except as otherwise expressly provided herein, capitalized terms used in this Agreement shall have the respective meanings provided in Annex V.

(b) Unless expressly provided otherwise: (i) each definition of or reference to any agreement, instrument, law, regulation, policy, guideline, or similar document in this Agreement (or any other agreement entered into in connection with this Agreement), unless otherwise expressly set forth herein, shall be construed as a reference to such agreement, instrument, law, regulation, policy, guideline, or similar document as it may, from time to time, be amended, revised, replaced, or extended, and shall include any agreement, instrument, law, regulation, policy, guideline, or similar document issued under or otherwise applicable or related to such agreement, instrument, law, regulation, policy, guideline, or similar document; (ii) all references herein to Articles, Sections, and Annexes shall be construed to refer to the Articles and Sections of, and Annexes to, this Agreement, all of which form an integral part of this Agreement; (iii) any use of the phrases "unless MCC agrees otherwise" or "unless the Parties agree otherwise" or similar phrases in this Agreement shall be deemed to be followed by "in writing" and any such notice, approval, or other action shall be required to be in writing; and (iv) any approval right granted to MCC herein shall only be satisfied upon the prior written approval of MCC.

Section 7.10 References to MCC Website. Each reference in this Agreement, or any other agreement entered into in connection with this Agreement, to a document or information available on, or notified by posting on, the MCC Website shall be deemed a reference to such document or information as updated or substituted on the MCC Website by MCC from time to time.

Section 7.11 Signatures. Signatures to this Agreement and to any amendment to this Agreement (and to any other legally binding international agreement related to this Agreement) shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes.

Section 7.12 Grant Reference. The Government shall include the grant reference number provided by MCC on all notices, requests, reports, or correspondence in connection with the Grant funding.

ARTICLE 8.

ENTRY INTO FORCE

Section 8.1 Date of Entry into Force. The Government shall notify MCC in writing when necessary internal Philippine procedures for this Agreement's entry into force have been completed. Following receipt of this notification, MCC shall notify the Government in writing when MCC deems the conditions precedent to entry into force set forth in Section 8.2 have been met to MCC's satisfaction and the United States' necessary internal procedures for entry into force have been completed. This Agreement shall enter into force on the date of MCC's written notification to the Government.

Section 8.2 Conditions Precedent to Entry into Force. Each of the following conditions must be fulfilled, in each case to the satisfaction of MCC, before this Agreement enters into force:

(a) The Government has delivered to MCC a signed legal opinion, in form and substance satisfactory to MCC, by the Secretary of Justice or other legal counsel of the Philippines acceptable to MCC.

(b) The Government has delivered to MCC complete, certified copies of all decrees, legislation, regulations, or other governmental documents relating to the Government's domestic requirements necessary for this Agreement to enter into force.

(c) The Government has delivered to MCC an incumbency certificate and specimen of the Government's Principal Representative.

(d) MCC has determined that, since the time of signing this Agreement, the Government has not engaged in a pattern of actions inconsistent with the eligibility criteria for MCC assistance.

Section 8.3 Provisional Application. Upon signature of this Agreement by both Parties, and until this Agreement has entered into force in accordance with Section 8.1, the Parties agree to provisionally apply the terms of this Agreement.

SIGNATURE PAGE FOLLOWS ON NEXT PAGE

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective governments, have signed this Agreement.

Done at Manila, Philippines, on this 10th day of September, 2026, in three originals, in the English language.

FOR THE UNITED STATES OF AMERICA:	**FOR THE REPUBLIC OF THE PHILIPPINES:**
/ s /	/ s /
Name: Lee Lipton Title: Ambassador to the Philippines	Name: Frederick D. Go Title: Secretary, Department of Finance

ANNEX I

PROGRAM DESCRIPTION

Unless the Parties agree otherwise, the Government shall utilize the assistance provided under this Agreement to support the following Program.

A. SUMMARY OF PROGRAM

The Program consists of the following two Projects, their activities (each, an "***Activity***" and collectively, the "***Activities***"), and their sub-activities (each, a "***Sub-activity***" and collectively, the "***Sub-activities***"):

1. Energy Development Governance Efficiency Project (the "*EDGE Project*").

The Project Objective of the EDGE Project is set forth in Section 1.2(a). The Project shall accomplish this by improving processes at the national and local levels for efficient operations and for accountable governance of electricity systems. The Project shall professionalize and modernize energy sector operations and governance, as well as enhance tools for electric cooperatives (each, an "***EC***" and collectively, "***ECs***") in pilot areas to provide more stable power supply in distribution systems. The Project aims to result in higher quality, increased cost efficiency, and accountable service delivery that can demonstrate a model to expand professionalization across the sector.

The EDGE Project comprises the following two Activities:

(a) ***Permitting and Approvals Reform for Efficiency Activity (the "PARE Activity").***

The PARE Activity, which is expected to be carried out in coordination with the Energy Regulatory Commission ("***ERC***"), seeks to improve the regulatory environment and institutional performance needed to enable faster, more transparent, and more accountable electricity sector investment and service delivery. Grant funding shall support the organizational improvement of ERC to enhance its efficiency and effectiveness. Grant funding shall support an initial assessment to further detail the anticipated interventions under this Activity. Interventions may include, but are not limited to, the following:

1. Business process assessment and reengineering, considering redesign of ERC core business workflows, including case intake, review, decision-making, issuance, monitoring, and archival processes, with the objective of reducing delays, eliminating duplication, clarifying accountability, and establishing service standards for regulatory action;
2. Digitalization of regulatory operations to support the design, procurement, and implementation of digital tools for workflow automation reform (e.g., regulatory information management system ("***RIMS***"), docket management system ("***DMS***"), and case tracking functionality);
3. Identification, development, and implementation of principles, structures, and analytics for case assessment, prioritization, fast-tracking, or other time savings;

4. Institutional capacity building, workforce strengthening, and other support related to ERC workforce hiring, development, and retention;
5. Standardization of regulatory requirements and templates to improve consistency, predictability, and quality in regulatory review; and
6. Other support to ERC related to relevant legal reforms, such as any changes that affect institutional coordination or regulatory approvals.

To the extent human capital skills gaps on the part of ERC staff for a highly functioning and effective regulatory body are known or identified during the course of the Threshold Program, Grant funding may be expended to cover the costs of customized and targeted training programs in topics such as regulatory economics, legal drafting, data analytics, and digital systems management. Grant funding also may be used to support relevant partnerships with experts and institutions.

With respect to support for RIMS and/or DMS at ERC, Grant funding may be expended in two phases: (i) assessment and (ii) acquisition and implementation. The purpose of the assessment phase would be to carry out an in-depth diagnostic of ERC's existing systems, including its current document management practices, decision-making workflows, business processes, and associated information technology ("***IT***") infrastructure. The assessment may include the following:

1. Gathering input from all relevant ERC stakeholders and mapping regulatory workflows, document management needs, decision-making bottlenecks, public-facing interfaces, IT infrastructure, integration with peripheral applications, and the ERC website;
2. Reviewing RIMS and/or DMS implementation in electricity regulatory bodies of comparable countries, examining their scope, functionalities, and limitations, to extract relevant lessons and best practices suitable for ERC;
3. Preparing, in consultation with relevant stakeholders, the draft high-level design for the proposed RIMS and/or DMS system(s), including modules, user roles, data structure, interoperability requirements, and implementation sequencing; and
4. Preparing technical and functional specifications for the complete system architecture of the RIMS and/or DMS system(s), including all software components with licensing requirements and hardware infrastructure necessary to meet ERC's operational needs as well as the necessary cybersecurity measures to ensure secure and compliant system integration and disaster recovery in full compliance with domestic requirements.

The purpose of the acquisition and implementation phase would be to acquire and install the agreed RIMS and/or DMS hardware and software systems and carry out system integration with relevant ERC and external platforms, including quality assurance testing and acceptance testing. It also would include capacity building and change management support for ERC and users of the installed systems to ensure effective user adoption and long-term sustainability.

(b) Smart Utilities for Regional Growth in Energy (the "SURGE Activity").

The SURGE Activity, which is expected to be carried out in coordination with the Department of Energy ("***DOE***"), the National Electrification Administration ("***NEA***"), and the National Power Corporation ("***NAPOCOR***"), seeks to enhance the ability of ECs to operate efficiently, effectively, and equitably in service of their customers. The Activity shall support governance, technological, and operational interventions to achieve increased cost efficiency and more reliable energy service at the EC level. It shall include the following Sub-activities:

(i) Electric Cooperative Strengthening Sub-activity**.**

This Sub-activity shall support the development and execution of strategic roadmaps for pilot ECs to enable reliable, resilient, and economically sustainable power supply and facilitate coordination within and improvements to the ecosystem in which they work.

MCA-Philippines shall identify the pilot ECs subject to MCC's approval and based on factors such as, but not limited to, the size of the service area under management, potential for lowering universal charge for missionary electrification ("***UCME***"), proximity to corridors of economic growth, projected demand growth and scale of suppressed demand, composition of customer base, financial condition, geographical heterogeneity, and EC management interest in improving performance.

Following the selection of any pilot EC, Grant funding shall support a diagnostic (to be undertaken with the support of external consultants to be procured by MCA-Philippines and funded by Grant funding) of the pilot EC's operations, governance, financial position, service performance, and investments needed to improve its efficiency and deliver better value for its community. The diagnostic also shall include the identification of opportunities for regional collaboration and procurement reform, the establishment and verification of indicators by which to measure the EC's performance and hold it accountable for delivering services to customers, and other relevant considerations.

Grant funding also may support a roadmap for each EC, as agreed by the Parties, based on the outcome of that EC's diagnostic. In addition, Grant funding may support the execution of one or more interventions identified in the respective EC's roadmap. Such interventions may include, but are not limited to, supporting ECs to:

1. Improve stakeholder (e.g., community, local government) engagement as a foundation for planning and investment;
2. Develop and implement a plan for data collection and management, using appropriate and advanced tools to assess technical, operational, and financial challenges;
3. Reduce system losses, both technical and non-technical;
4. Implement best practices to achieve effective and good governance;
5. Implement collaborative or reformed procurement processes for goods and services, including the competitive selection process ("***CSP***"), that may enable cost savings for pilot ECs and their neighbors;

6. Enhance capacity for planning and forecasting capital investment;
7. Align with economic development goals that have implications for demand growth and the potential for expansion of productive uses of electricity, including among micro, small, and medium enterprises that provide in-demand services;
8. Improve preparation of plans, rate cases, and other submissions requiring NEA, DOE, and ERC approval;
9. Strengthen key performance indicator ("***KPI***") frameworks to align with roadmap recommendations and industry best practices; and
10. Implement training, professional development, and recruitment practices to build EC capacity as needed to implement roadmap recommendations.

Grant funding also may support collaboration and coordination with local government units (each, a "***LGU***" and collectively, "***LGU***s"), customers, and other relevant stakeholders, such as, but not limited to, the National Commission on Indigenous Peoples and the Department of Environment and Natural Resources, around issues such as permitting processes, demand forecasting and its alignment with economic development goals, LGU energy plans, or other initiatives. Attention shall be paid to the customs and culture of LGUs, ensuring that motivations for and barriers to change are accounted for within the Sub-activity's design.

Grant funding may support the development and adoption of standardized materials and construction specifications for ECs to promote a more uniform, cost effective, and disaster resilient approach to network development and maintenance.

In addition, Grant funding may support the definition of standard technical and communication protocols to ensure that EC-level systems are interoperable with each other and can, where needed, interface or ultimately integrate with the main grid and national level systems. This would include minimum requirements for data formats, communication interfaces, and cybersecurity, so that future upgrades and grid interconnections are technically feasible, at lower cost, and do not lock ECs into incompatible, vendor-specific solutions. These protocols may be integrated into the existing transmission and distribution grid codes maintained by ERC. The Sub-activity may include assessments of existing deployments and configurations in the country to identify conflicts and gaps and may cover distribution utilities ("***DUs***"), generators, and the transmission system.

(ii) <u>Grids Digitalization Pilot Sub-activity.</u>

This Sub-activity shall support the implementation of targeted grid digitalization measures in pilot ECs (and other proximate ECs, as applicable and agreed), to demonstrate practical, cost-effective tools that directly improve reliability, efficiency, resilience, and service quality. Interventions under this Sub-activity shall align with existing mandates in place from (a) DOE as it relates to the introduction of smart grids and Supervisory Control and Data Acquisition ("***SCADA***") systems for the Philippine power industry and for DUs for the purpose of ensuring the quality, reliability, security, and affordability of the supply of electric power; and (b) ERC for the deployment of Advanced Metering Infrastructure ("***AMI***") on the part of DUs to promote

energy efficiency, enhance system reliability, strengthen security measures, and advance the development of an intelligent and sustainable distribution network.

The targeted grid digitalization measures shall be tied to clearly identified operational problems and measurable performance improvements and may include:

1. System automation and substation upgrades;
2. AMI;
3. SCADA systems;
4. Geographic Information Systems ("***GIS***");
5. Forecasting and network planning software;
6. Outage management or asset monitoring tools, where relevant;
7. Connectivity, cybersecurity, and systems integration support;
8. System loss disaggregation software; and
9. Training and maintenance support to ensure effective use and sustainability.

As with the RIMS and/or DIMS implementation at ERC, Grant funding shall be expended in two phases: (i) diagnostic assessment of each pilot EC's grid digitalization needs with the support of an external consultant, and (ii) the acquisition and implementation of targeted grid digitalization measures in those pilot ECs, with a focus on practical, cost-effective tools that directly improve reliability, efficiency, and resilience. The grid digitalization investments shall encompass procurement through testing, commissioning, and handover, along with the requisite capacity building and training for utility staff and users to ensure optimal utilization, maintenance, and longevity of the newly deployed systems.

Where appropriate, investments made under this Sub-activity may be carried out in coordination with existing efforts of counterparts such as NEA, the Department of Science and Technology ("***DOST***"), and University of Philippines - Diliman ("***UP***"). Additionally, selection of investments for ECs may be informed by roadmaps being developed by the ECs themselves under the National Smart Grid Policy Framework.

(iii) Blended Finance Facility for Infrastructure Investments Sub-activity.

This Sub-activity shall support the creation of a blended finance facility to facilitate capital flows from private, quasi-public, and public providers, thereby supporting strategic investments by, and co-investments with, ECs to increase operating efficiency. Capital flows shall be targeted to de-risk investments in energy infrastructure, add lower-cost generation capacity, improve reliability and quality of power, and/or increase EC resilience.

The facility shall be designed based on an assessment of the existing financial landscape of capital providers to ECs, including the supply of capital and market encumbrances. The facility shall be open to all ECs. The facility size, demand for projects, and availability of financing shall determine

its mode(s) of intervention (e.g., guarantee facility, direct grants, etc.), which shall be further defined in the assessment and design process.

The facility shall serve as a pilot for the long-term development of tools to serve the sector. Investments receiving support via the blended finance facility shall benefit from expedited processing by ERC consistent with Philippine law.

2. American Investment Mechanism Project (the "*AIM Project*").

The Project Objective for the AIM Project is set forth in Section 1.2(b). The AIM Project may focus on identifying, preparing, and developing potential projects for possible DFC investment. Specific transactions to be supported by the AIM Project shall be subject to mutual agreement by the Parties in writing and shall be consistent with the missions of both MCC and DFC, as well as all applicable statutory requirements and authorities of the Parties. Specific transactions pursued under the AIM Project are not guaranteed to reach financial close. A portion of Grant funding under this Project may be used to support transaction preparation.

Any unused or excess Grant funding allocated to the AIM Project may be reallocated to other appropriate Projects, Activities, or Sub-activities under the Program, as agreed by the Parties.

B. IMPLEMENTATION ARRANGEMENTS

The Program shall be implemented by MCA-Philippines, the Accountable Entity designated in Section 3.2(b). The roles and responsibilities of the various entities involved in implementation are set forth below.

1. MCC.

MCC shall take all appropriate actions to carry out its responsibilities in connection with this Agreement and the Program, including, without limitation, exercise of its approval rights. MCC oversight of the Program is expected to include an MCC Resident Threshold Director and Deputy Resident Threshold Director based in Manila and an implementation support team from MCC headquarters, as well as MCC-managed consultants, who work in the Philippines from time to time as necessary to perform their duties.

MCC shall ensure that MCC Contracted Activities are implemented with due care, efficiency, and diligence in conformity with sound technical, financial, procurement, and management practices, and in conformity with this Agreement.

2. MCA-Philippines.

(a) Establishment of the Accountable Entity.

The Government has established MCA-Philippines as a government-owned and controlled corporation pursuant to Executive Order No. 849 (series of 2009) by the President of the

Philippines, as amended, and as such, MCA-Philippines is subject to Philippine laws, rules, and regulations.

(b) Independence and Autonomy.

MCA-Philippines shall have operational and legal independence, including, *inter alia*, the ability to (1) enter into contracts in its own name; (2) sue and be sued; (3) establish a bank account in its own name; (4) expend Grant funding; and (5) engage contractors, consultants, and grantees.

The internal operations of MCA-Philippines shall be governed by the terms and conditions of this Agreement, any related MCC policies, and the Governing Documents, which shall include bylaws providing further details on MCA-Philippines's internal operations. The bylaws must be in form and substance satisfactory to MCC. MCA-Philippines shall be administered and managed by a board of directors (the "***Board***") and an operations unit (the "***Operations Unit***").

(c) Board of Directors.

The Board shall have ultimate responsibility for the oversight, direction, and decisions of MCA-Philippines, as well as the overall implementation of the Program. It comprises 7 voting members. The Board shall be composed of the following:

1. Secretary of Finance, in an ex-officio capacity;

2. Secretary of Budget and Management, in an ex-officio capacity;

3. Secretary of Economy, Planning, and Development, in an ex-officio capacity;

4. Secretary of Energy, in an ex-officio capacity;

5. Chairperson and Chief Executive Officer of ERC, in an ex-officio capacity; and

6. Two non-Government representatives (e.g., representatives from the private sector, civil society, academia, or representatives from geographically diverse communities) to be selected by the Government in consultation with MCC.

The members of the Board may be represented by alternates appointed pursuant to the Governing Documents. The non-Government representatives shall be selected through an open and transparent process in form and substance satisfactory to the Government and MCC. In addition, the Managing Director of MCA-Philippines and MCC's Resident Threshold Director in the Philippines shall serve as a non-voting observer of the Board. Other non-voting members may be included as named in the Governing Documents. MCA-Philippines may also establish other non-executive and non-supervisory bodies, such as advisory councils or stakeholder committees.

(d) Operations Unit.

The Operations Unit shall report to the Board and have principal responsibility for the day-to-day operations of MCA-Philippines. The Operations Unit shall be led by the Managing Director of MCA-Philippines and shall be composed of the directors and officers as agreed

between MCC and the Government. The Government shall conduct an open and competitive recruitment for Grant-funded positions within MCA-Philippines. The Key Staff shall be supported by appropriate additional staff to enable the Operations Unit to execute its roles and responsibilities, subject to MCC approval and availability of Grant funds.

MCA-Philippines shall be supported by Philippines-funded staff as needed, and the Government shall provide such other in-kind support as required for the performance of MCA-Philippines's duties. During the implementation of the Program, the Government shall be responsible for the provision of suitable office space and associated utilities for MCA-Philippines.

(e) Other Philippine Government Entities.

The Government shall ensure that Philippine government entities cooperate with the Accountable Entity in the implementation of the Program. As needed, the Accountable Entity and such other Philippine government entities shall enter into appropriate agreements to memorialize such cooperation and to assure the sustainability and maintenance of any Program Assets.

(f) Fiscal and Procurement Management.

Unless MCC agrees otherwise, the Accountable Entity shall engage one or more individuals or a firm with expertise in financial management to serve as fiscal and procurement agent (the "***Fiscal and Procurement Agent***"). It is expected that the Fiscal and Procurement Agent shall perform all services necessary to ensure that: (1) all financial management activities related to the Program are conducted in strict compliance with the terms of this Agreement, the MCC Cost Principles, and other related MCC policies, and (2) all Program-related procurements are conducted in strict compliance with the terms of this Agreement, the PPGs, and other related MCC policies.

C. MONITORING AND EVALUATION

This Section C of Annex I outlines the monitoring and evaluation ("***M&E***") framework for this Agreement, which shall be further elaborated in the M&E Plan. The actual structure and content of the M&E Plan, which may differ from those specified in this Annex, shall be agreed to by the Parties in accordance with the M&E Policy. The M&E Plan may be modified from time to time as described in the M&E Policy without requiring an amendment to this Annex. The M&E Plan shall be posted publicly on the MCC Website and updated as necessary.

MCC shall waive its M&E Policy for AIM Project investments. DFC shall articulate a rationale for AIM Project investments, deploy its Impact Quotient System to assess potential impact, and track and publish selected performance data. MCC shall rely on DFC analytical and monitoring processes for AIM Project investments and shall not develop a theory of change, track results, or conduct its typical monitoring and evaluation.

1. General.

MCC and the Government shall formulate and agree to, and the Government shall implement or cause to be implemented, an M&E Plan that explains in detail how and what MCC and the

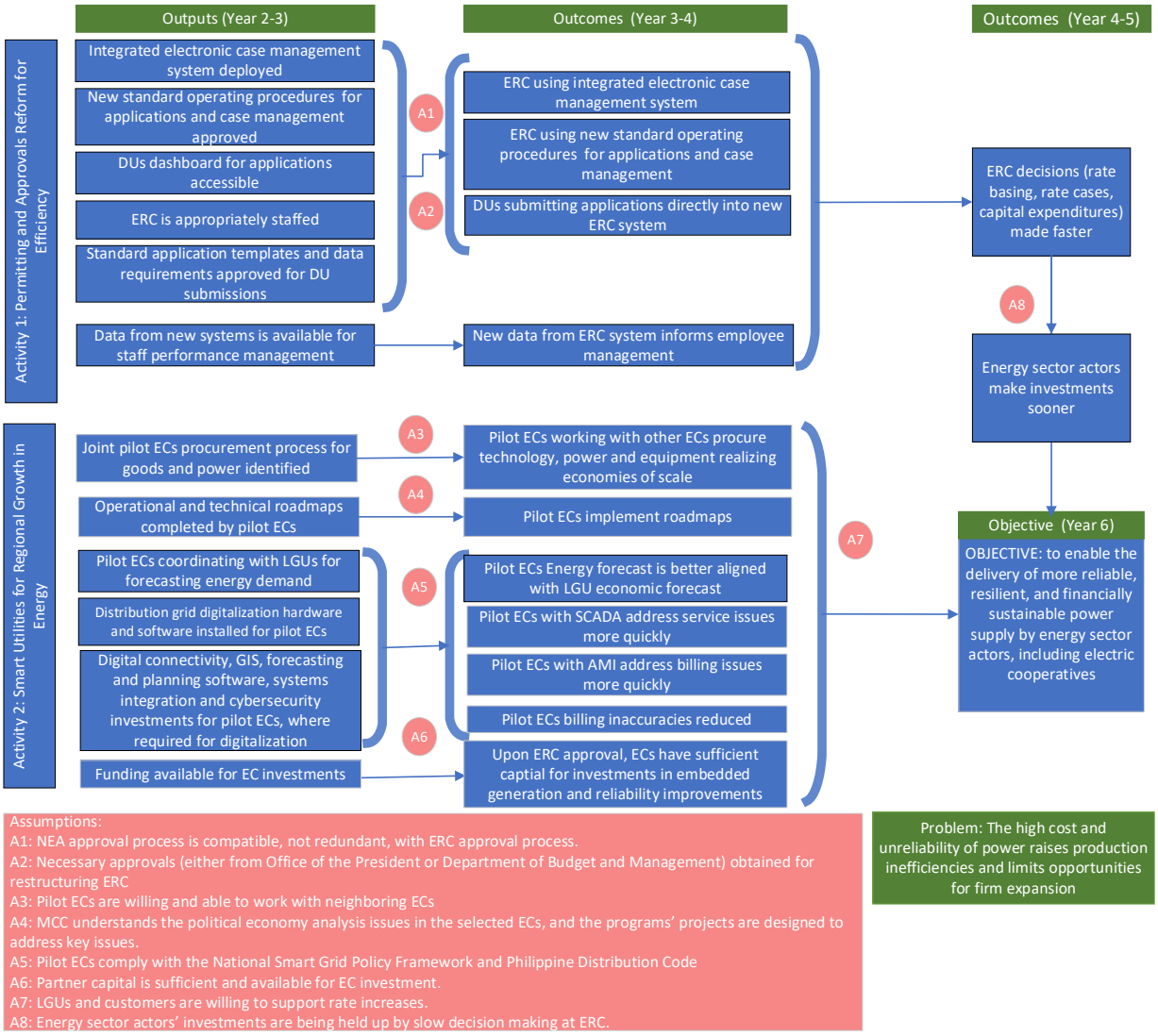
Accountable Entity shall (i) monitor to determine whether the Projects are on track to achieve their intended results ("***Monitoring Component***"), and (ii) evaluate the achievement of intended results for accountability and learning ("***Evaluation Component***"). The M&E Plan shall summarize all Indicators that must be reported to MCC on a regular basis, as well as the Indicators and complementary data to be collected for evaluation of the Program. The M&E Plan shall also include any M&E requirements that the Accountable Entity must meet in order to receive Disbursements and shall serve as a communication tool so that the Accountable Entity staff and other stakeholders clearly understand the Project Objectives and Targets that the Accountable Entity is responsible for achieving. The results of M&E activities, measured by monitoring data and evaluations, shall be made publicly available on the website of the Accountable Entity and on the MCC Website.

2. Program Logic.

The M&E approach for each Project is built on the project logic diagram, which illustrates the cause-and-effect theory of how a Project's interventions work together to achieve the Project Objective and details key intermediate results expected along the way. The project logic diagram provides a graphical representation of the Project as described in Section A of Annex I of this Agreement and of the impacts targeted by the Project.

The project logic diagram for the EDGE Project is as follows:

EDGE Project Logic



(a) EDGE Project Logic.

The unreliable, inadequate supply of electricity represents a binding constraint to economic growth in the Philippines. The EDGE Project seeks to relieve this constraint through work to improve power sector governance and operations. The EDGE Project shall enable the delivery of more reliable, resilient, and financially sustainable power supply by energy sector actors, including ECs. To achieve this objective, the Project shall improve processes at the national and local levels for efficient operations and for accountable governance of electricity systems. The Project shall professionalize and modernize governance in pilot ECs, as well as enhance tools for stable power supply in distribution systems. The Project, if its objective is achieved, shall result

in higher quality, improved cost efficiency, and accountable service delivery that can demonstrate a model to expand professionalization across the sector.

The Accountable Entity shall work in close coordination with other donors and relevant stakeholders in the sector to ensure that efforts are not duplicated.

(b) Key Assumptions.

A brief list of key assumptions is also presented in the project logic diagram. Namely, in relation to ERC, it is assumed that NEA's approval processes are compatible with and not redundant to ERC's processes. It is mainly these two entities that determine the length of time that ECs wait for approvals. In addition, approval processes within ERC are slowed because of inadequate staffing. ERC needs and is seeking government approval to restructure and add more staff, especially engineering staff.

To lower costs for goods and improve the provision of power, it is assumed that regional procurement centers and/or consolidated solicitations for power shall offer the necessary equipment and technology at discounted, bulk prices and when needed. If pilot ECs are spread around the country, pilot ECs will need to work with neighboring ECs to realize these savings. EC governance is complicated, involving multiple actors at both the national and local levels. Operational and technical roadmaps are expected to identify political economy issues, among other topics, and help address them.

ECs must comply with the National Smart Grid Policy Framework and Philippine Distribution Code. The Project, via investments in grid monitoring technology, is currently consistent with these initiatives. Due to long wait times for approvals, financing for investments that were approved is sometimes insufficient when approvals are obtained. The Project includes funds, assumed to be sufficient, to bridge this gap. At the local level, ECs must work with LGUs to obtain access to rights of way and other permits while also potentially seeking LGU support of ECs' implementation of rate increases. The Project shall coordinate with LGUs in the ECs' franchise area. Lastly, the Project assumes that ERC approvals are the main factor holding up investments. Addressing this bottleneck should shorten the time from energy-sector investment proposals to investments.

3. Monitoring Component.

As defined in the M&E Policy, monitoring is the continuous, systematic collection of data on specified Indicators to measure progress toward project objectives and the achievement of intermediate results along the way. The Monitoring Component of the M&E Plan summarizes the monitoring strategy to monitor progress toward achieving the results of this Program, which requires identifying the (i) Indicators, (ii) definitions of the Indicators, (iii) Baselines and Targets, (iv) sources and methods for data collection, (v) frequency for data collection, (vi) reporting requirements, including the party or parties responsible for collecting, analyzing, and reporting relevant data, along with the process and timeline for reporting on each Indicator to MCC, and (vii) approach to assessing and ensuring data quality. It should be noted that some Indicators continue to be tracked after the Completion Date as necessary.

(a) Indicators.

The M&E Plan shall measure the results of the Program using quantitative or qualitative variables that provide a simple and reliable means to measure achievement of targeted results ("***Indicators***").

(i) Definitions.

The M&E Plan shall establish definitions for every Indicator. Indicator definitions should be operationally precise, such that they can be consistently measured across time and by different data collectors. There should be no ambiguity about what is being measured, how to calculate it, what or who the sample is, or how to interpret the results.

(ii) Baselines.

The M&E Plan shall document baselines for every Indicator (each, a "***Baseline***"). An Indicator's Baseline should be established prior to the start of the corresponding Project, Activity and/or Sub-activity. Baselines demonstrate that the problem can be specified in measurable terms and thus are a pre-requisite for adequate intervention design. The Government shall collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

(iii) Targets.

The M&E Plan shall document for each Indicator the expected value and the expected time by which the corresponding result shall be achieved ("***Target***").

(iv) Disaggregation of Indicators.

The M&E Plan shall indicate which Indicators shall be disaggregated by sex, income level, age, and other relevant subgroups to the extent practical and applicable.

(v) Indicator Levels.

The M&E Plan shall include Indicators at the following levels: outcome, output, process, and risk/assumption, as defined in the M&E Policy.

(vi) Common Indicators.

MCC's Common Indicators (as described in the M&E Policy) shall also be included as relevant. Additional guidance on Indicator reporting is contained in the *Guidance on Common Indicators*.

(vii) Modifications of Indicators and Targets.

Subject to prior written approval from MCC and in accordance with the M&E Policy, the Government may add or retire Indicators or refine the definitions, Targets, or other aspects of existing Indicators.

(viii) Indicator Tracking Table.

The Accountable Entity must report to MCC on monitoring Indicators in the M&E Plan on a quarterly basis using an Indicator Tracking Table ("***ITT***") in the form provided by MCC. No changes to Indicators, Baselines, or Targets may be made in the ITT until the changes have been approved in accordance with the M&E Policy. Additional guidance on indicator reporting is contained in the MCC Reporting Policy and the *Guidance on the Indicator Tracking Table*. The M&E Plan shall contain the monitoring Indicators listed in Table 1.

4. Evaluation Component

While good program monitoring is necessary for program management, it is not sufficient for assessing the achievement of intended results. MCC therefore requires the use of evaluation as a complementary tool to better understand the effectiveness of its programs. As defined in the M&E Policy, evaluation is the objective, systematic assessment of a program's design, implementation, and results. MCC is committed to making its evaluations as rigorous as warranted in order to understand the causal impacts of its programs on the expected outcomes.

(a) Independent Evaluations.

Every Project must undergo a comprehensive, independent evaluation in accordance with the M&E Policy. The Evaluation Component of the M&E Plan shall describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. All independent evaluations must be designed and implemented by independent, third-party evaluators.

For each independent evaluation, the Accountable Entity (or, after the Threshold Program concludes, such other entity of the Government designated to support post-program M&E

activities) is expected to review and provide feedback to independent evaluators on the evaluation materials and reports in order to ensure proposed evaluation activities are feasible and final evaluation products are technically and factually accurate. The results of all evaluations shall be made publicly available in accordance with the M&E Policy.

The following evaluations are planned for the Program:

EDGE Project: MCC strives to produce the most rigorous analysis of results that is also feasible and cost-effective. Once the pilot ECs are selected, MCC shall explore the possibility of utilizing an impact evaluation methodology to evaluate some or all components of the Project. If not deemed feasible, a performance evaluation is anticipated.

The evaluation shall assess the quality and effectiveness of the PARE Activity and the SURGE Activity. Along with the Indicators listed in Table 1, which comprise the results to be measured and/or analyzed by the evaluation, the following questions shall guide the design of the evaluation:

1. To what extent was the Project implemented according to plan (in terms of quantity and quality of outputs)?

2. Did the Project enable the delivery of more reliable, resilient, and financially sustainable power supply by energy sector actors, especially ECs, in the timeframe and magnitude expected, as documented in the M&E Plan? Why or why not?

To facilitate the evaluations, the Government shall share with MCC any necessary data, documentation, or other information required to assess the achievement of results targeted by the Program. This shall include, but is not limited to, ERC data on approval processes and EC data on service quality, reliability, and other factors. All such information provided by the Government for evaluation purposes shall be de-identified and/or generalized in reporting, such that sensitive details shall not be made public. More detailed information on required data sources to be provided by the Government shall be set forth in the M&E Plan.

5. Data Quality Reviews.

Data Quality Reviews ("***DQR***") are a mechanism to review and analyze the quality and utility of performance information. They cover all data reported in the ITT and all primary sources that feed into that reporting. DQRs may be conducted internally by the Accountable Entity and MCC M&E staff, or by a third-party. DQRs should review data against the following standards: accuracy, consistency, timeliness, and transparency. The frequency and timing of DQRs must be set forth in the M&E Plan; however, in addition to a pre-implementation DQR, at least one DQR is required during implementation, and MCC may request a DQR at any time. DQRs should be timed to occur once the ITT reflects several quarters of reporting but early enough in the

Program term that meaningful remedial measures (if any) may be taken depending on the results of the review.

6. Other Components of the M&E Plan.

In addition to the monitoring and evaluation components, the M&E Plan shall include the following components:

(a) Implementation and Management of M&E.

(i) Review and Modification of the M&E Plan.

This section describes the approach to ensuring the M&E Plan is kept as current as possible, including how often the M&E Plan is expected to be reviewed and modified in accordance with the M&E Policy. All major modifications and the justifications therefor are documented in an annex to the M&E Plan and must be submitted to and approved by the Board. All M&E Plan modifications, whether major or minor, proposed by the Accountable Entity must be submitted to MCC for prior written approval.

(ii) Post-Threshold Program Responsibilities.

Evaluation activities under the M&E Plan are expected to continue beyond the Completion Date, and the Accountable Entity shall identify the individuals and organizations within the Government that shall support these activities through completion. This section describes the M&E responsibilities of the Accountable Entity during the Program's closure period and of MCC, the Government, and any other relevant entities after the Program has ended.

(iii) Budget.

The budget for implementing the proposed M&E activities for the term of the Program is set forth in Annex II to this Agreement. The M&E budget does not include costs for the salaries of the M&E staff in the Accountable Entity or field visits, both of which are included in the administrative budget of the Program.

7. Responsibility for Developing the M&E Plan.

Responsibility for developing the M&E Plan lies with the M&E Director of the Accountable Entity with support and input from MCC's M&E and economic staff. The Accountable Entity leadership and sector leads, Government stakeholders, the MCC Resident Country Mission in the Philippines, and other Accountable Entity and MCC staff (such as cross-cutting leads) shall assist with the development of the M&E Plan. MCC and the Accountable Entity Project/Activity leads are expected to (i) guide the selection of Indicators for results that do not yet have an associated Indicator, (ii) support the refinement of indicator information, and (iii) review the Baseline and Target for each Indicator.

8. Approval and Implementation of the M&E Plan.

The approval and implementation of the M&E Plan, as modified from time to time, shall be in accordance with any other relevant supplemental agreement and the M&E Policy and associated guidance documents. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process.

Table 1: Indicators

The table below lists the preliminary set of M&E Indicators linked to each result in the project logic diagram. Indicators that can be reported on at least an annual basis shall be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track shall be included in evaluation reports.

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Objective Indicators						
Project Objective: Enable the delivery of more reliable, resilient, and financially sustainable power supply by energy sector actors, including ECs	EN-22 System Average Interruption Frequency Index (SAIFI)	Sum of customer-interruptions in a year / Total number of customers connected to network in the same year.[2]	Rate	Value: TBD Year: EIF	Value: TBD Year: EIF +6 years	Non-ITT Indicator
	EN-21 System Average Interruption Duration Index (SAIDI)	Sum of durations, in customer-hours, of all customer interruptions in a year/Total number of customers connected to network in the same year.[2]	Hours	Value: TBD Year: EIF	Value: TBD Year: EIF +6 years	Non-ITT Indicator
	EN-24 Operating Cost-Recovery ratio	Total annual revenue collected/Total annual operating cost. Total operating cost is defined as reasonable and necessary	Percentage	Value: TBD Year: EIF	Value: TBD Year: EIF +6 years	Non-ITT Indicator

[2] These Indicators shall apply to pilot ECs and be disaggregated by pilot EC.

		operating expenses plus depreciation.[3]				
Permitting and Approvals Reform for Efficiency - OUTCOME Indicators						
Energy sector actors make investments sooner	Time from investment application submitted to investment committed	TBD Will likely relate to time from initial submission to ERC to initial investment commitment	Days	Value: TBD Year: EIF	Value: TBD Year: EIF + 4 years	Non-ITT Indicator
ERC decisions (rate basing, rate cases, capital expenditures) made faster	Process times (disaggregated by rate basing, rate cases, capital expenditures)	TBD Will likely relate to the time from submission of complete application to ERC approval (disaggregated by rate basing, rate cases, and capital expenditures)	Days	Value: TBD Year: EIF	Value: TBD Year: EIF + 4 years	Non-ITT Indicator
ERC using integrated electronic case management system	Integrated, electronic case management system in use	TBD Will likely relate to the number of applications in new system/total applications	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 3 years	ITT Indicator
ERC using new standard operating procedures for applications and case management	Standard operating procedures for applications and case management in use	TBD Will likely relate to number of staff using/ total relevant staff	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 3 years	Non-ITT Indicator
DUs submitting applications directly into new ERC system	DUs submitting applications into ERC system	TBD Will likely relate to number of DUs submitting applications into ERC system/total number of DUs overseen by ERC	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 3 years	ITT Indicator
New data from ERC system informs employee management	TBD	TBD Will likely relate to how ERC uses data to manage staffing decisions (assign more staff to areas with more applications)	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 3 years	ITT Indicator
Smart Utilities for Regional Growth in Energy - OUTCOME Indicators						
Pilot ECs working with other ECs procure technology, power, and equipment realizing economics of scale	TBD Will likely need multiple Indicators to cover procurements for each type of good	TBD	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 3 years	Non-ITT Indicator

[3] This Indicator shall apply to all DUs and revenues should identify subsidies.

Pilot ECs implement roadmaps	TBD	TBD	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 3 years	Non-ITT Indicator
Pilot ECs energy forecasts are better aligned with LGU economic forecasts	TBD Will likely be related to pilot ECs including local government plans for economic growth in their energy demand forecasts	TBD	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 3 years	Non-ITT Indicator
Pilot ECs with SCADA address service issues more quickly	TBD	TBD	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 3 years	ITT Indicator
Pilot ECs with AMI address billing issues more quickly	(EN-29) Average collection period for post-paid bills	The average number of days between billing of post-paid customers and receiving of payment each year.	Days	Value: TBD Year: EIF	Value: TBD EIF+ 3 years	ITT Indicator
Pilot EC billing inaccuracies reduced	(EN-19) Distribution system losses	The measure of power lost within the distribution network due to either technical loss or unmetered electricity that is consumed but not billed. These are expressed as a percentage of the total amount of power received from the transmission system.	Percent age	Value: TBD Year: EIF	Value: TBD EIF+ 3 years	ITT Indicator
Upon ERC approval, ECs have sufficient capital for investments in embedded generation and reliability improvements	Ratio of total investment cost to Grant funding	Value of investment cost divided by Grant funding received for the investment. Investments include the value of equity from the EC plus debt received from lender/bank.	Percent age	Value: TBD Year: EIF	Value: TBD EIF+ 3 years	Non-ITT Indicator
Permitting and Approvals Reform for Efficiency - OUTPUT Indicators						
Integrated electronic case management system deployed	Integrated electronic case management system launched	Date on which the system is operationalized (goes live) at ERC	Date	N/A	Value: TBD Year: EIF + 2 years	ITT Indicator
	ERC staff trained in new systems	Number of staff that completed training	Number	Value: TBD Year: EIF	Value: TBD Year: EIF + 2 years	Non-ITT Indicator

New standard operating procedures for applications and case management approved	Approval of standard operating procedures for applications and case management	Date on which approval of the standard operating procedures is granted by ERC	Date	N/A	Value: TBD Year: EIF + 2 years	ITT Indicator
DUs' dashboard for applications accessible	Dashboard for DUs' applications operational	Date on which dashboard for applications is operational on ERC portal	Date	N/A	Value: TBD Year: EIF + 2 years	ITT Indicator
ERC is appropriately staffed	ERC hiring, training, and retention plan, consistent with new systems, developed and approved	TBD Will likely be the date on which the staffing plan is approved	TBD	Value: TBD Year: EIF	Value: TBD Year: EIF + 2 years	ITT Indicator
Standard application templates and data requirements approved for DU submission	Approval of standard application templates and data requirements for DUs' submissions	Date on which standard application template(s) and data requirements approved by ERC	TBD	N/A	Value: TBD Year: EIF + 2 years	ITT Indicator
Data from new systems is available for staff performance management	Date on which data from new systems is available	TBD	Date	N/A	Value: TBD Year: EIF + 2 years	ITT Indicator
Smart Utilities for Regional Growth in Energy - OUTPUT Indicators						
Joint pilot EC procurement process for goods and power identified	Pilot EC's joint procurement opportunities identified	TBD Will likely be joint procurements among pilot ECs and proximate ECs	Number	Value: TBD Year: EIF	Value: TBD EIF+ 2 years	ITT Indicator
Operational and technical roadmaps completed by pilot ECs	Operational and technical roadmaps completed	TBD Each EC will likely have its own roadmap.	Number	Value: TBD Year: EIF	Value: TBD EIF+ 2 years	ITT Indicator
Pilot ECs coordinating with LGUs for forecasting energy demand	TBD	TBD	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 2 years	ITT Indicator

Distribution grid digitalization hardware and software installed for pilot ECs	Number of pilot EC that have hardware and software to monitor grid performance	TBD Will likely be related to pilot ECs have installed SCADA and/or AMI system, at a specified level to be determined, to monitor grid performance, disaggregated by type	Number	Value: TBD Year: EIF	Value: TBD EIF+ 2 years	ITT Indicator
Digital connectivity, GIS, forecasting and planning software, systems integration, and cybersecurity investments for pilot ECs, where required for digitalization	TBD	TBD	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 2 years	ITT Indicator
Funding available for EC investments	Number of MCC-facilitated financing agreements signed	TBD Will likely include that funding is available for pilot and non-pilot ECs	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 2 years	ITT Indicator
	Value of MCC-facilitated financing agreements Signed	TBD Will likely include that funding is available for pilot and non-pilot ECs	TBD	Value: TBD Year: EIF	Value: TBD EIF+ 2 years	ITT Indicator

Table 2: AIM Project Indicator

The table below sets forth an outcome Indicator that MCC anticipates tracking for the AIM Project. Column titles are used for alignment with general M&E practice but are not intended to suggest application of the M&E Policy to AIM Project interventions.

Project Logic Result	*Indicator*	*Definition*	*Unit*	*Baseline*	*Final Target*	*ITT Indicator (Y/N)*
Outcome Indicator						
Project Objective: Facilitate DFC investments in the Philippines	AIM-supported DFC investments that reach financial close	Number of signed legal agreement(s) recording DFC's financial commitment to an AIM-supported project	Number	Value: 0 Year: EIF	Value: TBD Year: EIF + 4 years	ITT Indicator

ANNEX II

ALLOCATION OF GRANT FUNDING

	MCC Contracted Activities	Government Contracted Activities	Total MCC Funds
EDGE Project		**$46,000,000**	**$46,000,000**
Activity 1: PARE Activity		$5,000,000	$5,000,000
Activity 2: SURGE Activity		$41,000,000	$41,000,000
AIM Project		**$1,000,000**	**$1,000,000**
Monitoring and Evaluation		**$1,200,000**	**$1,200,000**
Program Management and Administration	**$1,800,000**	**$10,000,000**	**$11,800,000**
Program Total	**$1,800,000**	**$58,200,000**	**$60,000,000**

ANNEX III

CONDITIONS PRECEDENT TO DISBURSEMENTS OF GRANT FUNDS OTHER THAN MCC SERVICE PROVIDER DISBURSEMENTS

The conditions precedent set forth in this Annex III apply to all Disbursements other than MCC Service Provider Disbursements.

A. CONDITIONS PRECEDENT FOR ENTIRE DISBURSEMENT REQUEST (APPLICABLE TO ALL PROJECTS)

1. Prior to the first Disbursement of Grant funding, the Government will provide MCC with copies of the relevant Government issuances setting forth the tax mechanisms necessary to comply with Section 2.5 and the Parties will have executed an implementation letter modifying Annex IV to incorporate those mechanisms.

2. Prior to the fifth Disbursement of Grant funding, the Accountable Entity must develop and adopt, in each case, in form and substance satisfactory to MCC:

   (a) a comprehensive Social Analysis and Implementation Plan ("***SAIP***");

   (b) an M&E Plan in accordance with Section 4.2, which M&E Plan includes indicators reflecting sufficient project design that measure the EDGE Project Objective and the AIM Project Objective, and such Indicators have agreed-upon Baselines and final Targets; and

   (c) a Program-wide ESMS commensurate with the scope, scale, risks, and opportunities presented by the Program, which ESMS shall include, *inter alia*, a stakeholder engagement plan for each of the EDGE Project and the AIM Project.

3. Prior to each Disbursement of funds for payment under any contract for a given Project or Activity, the Accountable Entity must submit evidence, in form and substance satisfactory to MCC, that the Accountable Entity is implementing and in compliance in all material respects with the requirements of each of the ESMS, the stakeholder engagement plan for that Project or Activity, and all of the environmental and social requirements identified in each of the studies conducted as part of such Project or Activity.

B. CONDITIONS PRECEDENT TO DISBURSEMENT OF FUNDS FOR THE EDGE PROJECT

1. Prior to the fifth Disbursement of Grant funding for the EDGE Project, the EDGE Project must meet, to MCC's satisfaction, the Results Definition Standard as defined and described in the M&E Policy.

2. Prior to the fifth Disbursement of Grant funding for the Blended Finance Facility for Infrastructure Investments Sub-activity, the Government must develop and adopt a plan for expedited processing by ERC, consistent with Philippine law, of investments receiving support via the blended finance facility.

ANNEX IV

TAXES AND CONTRIBUTIONS ASSUMPTION

A. PRINCIPLES FOR TAXES AND CONTRIBUTIONS ASSUMPTION

For the purpose of this Annex IV, the use of the term "Taxes" shall cover, without limitation, (i) value added taxes ("***VAT***"); (ii) percentage taxes; (iii) income (individual and corporate) and capital gains taxes on the incomes of natural persons and legal persons derived from Threshold-related work; (iv) excise taxes; (v) documentary stamp taxes; (vi) customs duties, import taxes, and associated fees (including for goods imported and re-exported for personal use); (vii) withholding taxes (including payor and payee obligations in respect of same); (viii) social security, mandatory medical insurance and housing fund contributions; and (ix) local taxes (including, but not limited to, real property taxes, business taxes, and community taxes). For the purposes of this Annex IV, the use of the term "Contributions" shall cover (i) social security; (ii) mandatory medical insurance; and (iii) housing fund contributions.

The Parties acknowledge and agree that Taxes and Contributions levied on transactions that are equivalent to less than $500 shall be considered *de minimis* and need not be subject to the procedures set forth in this Annex.

Clause 1. As set forth in Section 2.5 of the Agreement, the Government shall ensure that no Grant funding shall be used for the payment of any Taxes and Contributions. For this purpose, unless the Parties otherwise specifically agree in writing, and subject to Clause 2 of this Annex, the Government agrees to assume from its national funds any Taxes and Contributions imposed on or in respect of (i) the Program; (ii) Grant funding; (iii) interest or earnings on Grant funding; (iv) any Project or activity implemented under or in connection with the Program; (v) MCA-Philippines; (vi) goods and other property, works, services, technology, and other assets and activities, whether acquired, used, or performed at any level or stage, under or in connection with the Agreement, the Program, or any Project (each of the foregoing, "***Grant Funded Goods and Services***"); and (vii) to the extent such Taxes and Contributions are attributable to the provision or performance of Grant Funded Goods and Services, natural persons, and legal persons that provide or perform Grant Funded Goods and Services (each, a "***Vendor***"), including on the attributable income, profits, and payments thereof. The Parties agree that the obligation of the Government to assume Taxes means that the Government shall, using its national funds and subject to the applicable Philippine laws, rules, and regulations, assume such Taxes through the Tax Expenditure Fund by providing a tax subsidy to the persons and entities liable for such Taxes under Philippine law. The Parties further agree that the obligation of the Government to assume Contributions means that the Government shall, using national funds appropriated or otherwise mad available for such purpose, either (i) promptly reimburse any Contributions paid by persons and entities liable therefor, or (ii) pay or cause to be paid such Contributions.

Clause 2. Unless otherwise agreed by MCC in writing, set forth in this Annex IV are procedures that the Government shall promptly implement to effectuate the assumption of Taxes and Contributions required by Clause 1 of this Annex with respect to each of the Taxes and Contributions addressed therein. To the extent that there are Taxes and Contributions not

addressed in this Annex, whether currently in force or established in the future, that MCC determines, in its sole discretion, are not being assumed by the Government in accordance with this Annex, the Government hereby agrees that it shall implement appropriate procedures (approved in writing by MCC) to ensure that such additional Taxes and Contributions are assumed by the Government in accordance with this Annex. Without limitation of the foregoing sentence, the Government shall develop, adopt, and implement appropriate procedures approved in writing by MCC for ensuring (i) the payment from national funds (and not from any Grant funding, interest thereon, or Program Assets) of all Taxes and Contributions owed directly by MCA-Philippines; and (ii) the payment from national funds or local government unit funds (and not from any Grant funding, interest thereon, or Program Assets) of all Taxes and Contributions payable in connection with the Program. For the avoidance of doubt, the identification (or lack of identification) of Taxes and Contributions in this Annex, or the description (or lack of description) of procedures to implement the required assumption of such Taxes and Contributions by the Government in the Annex, shall in no way limit the scope of the obligation of the Government to assume Taxes and Contributions under this Annex. For the purposes of implementing this Clause, the procedures governing the Government's assumption of Taxes shall be separate and distinct from those governing the Government's assumption of Contributions, taking into account their respective funding sources, and modes of assumption.

Clause 3. Unless otherwise agreed in writing by the Parties, the obligation of the Government to assume Taxes and Contributions set forth in Clause 1 shall not apply to Taxes on the income, profits, or gross receipts of, and Contributions consisting of social security and other employment-related contributions for, legal persons organized under Philippine laws and natural persons who are citizens or permanent residents of the Philippines, provided that such Taxes and Contributions are not discriminatory and are generally applicable to all legal persons organized under Philippine laws and natural persons who are citizens or permanent residents of the Philippines.

Clause 4. To the extent agreed in writing by the Parties, the obligation of the Government to assume Taxes and Contributions set forth in Clause 1 shall not apply to any Taxes with respect to which a valid and effective tax exemption is available under Philippine law.

Clause 5. For the purposes of this Annex, the term "natural persons who are permanent residents of the Philippines" refers to natural persons holding Philippine immigrant visas and the term "legal persons organized under Philippine laws" excludes (i) MCA-Philippines, and (ii) any foreign legal person, including any Philippine-registered subsidiary, branch, or representative office of a foreign legal person, with respect to income earned for providing Grant Funded Goods and Services; *provided that* in determining if a legal person has been organized under Philippine laws, the taxable status of such legal person shall be based on its status at the time it is awarded or signs a Threshold-related agreement or contract, and such initial determination shall not change regardless of: (1) the type of agreement or contract used to employ or engage such company or other legal person; (2) any Philippine laws that purport to change such status based on period of contract performance or period of time residing and/or working in the Philippines; and/or (3) any requirement under Philippine laws that a company or other legal person must establish a branch office in the Philippines, or otherwise register or organize itself under Philippine law, in order to provide Grant Funded Goods and Services in the Philippines.

Clause 6. The Government shall from time to time sign and deliver, or cause to be signed and delivered, such other guidelines, procedures, instructions, instruments, or documents, and to take or cause to be taken such other actions as may be necessary or appropriate in the determination of MCC in order to implement this Annex.

Clause 7. The assumption of Taxes and Contributions hereunder shall result in the full and timely payment of such Taxes and Contributions in accordance with the requirements of applicable Philippine laws. Taxes assumed through the Tax Expenditure Fund shall be processed in accordance with applicable Philippine laws, rules, and regulations governing tax expenditure subsidies. If the Government will assume Contributions through reimbursements, or if such Contributions have been paid contrary to the requirements of or arrangements contemplated in this Agreement, or any supplemental agreement entered into pursuant to this Agreement, the Government shall reimburse or refund promptly to MCC (or to another party as designated by MCC) the amount of such Contributions in United States Dollars or the currency of the Philippines within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Philippines) that such Contributions have been paid and provided with documentation evidencing such payment, subject to Philippine budgeting, accounting, and auditing laws rules, and regulations.

Clause 8. No Grant funding, proceeds thereof, or Program Assets may be applied by the Government in satisfaction of its obligations under this Agreement.

Clause 9. The mechanism for the assumption of Taxes and Contributions described in this Annex shall be implemented by the Government through guidelines, procedures, and confirmations. The Revenue Operations Group of DOF shall provide the necessary technical assistance and coordination in the processing of such application, in accordance with applicable laws, rules, and regulations.

Clause 10. The provisions of this Annex are without prejudice to the availability and application of tax exemptions and other preferential tax treatment under existing Philippine laws.

Clause 11. The Government shall provide without charge all assistance to MCA-Philippines and any Vendor, including training as often as needed, necessary to allow MCA-Philippines and any Vendor to implement the procedures for assumption of Taxes and Contributions by the Government.

Clause 12. For the avoidance of doubt, the obligation of the Government to MCC to assume Taxes and Contributions as contemplated herein does not relieve the Vendors of their responsibility for complying with Philippine laws in respect of such Taxes and Contributions.

B. SPECIFIC TAXES AND CONTRIBUTIONS ASSUMPTION MECHANISMS

ANNEX V

DEFINITIONS

Accountable Entity *has the meaning provided in Section 3.2(b).*

Activity *or* ***Activities*** *has the meaning provided in Section A of Annex I.*

Additional Representative *has the meaning provided in Section 7.3.*

AE Audit Policy *has the meaning provided in Section 4.1(d).*

Agreement *has the meaning provided in the preamble to this Agreement.*

AIM Project *has the meaning provided in Section A.2 of Annex I.*

AIM Project Objective *has the meaning provided in Section 1.2(b).*

AMI *has the meaning provided in Section A.1(b)(ii) of Annex I.*

Audit Plan *has the meaning provided in Section 4.1(d).*

Auditor *has the meaning provided in Section 4.1(d).*

Bank *has the meaning provided in Section 5.1(d)(i).*

Bank Agreement *has the meaning provided in Section 5.1(d)(i).*

Baseline *has the meaning provided in Section C.3(a)(ii) of Annex I.*

BCS *has the meaning provided in Section 4.1(b).*

Board *has the meaning provided in Section B.2(b) of Annex I.*

Common Payment System *has the meaning provided in Section 5.1(c)(iii).*

Completion Date *has the meaning provided in Section 6.1.*

Covered Provider *has the meaning provided in the AE Audit Policy.*

CSP *has the meaning provided in Section A.1(b)(i) of Annex I.*

Detailed Financial Plan *has the meaning provided in Section 4.1(a).*

DFC *has the meaning provided in Section 1.2(b).*

DMS *has the meaning provided in Section A.1(a) of Annex I.*

Disbursement *has the meaning provided in Section 2.1(b).*

Disbursement Period *has the meaning provided in Section 5.1(b).*

Disbursement Request *has the meaning provided in Section 5.1(b).*

DOE *has the meaning provided in Section A.1(b) of Annex I.*

DOF *has the meaning provided in the preamble to this Agreement.*

DOST *has the meaning provided in Section A.1(b)(ii) of Annex I.*

DQR *has the meaning provided in Section C.5 of Annex I.*

DUs *has the meaning provided in Section A.1(b)(i) of Annex I.*

EC *or* ***ECs*** *has the meaning provided in Section A.1 of Annex I.*

EDGE Project *has the meaning provided in Section A.1 of Annex I.*

EDGE Project Objective *has the meaning provided in Section 1.2(a).*

Environmental and Social Management System *or* ***ESMS*** *means a set of policies, procedures, tools and internal capacity to identify and manage an institution's exposure to the environmental and social risks of its activities, investments, clients, investees or stakeholders.*

ERC *has the meaning provided in Section A.1(a) of Annex I.*

Evaluation Component *has the meaning provided in Section C.1 of Annex I.*

Fiscal Accountability Plan *has the meaning provided in Section 4.4.*

Fiscal and Procurement Agent *has the meaning provided in Section B.2(f) of Annex I.*

Fiscal and Procurement Agent Agreement *means the agreement or agreements by which the Government or Accountable Entity engages or hires the Fiscal and Procurement Agent and which sets forth the roles and responsibilities of the Fiscal and Procurement Agent and other appropriate terms and conditions.*

Fiscal and Procurement Agent Disbursement Certificate *has the meaning provided in Section 5.3(a)(iii).*

GIS *has the meaning provided in Section A.1(b)(ii) of Annex I.*

Government Contracted Activities *means those activities undertaken by Government Service Providers, the budget for which is set forth in Annex II, as such may be modified from time to time in accordance with Section 7.7(b).*

Governing Document *has the meaning provided in Section 4.9(g).*

Government *has the meaning provided in the preamble to this Agreement.*

Government Service Provider *has the meaning provided in Section 4.11(a).*

Government Service Provider Contracts *has the meaning provided in Section 4.11(a).*

Grant *has the meaning provided in Section 2.1(a).*

Grant Funded Goods and Services *has the meaning provided in Section A of Annex IV.*

IFC Performance Standards *has the meaning provided in Section 4.5(a).*

Implementation Letters *has the meaning provided in Section 4.10.*

Implementation Plan *has the meaning provided in Section 4.1.*

Implementation Plan Document *has the meaning provided in Section 4.1.*

Implementing Entity *means an entity of the Government engaged to assist with implementing one or more Projects or Activities (or a component thereof).*

Indicators *has the meaning provided in Section C.3(a) of Annex I.*

Inspector General *has the meaning provided in Section 4.7(c).*

Intellectual Property *means all registered and unregistered trademarks, service marks, logos, names, trade names, and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing that are financed, in whole or in part, using the Grant.*

IT *has the meaning provided in Section A.1(a) of Annex I.*

ITT *has the meaning provided in Section C.3(a)(viii) of Annex I*

Key Staff *has the meaning provided in the MCC Accountable Entity Policy or as otherwise agreed between MCC and the Government.*

KPI *has the meaning provided in Section A.1(b)(i) of Annex I.*

LGU *or* ***LGUs*** *has the meaning provided in Section A.1(b)(i) of Annex I.*

Lien *has the meaning provided in Section 3.2(f).*

Local Account *has the meaning provided in Section 5.1(d)(i).*

M&E *has the meaning provided in Section C of Annex I.*

M&E Plan *has the meaning provided in Section 4.2.*

M&E Policy *has the meaning provided in Section 4.2.*

Material Agreement *has the meaning provided in Section 4.9(c).*

MCA Act *has the meaning provided in the recitals to this Agreement.*

MCA-Philippines *has the meaning provided in Section 3.2(b).*

MCC *has the meaning provided in the preamble to this Agreement.*

MCC Accountable Entity Policy *has the meaning provided in Section 3.2(b).*

MCC Contracted Activities *means those activities undertaken by MCC Service Providers, the budget for which is set forth in Annex II, as such may be modified from time to time in accordance with Section 7.7(b).*

MCC Cost Principles *has the meaning provided in Section 4.4.*

MCC's Counter-Trafficking in Persons Policy *means the Counter-Trafficking in Persons Policy, as such may be posted on MCC's Website from time to time or otherwise made available to the Government.*

MCC Environmental Guidelines *has the meaning provided in Section 2.4(b)(iii).*

MCC Marking Standards *has the meaning provided in Section 3.2(j).*

MCC Program Grant Guidelines *has the meaning provided in Section 4.3(b).*

MCC Reporting Policy *has the meaning provided in Section 4.6(a).*

MCC Service Provider *has the meaning provided in Section 4.11(b).*

MCC Service Provider Contracts *has the meaning provided in Section 4.11(b).*

MCC Service Provider Disbursement *has the meaning provided in Section 5.1(a).*

MCC Website *has the meaning provided in Section 2.4(b)(iii).*

Monitoring Component *has the meaning provided in Section C.1 of Annex I.*

NAPOCOR *has the meaning provided in Section A.1(b) of Annex I.*

NEA *has the meaning provided in Section A.1(b) of Annex I.*

Operations Unit *has the meaning provided in Section B.2(b) of Annex I.*

PARE Activity *has the meaning provided in Section A.1(a) of Annex I.*

Party *or* ***Parties*** *has the meaning provided in the preamble to this Agreement.*

Permitted Account *has the meaning provided in Section 5.1(d)(i).*

Philippines *has the meaning provided in the preamble to this Agreement.*

PPGs *has the meaning provided in Section 4.3(a).*

Principal Representative *has the meaning provided in Section 7.3.*

Procurement Operations Manual *has the meaning provided in the PPGs.*

Procurement Plan *has the meaning provided in Section 4.1(b).*

Program *has the meaning provided in the recitals to this Agreement.*

Program Asset *means any asset, good, or property (real, tangible, or intangible) purchased or financed, in whole or in part (directly or indirectly), by the Grant, including any Intellectual Property.*

Program Goal *has the meaning provided in Section 1.1.*

Program Grant *has the meaning provided in Section 4.3(b).*

Program Guidelines *means collectively the AE Audit Policy, MCC Cost Principles, MCC Environmental Guidelines, Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations, MCC Accountable Entity Policy, MCC Marking Standards, PPGs, MCC Reporting Policy, M&E Policy, MCC Program Grant Guidelines, any successor to any of the foregoing, and any other guidelines, policies, or guidance papers relating to the administration of a Threshold Program, and, in each case, as from time to time published on the MCC Website.*

Project *or* ***Projects*** *has the meaning provided in Section 1.2.*

Project Objective *or* ***Project Objectives*** *has the meaning provided in Section 1.2.*

Provider *means any natural or legal person who provides goods, works, or services in connection with the Program.*

Records *has the meaning provided in Section 4.7(a).*

RIMS *has the meaning provided in Section A.1(a) of Annex I.*

SAIP *has the meaning provided in Section A.2(a) of Annex III.*

SCADA *has the meaning provided in Section A.1(b)(ii) of Annex I.*

Service Providers *has the meaning provided in Section 4.11(c).*

Service Provider Contracts *has the meaning provided in Section 4.11(c).*

Sub-activity *or* ***Sub-activities*** *has the meaning provided in Section A of Annex I.*

SURGE Activity *has the meaning provided in Section A.1(b) of Annex I.*

Target *has the meaning provided in Section C.3(a)(iii) of Annex I.*

Taxes *has the meaning provided in Section 2.5(a).*

TBD *means to be determined by the Parties.*

Threshold Program *has the meaning provided in the recitals to this Agreement.*

UCME *has the meaning provided in Section A.1(b)(i) of Annex I.*

United States *has the meaning provided in the preamble to this Agreement.*

United States Dollars *or* ***USD*** *or* ***US$*** *means the lawful currency of the United States of America.*

United States Treasury Current Value of Funds Rate *means the interest rate published by the United States Treasury's Bureau of Fiscal Services that is based on the current value of funds available to the Department of the Treasury and is the rate used for debt collection, cash discounts, and rebate evaluation of the United States government.*

UP *has the meaning provided in Section A.1(b)(ii) of Annex I.*

VAT *has the meaning provided in Section A of Annex IV.*

Vendor *has the meaning provided in Section A of Annex IV.*

Work Plan *has the meaning provided in Section 4.1(c).*