

NATIONAL PROGRAM SUPPORT TO ENVIRONMENT AND NATURAL RESOURCES MANAGEMENT

Tenth Implementation Review (June 6-20, 2012)

Procurement Status

1. Introduction

Procurement supervision for the project during the tenth implementation review Mission was carried during June 11 to 21, 2012. The review followed on the progress since the previous mission, and which also included focus group discussions with the FASPO. The review found that project procurement is reasonably on track, and that the remaining contracts are very likely to be completed before the amended Loan closing date.

While overall procurement implementation remained delayed for both the Loan and the Grant there had been significant progress during the last six months due to spike of actions in the DENR's 2011 and 2012 Procurement Plans⁸. It is likely that the project procurement will be on track, i.e. earlier delays will be outdated, if all the contracts for the activities in the aggregate of Php 2.06 billion will be awarded during the next four months. The period is also marked by the DENR's eventual approval of the contracts for the VOIP (Php 58 million) and IT package (Php 126 million) and decision to un-tag and transfer to DBM the procurement of of Php 450 million of IT⁹ goods and services.

The review also found that processing of procurement during the review period is generally in compliance with the agreed procedures.

2. Significant rebound in procurement. There had been remarkable progress in the implementation of the 2011 and 2012 Procurement Plans during the review period, though the considerable delays during the previous Missions.

2.1 Majority of the activities in the CY 2011 Procurement Plan (aggregate of PHP 431 million of goods, works and services) are in advance stage of procurement during the review. Summarized in the below Table 1 is the status of major packages in the aggregate of Php 353.45 million.

Table 1. Status of the Major Packages in the CY 2011 Procurement Plan

Category	Particulars	Cost (Php ⁹ Million)	Status
Works	Cadastral Survey (52 packages)	192.00	Awarded
Works	Cadastral Survey (14 packages)	75.00	Bidding stage
Goods	Technical & Scientific Equipment	16.98	Bidding stage
Goods	Service vehicles (solid waste)	2.50	Bidding stage
Goods	Scientific Equipment (water)	3.17	Bidding stage
Goods	Service vehicles (solid waste)	2.50	Bidding stage
Goods	Scientific Equipment (air)	4.60	Bidding stage
Goods	Trash boats (MBCO)	8.00	Delivered
Services	IA for Establishment of ESWM Study	18.70	TOR stage
Services	PAWB PA Sustainability	30.00	RFP stage
Total		353.45	

⁸ Activities included in the 2011 and 2012 Procurement Plans are in the aggregate of Php 2.06 Billion

⁹ Data Center, IGIS, Phase II IP Telephony, Thin Client, application development, and various IT packages

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2.2 Majority of the activities in the CY 2011 Procurement Plan (aggregate of P11P 1,629 million of goods, works and services) are in advance stage of procurement during the review. Summarized in the below Table.2 is the status of major packages in the aggregate of Php 1,588 million.

Table 2. Status of the Major Packages in the CY 2012 Procurement Plan

Category	Particulars	Cost (PhP Million)	Status
Works	Cadastral Survey (97 packages)	480.64	Awarded
Works	Cadastral Survey (130 packages)	516.36	Bidding stage
Works	Materials Recovery Stage	15.00	Bidding Document Preparation
Goods	20 units Trash boats (MBCO)	40.00	Bidding stage
Goods	1 unit Skimmer boat (MBCO)water)	35.00	Bidding stage
Goods	Real-time water quality equipment	46.00	Bidding stage
Goods	National Greening Program (NGP)	432.00	Various stages of PO selection and nursery development
Services	Maximum Daily Load TA	7.00	Negotiation stage
Services	WAVIS TA	16.70	TOR stage
	Total	1,588.70	

3. *Procurement weaknesses and delays*. Whilst the improvement in procurement implementation a number of procurement weaknesses were noticeable, as follows:

3.1 Delays in the implementation of the 2011 PP. As was recorded during the previous Mission, most of the delays for the 2011 activities can be attributed to the late submission of the 2011 Procurement Plan and the seven supplements (covering cadastral survey and the MBCO). However, the late submission of the supplemental plans for the cadastral survey and the MBCO, i.e. submitted to the Bank between August 2011 and October 2011, resulted to delays in initiating the procurement process for those activities.

3.2 Detagging of the procurement for major IT activities. Initiation of the procurement for the major IT activities were delayed due to the time taken in the review of the DENR MIS strategy, and were negatively affected by the issue of expiration of fund allocation. It was confirmed during the Mission that, the procurement of the aggregate of PhP 450 of IT activities, included in the 2010 Procurement Plan, was transferred to the DBM.

3.3 After long delays including the time taken to conclude the review of the DENR MIS strategy, the DENR finally approved the contracts for the IT package (PhP 126 m) and on the VOIP (PhP 58 million).

3.4 Delays in the procurement planning for the study on Wealth Accounting and Valuation of Ecosystem Services (WAVIS) TA. While there had been extensive technical discussions on the TOR and the planned implementation arrangement the procurement aspect of this TA had not move forward since January 2012.

3.5. Implementation of Activities not covered by the Procurement Plan. NGP activities not covered by the Procurement Plan, e.g. partnership with the Philippine Tropical Forest Conservation Foundation and Foundation for Philippine Environment, were reported. In accordance with the Loan Agreement only contract activities covered by the Procurement Plan and procured in accordance with the agreed procedures will be eligible for financing under the project.

4. *Surge of budget for the Cadastral Survey*. The surge in the cadastral survey budget distorted the cadastral survey bidders, i.e. the limited number of national surveyors who are accustomed to low level of DENR budget, who are not familiar on the use of the Philippine Bidding Documents in cadastral procurement. Also, the budget surge resulted to a number of bid failures as the bidders opted not to participate in the bidding in regions with peace and order issues.

4.1. The period is marked by a number of bid failures primarily due to lack of familiarity of some of the bidders and DENR field staff on the requirement of the Bidding Documents. Also, a review of causes for bid failures pointed to the still requirements specified in the Philippine Bidding Documents for Works, December 2010 edition: these were reviewed and adjusted in consultation with the Bank.

4.2. Conduct of re-training to address the poor bid evaluation practices by some Regional Offices. Another round of training was provided by FASPO Procurement Unit, during February / March 2012, for 170 TWG and BAC members from the various DENR Bureaus and Field offices, to address the delays and deviations in bid evaluation.

5. Conformity to the provisions of the Loan and GEF Agreements

5.1 Reasonable compliance with procedures. Based on the results of contracts subjected to prior since the previous Mission, the procurement procedures and documentation including bidding documents, bid evaluation reports, award recommendations, and contract forms were generally in accordance with the provisions of the NPS/ENRMP Loan Agreement and GEF Grant Agreement. The procurement post review conducted for the GEF during March-April 2012 showed that, though delayed, the implementation of the CDD activities in Kanan, Libmanan-Pulantuna and Bago Watersheds are reasonably in accordance with the agreed procedures. No post review was conducted for the Loan as contracts below the prior review threshold are still in the approval process, therefore the post review for the Loan will be undertaken during August 2012.

5.2 Good results and savings of the procurement of cadastral survey through National Competitive Bidding (NCB). CY 2011 and 2012 Cadastral survey contracts procured through NCB, incorporating the World Bank requirements, were reasonably in compliance with the agreed procedures. The use of NCB resulting to aggregate savings of Php 71 million, i.e. Php 40 m for 2011 and Php 31 m, is enabling the DENR to finance additional cadastral survey activities.

6. Good Progress in Procurement Reform

6.1 Finalized draft of the Updated DENR Customized Procurement Manuals. The draft of the updated CPMs have been finalized and undergone the first round of presentation to the Government Policy Procurement Board. The updating was undertaken through the participation of selected staff from the Bureaus, Regions (NCR, 3, 4a and 4b) and Central Office. Accordingly, a Community Participation Manual, largely based on the Bank agreed NPS/ENRMP CDD Manual, had been drafted and presented to the GPPB.

7. Agreed Actions

7.1 Accelerate procurement action on the WAVES TA by submitting to the Bank by July 16, 2012 a justification, in accordance with Paras. 3.9 and 3.10 of the Consultant Guidelines, on the proposed Single Source Selection of the firm to carry out the assignment estimated at Php 16.70 m. The justification will have to clearly specify on the rationale for the proposed Single Source Selection, and what are the qualification and experience of the firm which are of exceptional worth over the other firm or institutions.

7.2. Submit to the Bank of the Bank by July 16, 2012 the 2012 consolidated procurement plan for NPS/ENRMP Loan and GEF, in both paper and electronic forms.

7.3. Submit to the Bank the draft Bidding Documents for the MRF. Submit to the Bank of the Bank by July 16, 2012 the draft Bidding Documents for the MBCO procurement of MRF. For ease in reference the MBCO may consider adapting the LLDA Bidding Documents, Technical Specifications, and modular 2012 consolidated procurement plan for NPS/ENRMP, in both paper and template plans used in the LISCOP.

7.4. Modify the Bidding Documents, the soonest, to allow "slice and package" arrangement, as previously recommended by the Bank, for Cadastral Survey to enable clustering of several contracts within a province or region, i.e. award of one or several lots / contracts under a single bidding document.

7.5. Provide training or conduct of an elaborated pre-bid conference of the cadastral survey contractors, who are not familiar with the bidding requirements, to discuss and emphasize among others the (i) deadline for bid submission elaborating that late bids will be rejected, (ii) type and face value of bid securities, (iii) list of projects to be included in the bid submission.

7.6. DENR to follow with GPPB on the approval of the Updated DENR Customized Procurement Manuals including the Community Participation Manual for the NGP.

**Report from Mission to the Philippines by Håkan Tarras-Wahlberg
(Mining Specialist, Consultant) during June 2012.**

1. Period of Work

- Mission preparation at home office (15-17 June 2012); and review of inception and progress reports for the Project named "Geo-Environmental risk assessment and preparation of final mine rehabilitation and/or decommissioning plan for five abandoned/inactive/closed mine sites" (intermittent during January & Mars 2012)
- Work in the Philippines: June 18-27, 2012

2. Purpose of Mission

The Mining Specialist's assignment relates to interventions where the ENRMP is supporting the Philippine government with the rehabilitation of abandoned mines. Plans have previously been prepared for the interim mitigation and remediation of the Bagacay mine site on Samar Island, and the implementation of these plans are now well advanced. In 2011, the DENR extended the work to also include the development of rehabilitation plans for five other abandoned mines, namely: (i) BC BAGO - Antamok Mine (Itogon, Benguet), (ii) Black Mountain, Inc. (Tuba, Benguet), (iii) Dizon Cu-Ag Mines Inc. (San Marcelino, Zambales), (iv) Consolidated Mines, Inc (Mogpog, Marinduque), (v) CDCP Basay Mining Corp (Basay, Negros Oriental). A contract for developing these plans was awarded to the Philippine company Axceltechs Inc. in late 2011.

The objectives of the present mission are outlined in the Terms of Reference for the assignment, and it follows on from previous assignments carried out by the Mining Specialist in 2009 and 2011. In short, the scope of work was to:

- Based on the approach developed for designing interim measures for rehabilitation of the Bagacay mine site, provide guidance to the DENR's staff on carrying out similar work for five other abandoned mine sites;
- If necessary, conduct a site visit to one of the mine sites to gain a better understanding of the problems;
- Review Axceltechs (consultant) Inception report for establishing remediation plans of the five abandoned mine sites and conduct an assessment of Axceltech's Final Report and also of the interim rehabilitation measures at Bagacay; and
- Advise the DENR on the work plan and schedule for carrying out the above remediation plans, including resource requirement.

3. Methods Used

The work was undertaken using the following methods:

- A review of the relevant reports that relate to the Bagacay mine and the other five selected mines (c.f. Section 7, Bibliography);
- Interviews and meetings with staff from the MGB, the World Bank and the Consultants that have been contracted to do work on the Bagacay mine, or to prepare the remediation plans of the five abandoned mine sites;
- site visits to three mine sites: Bagacay, Dizon and Antamok.

All the work during the mission was carried out in close cooperation with the MGB, under its Acting Director Mr Leo Jasareno and working with his staff; mainly Mr Marcial Matteo who is the MGB appointed Project Manager for the Mine rehabilitation program management unit.

4. Finding Regarding Interim Rehabilitation Measure at the Bagacay Mine

Significant and encouraging progress occurred during 2010 and 2011 related to the efforts to rehabilitate the Bagacay mine site. However since January 2012, the MGB and its consultants and partners have been provided only limited access to the mine site by the state entity that controls it, namely the Privatization and Management Office (PMO) of the Department of Finance. This, in turn, threatens to undo all the considerable rehabilitation efforts that have been made so far. Thus, the problem of guaranteeing access to the site must be resolved urgently.

Following the recommendations made by the Mining Specialist in 2009, the MGB has initiated a project to divert a natural spring – the Guila-Guila spring - located directly upstream of the mine site. An existing hydrological study suggests that diverting this spring will reduce the amount of surface water flowing passed the mine site by 60-80%. This will, in turn, significantly reduce the amount of Acid Mine Drainage (AMD) generated at the site, and will substantially reduce the metal loading to the downstream Taft River. This should lead to a partial ecological recuperation of the river, and provide a real and readily measurable positive outcome. Further, the water from the Guila-Guila spring will be diverted to two nearby communities, the furthest one situated about 5 km from the spring, and will supplement the local water supply (investigations show that the water is potable). This initiative will provide an additional positive outcome related to the remediation of the Bagacay mine site. The contract to construct the diversion and the associated water supply was awarded to the Philippine firm Richmark Construction in 2011. The work duly started in the second half of 2011; two water storage tanks were constructed and about 1 km of pipe was laid. Unfortunately, due to the unwillingness of the PMO to allow access to the site, the work has not progressed since January 2012.

The MGB has completed work to move process waste materials that were rather haphazardly deposited nearby the road (and previous runway) leading to the mine, and to deposit these in a more controlled manner at a nearby site. A limestone rock dam was constructed downslope of this new waste deposit, and it now successfully serves to partly neutralise the acid leachate formed, and also acts as a downstream siltation trap. Few other limestone rock dams were also constructed earlier.

The phytoremediation work that was initiated using ENRMP funds have been continued, now using other government sourced funds. The phytoremediation work has become much more successful in latter years

and now, several hectares of waste materials seem to have been successfully re-vegetated by a mixture of grasses, bushes and trees.

The MGB has further initiated studies concerned with providing a better understanding of the geotechnical characteristics (slope stability and overall aspects related to geo-hazards such as subsidence, landslides etc.) of the Bagacay mine site, as well as its geohydrology. The contract to undertake these studies has been awarded to the Philippine company Lichel Technologies Inc. The work is due to start in June 2012 although this requires that access to the site be provided by the PMO (c.f. above).

Additional work that need to be performed at Bagacay mine site, in preparation for its full rehabilitation include: (i) Waste characterisation (metal content, amounts and AMD potential); and (ii) pilot tests for AMD treatment (i.e. to ascertain whether aerobic treatment with lime will work, how best flocculate and what to do with residues). It is further important to monitor the environment downstream of the mine, especially in the Tañ River, to assess outcomes for the rehabilitation measures. It is also recommended that opportunities be provided for research and training at the site. For research, MGB may mobilize graduate students in nearby state universities to some studies. Such initiatives are important not only to monitor the success of the rehabilitation measures, but also to train experts needed in the Philippine mining environmental sector.

Finally, it is recommended that the work related to rehabilitation of the Bagacay mine site is written up and summarised in an accessible format. It is suggested that a report of some 20-30 pages is produced, rich in illustrations and photos, to allow interested parties, as well as the general public to understand the work that has been performed at the site. The written report will also serve as reference to MGB and other interested mine operators in rehabilitating mine sites in the future.

5. Findings Regarding the Plans for Rehabilitation Measures at Five Other Abandoned Mine Sites

The assignment for establishing remediation plans for the five abandoned mine sites was awarded to Axceltechs Inc. in late 2011. According to the initial time plan, the work should be nearing its completion by mid 2012, and a draft Final Reports should be available for review. However, due to a combination of difficulties in getting the project started, in gaining access to sites, and in securing appropriate staff, the project is now significantly delayed. Axceltechs requested a two months extension at the outset of the project (the Mining Specialist actually recommended in 2011 that the project be extended to 9 months compared to the 6 months stipulated in the TOR). Further, in May 2012, Axceltechs requested a further three months extension. The two requests for extensions are not associated with any reduction of the scope of the work, or an increase of the project's budget. It is therefore recommended that the MGB grant these requests for extensions. With the extensions, the timetable becomes the following: the draft final report will be completed by late August/early September 2012, and the final report will be completed and submitted in October 2012. A 5-day workshop is planned to be held by Axceltechs in the second half of September, with the intention to then go through the draft final report, and to ensure that all issues of importance are covered in sufficient detail in the final report.

A review of the Inception Report, and the first and second Progress Reports provides the following main observations (some of these observations are very similar to those reported by the Mining Specialist in the previous 2011 Mission Report):

- The work concerned with producing topographic maps, and providing a biological base line for the sites are well underway. The work appears to have been performed to a good standard, and will provide a good basis for the definition of rehabilitation measures.
- The Reports submitted so far contain sections that are "re-used", that it is the same material that was provided in the tender. It is recommended that Axceltechs avoid repeating this type of information, and instead - in the coming progress reports - focus on reporting the work that has been done, and/or any problems that may have been encountered.
- The reports submitted so far mostly lists work done, such as, topographic surveys and analyses without providing much in the way of real data and findings. It is recommended that coming reports provide actual data for the work that has been done, such as provisional maps, and tables of analytical data.
- Considerable work seem to have been performed related to measuring noise levels and air pollution at some sites. Given that the sites are abandoned, this work may have been excessively detailed and the resources used could probably have been better utilised to study more urgent issues, such as possible water and/or soil pollution.
- It was previously noted, in 2011, that the project includes only a relatively limited budget for laboratory analyses (USD11,000). This, in turns, requires an approach where the laboratory analyses are complemented by an ambitious programme of field based measurements and analyses (e.g. pH, conductivity, paste pH etc.). It is not clear from the reports submitted thus far that Axceltechs are collecting this type of data to any significant extent.
- The arrival of the Axceltechs consultants at the mine sites has led to expectations being raised among local communities. It is important to manage these expectations, and to keep them at a realistic level. After all, full rehabilitation of mine sites is commonly a costly exercise and it may not be realistic to expect that the Philippine government will be able to shoulder all such costs.
- Some of the abandoned mines still have owners or title deed holders. It is important to involve these stakeholders in any planning for rehabilitation measures. In fact, the best outcome may well be re-starting mining activities, and ensuring that such activities are coupled with remediation measures.
- Two attachments were included in the Mining Specialist's 2011 report with the intention to assist the Axceltech's consultant, namely: (i) a list of issues that should be considered at each mine site; and (ii) advice on a possible approach to risk assessment to be used. It is recommended that Axceltechs take these into consideration when completing their work, and in producing the Final Report for the project.

6. Recommendations for Follow Up Work

It is recommended that the Mining Specialist is retained for a 7-10 day input during September/October 2012, in order to review the Axceltechs Draft Final Report, and to provide advice on the finalisation of the mine rehabilitation related work included in the ENRMP. It is further noted that if needed, the Mining Specialist could also be retained to assist in the writing of the recommended summary report related to the Bagacay mine rehabilitation efforts.

It is noted that the issue of providing the MGB, project staff, consultants and contractor access to the Bagacay mine site is very urgent. MGB plans of bringing the issue to the attention of the DoF, while any assistance that the World Bank and/or the ENRMP can provide in this regard will be extremely useful and important.