Loan Agreement

(Second Women’s Health and Safe Motherhood Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated June 30, 2005
AGREEMENT, dated June 30, 2005, between REPUBLIC OF THE PHILIPPINES (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans” of the Bank dated September 1, 1999 (as amended through May 1, 2004) with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Bangko Sentral ng Pilipinas” means the Central Bank of the Republic of the Philippines, and any successor thereto.

(b) “Barangay” means an administrative unit within a municipality and “Barangays” means, collectively, the plural thereof.
(c) “BenOC Team” means a team, under the supervision of a doctor based at the relevant RHU or district hospital meeting the standards for a Basic Emergency Obstetric Care Center, that includes a midwife and traditional birth attendant or midwife assistant, and a barangay health worker, each with skills and resources to conduct safe normal spontaneous deliveries in a facility setting, diagnose, manage and/or refer complications to a higher level facility and handle basic obstetric emergencies, as well as other facility-based services in maternal care, family planning, and sexually transmitted infections and HIV control.

(d) “Catchment Area” means the geographical service area assigned to be served by a public health care facility for the delivery of public health services to the resident population.

(e) “CemOC Team” means a team consisting of an obstetrics/gynecology specialist or a general practitioner trained in obstetric emergency or management of obstetric complications, an anesthesiologist or trained general practitioner, operating room nurses or surgical midwives, and a medical technologist, which team is equipped to handle comprehensive obstetric emergencies such as Caesarian sections and blood transfusions and is based at a hospital meeting the standards for a Comprehensive Emergency Obstetric Care Center.

(f) “Centers for Health Development” means the offices of the DOH assigned to perform national government functions in the administrative regions of the Borrower.

(g) “City LGU” means a local government unit which is a political subdivision of the Republic of the Philippines at the city level, and “City LGUs” mean, collectively, the plural thereof.

(h) “Convergence Site” means a province or city designated by the Borrower as a priority site for the implementation of its Health Sector Reform Agenda Implementation Plan, as adopted by the Borrower through DOH Administrative Order 51, series of 1999 and DOH Administrative Order 37, series of 2001.

(i) “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by:
   
   (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or
   
   (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person,
and “Displaced Persons” means, collectively, the plural thereof.

(j) “DOF” means the Borrower’s Department of Finance and any successor thereto.

(k) “DOH” means the Borrower’s Department of Health and any successor thereto.

(l) “Eligible Categories” means Categories set forth in the table in Part A.1 of Schedule 1 to this Agreement.

(m) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 of this Agreement.

(n) “Environment and Health Care Waste Management Operating Guidelines” means the Guidelines dated June, 2004, duly adopted by DOH, which sets forth guidelines, satisfactory to the Bank, to assess, mitigate, manage and monitor environmental and healthcare waste impacts of Part A of the Project, as such guidelines may be revised from time to time with the prior agreement of the Bank.

(o) “Environmental Assessment Report” means the Report dated June 21, 2004, duly adopted by DOH, which assesses the impact and sets out the environmental mitigation and protection measures in respect of the carrying out of Part A of the Project in Sorsogon Province, Surigao del Sur Province and Iloilo City, as well as the administrative and monitoring arrangements to ensure the implementation of said measures.

(p) “Financial Management Manual” means the manual, adopted and maintained by the Borrower, satisfactory to the Bank, for the purposes of setting forth the day-to-day finance and administrative procedures of the Project, as the same may be amended from time to time with the agreement of the Bank.

(q) “Financial Monitoring Report” and the acronym “FMR” mean each report prepared in accordance with Section 4.02 of this Agreement.

(r) “Funding Modalities Plan” means the funding allocation plan referred to in paragraph 6 of Schedule 5 to this Agreement, as such plan may be amended from time to time with the agreement of the Bank.

(s) “Health Sector Reform Agenda” means the Borrower’s comprehensive framework for system-wide reforms in the financing and provision of health care, published by the Department of Health in December 1999.

(t) “Indigenous Peoples” means social groups with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development
process, including the presence in varying degrees of the following characteristics: (i) a close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language, often different from the national language; (iv) presence of customary social and political institutions; and (v) primarily subsistence-oriented production.

(u) “Indigenous Peoples Strategy” means the Indigenous Peoples Strategy dated September 27, 2004, duly adopted by DOH, which sets forth the guidelines, satisfactory to the Bank, to address any social or cultural impact on Indigenous Peoples caused by the execution of Part A of the Project, including screening and monitoring procedures and the development of Indigenous Peoples development plan or plans, where applicable.

(v) “Indigenous Peoples Development Plan” means either the Indigenous Peoples Development Plan for Sorsogon Province or Indigenous Peoples Development Plan for Surigao Sur Province, dated October 2004, duly adopted by DOH, providing procedures, rules, and guidelines for: (i) the informed involvement of the Borrower’s Indigenous Peoples, through a process of informed consultation, in the design and implementation of the Project in locations in which such people reside or which they use for their livelihood, and (ii) designing and implementing measures to provide benefits which are socially and culturally acceptable to them, and reduce, mitigate and offset adverse impacts, under the Project, as such plan may be amended from time to time with the prior agreement of the Bank.

(w) “Itinerant Team” means a team consisting of one surgeon and one assistant to perform non-scalpel vasectomy and bilateral tubal ligation services in an appropriate setting, including outreach services.

(x) “LGU” means a local government unit which is a political subdivision of the Republic of the Philippines at the provincial, city, municipal, or Barangay level, and “LGUs” mean, collectively, the plural thereof.

(y) “LGU Beneficiary” means a Provincial LGU or a City LGU which (a) meets the eligibility criteria set forth in the Project Implementation Plan, (b) has been selected, with the concurrence of the Bank, to receive either a Subproject Loan, or a Subproject Financing from the Borrower for the purpose of carrying out activities under Part A of the Project, and (c) is a signatory to a valid and effective Project Implementation MOA, and “LGU Beneficiaries” means, collectively, the plural thereof.

(z) “LOGOFIND” means the Loan Agreement dated September 8, 1999 between the Borrower and the Bank (Loan No. 4446 PH) for the financing of the Local Government Finance and Development Project.
(aa) “LOGOFIND Subloan” means a loan made or to be made available to a LGU Beneficiary out of proceeds made available pursuant to the terms of LOGOFIND.

(bb) “Municipal LGU” means a local government unit which is a political subdivision of the Republic of the Philippines at the municipal level, and “Municipal LGUs” mean, collectively, the plural thereof.

(cc) “Municipality MOA” means the Memorandum of Agreement between a Municipal LGU and a Provincial LGU Beneficiary, acceptable to the Bank, which MOA is referred to in paragraph 7(d)(vii) of Schedule 5 to this Agreement; and “Municipality MOAs” means, collectively, the plural thereof.

(dd) “National Center for Disease Prevention and Control” means the organizational unit of the DOH responsible for establishing the technical specifications of, and monitoring of the service and performance standards of services and activities provided under the WHSM Service Package.

(ee) “NG-LGU Cost Sharing Scheme” means the policy approved by the Borrower’s National Economic Development Authority and effective January 1, 2003, and as may be updated from time to time, governing the terms under which LGUs may obtain national government funds for devolved activities with a social impact.

(ff) “Performance-based Grant” means a grant made by the Borrower through DOH to a selected LGU or health services provider or user out of the proceeds of the Loan to finance, in part, the carrying out of activities under Part A.2(c)(i) of the Project, and “Performance-based Grants” means, collectively, the plural thereof.

(gg) “Project Account” means the account referred to in Section 3.02(a) of this Agreement.

(hh) “PhilHealth” means the Philippine Health Insurance Corporation, a tax-exempt government corporation attached to the DOH, established pursuant to the Borrower’s National Health Insurance Act of 1995, July 25, 1995 (R.A. 7875).

(ii) “PHO” means the Provincial Health Office of a provincial government, headed by the provincial health officer, responsible for overseeing public health programs at the provincial level, the powers and functions of which are set out in Section 478, Article 8, Title 5, Book III of the Local Government Code of 1991.

(jj) “PIP” means the Project Implementation Plan, satisfactory to the Bank, to be adopted, maintained and implemented by the Borrower in accordance with paragraph 2(a) of Schedule 5 to this Agreement, as said Plan may be amended from time to time with the prior agreement of the Bank.

(kk) “Procurement Implementation Manual” means the manual, to be adopted and maintained by the Borrower in accordance with paragraph 2(a) of Schedule 5 to this
Agreement, for the purposes of setting forth the procurement procedures and requirements of the Project, as the same may be amended from time to time with the agreement of the Bank.

(ll) “Procurement Plan” means the Borrower’s procurement plan, dated December 8, 2004, contained in the Procurement Implementation Manual, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.

(mm) “Project Implementation MOA” means the Memorandum of Agreement entered into between DOH and a Provincial LGU or a City LGU for the purpose of carrying out Part A of the Project and referred to in paragraph 7 of Schedule 5 to this Agreement.

(nn) “Provincial LGU” means a local government unit which is a political subdivision of the Republic of the Philippines at the provincial level, and “Provincial LGUs” mean, collectively, the plural thereof.

(oo) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Loan Account referred to in Part A.5 of Schedule 1 to this Agreement;

(pp) “Resettlement Policy Framework” means the Resettlement Policy Framework dated June 2004, duly adopted by DOH, which sets forth the principles and procedures, satisfactory to the Bank, governing land or other asset acquisition from, resettlement and rehabilitation of and compensation to Displaced Persons, as well as reporting and monitoring arrangements to ensure compliance with said policy and procedures.

(qq) “RHU” means the Rural Health Unit that is a municipal LGU-owned health facility that provides out-patient primary health care services.

(rr) “Special Accounts” means the accounts referred to in Section 2.02(b) of this Agreement and “Special Account” means any of such Special Accounts.

(ss) “Subproject” means a specific development subproject carried out or to be carried out: (i) by a LGU Beneficiary under Part A of the Project utilizing the proceeds of a LOGOFIND Subloan or a Subproject Financing; and (ii) in accordance with the provisions of this Agreement, the relevant subloan agreement entered into under LOGOFIND in respect of a LOGOFIND Subloan or Subproject Financing Agreement, as the case may be, and the procedures and criteria defined in the Project Implementation Plan.

(tt) “Subproject Financing” means a loan or grant made or to be made available by the Borrower to a LGU Beneficiary (other than Sorsogon Province, Surigao
del Sur Province and Iloilo City) out of proceeds from the Loan to finance, in part, the carrying out of activities under Part A.1(a)(i) of the Project, pursuant to the provisions of this Agreement, the NG-LGU Cost Sharing Scheme, including a Subproject Financing Agreement, the Funding Modalities Plan and the relevant Project Implementation MOA, acceptable to the Bank; and “Subproject Financings” means, collectively, the plural thereof.

(uu) “Subproject Financing Agreement” means the financing agreement, acceptable to the Bank, between DOF and a LGU Beneficiary (other than Sorsogon Province, Surigao del Sur Province and Iloilo City) for the purpose of the on-lending or on-granting of the proceeds of the Loan from the Borrower, in accordance with the provisions of the Funding Modalities Plan, to an LGU Beneficiary to carry out a Subproject under Part A of the Project.

(vv) “UPMD” means the Unified Project Management Division within DOH and maintained by the Borrower and referred to in paragraph 1 of Schedule 5 to this Agreement.

(ww) “WHSM Service Package” means the Women’s Health and Safe Motherhood Service Package which consists of an integrated package of health care services designed to address the reproductive health needs of women, including maternal care, family planning and control of sexually transmitted infection/HIV control services, the standards and specifications of which are set forth in the PIP.

(xx) “WHT” means the Women’s Health Team led by a rural health midwife, consisting of barangay health workers and traditional birth attendants operating in the local community, which team identifies pregnant women, provides them with prenatal care, assists them in preparing and implementing birth plans, assists them at childbirth, provides basic family planning and sexually transmitted infection services and referrals and replenishes family planning or sexually transmitted infections drugs and supplies under the supervision of the RHU doctor.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to each of the LGUs implementing the Project.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to sixteen million Dollars ($16,000,000), as such amount may be converted from time to time through a
Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement:

(i) for amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of a Subproject Financing under Part A.1(a)(i) of the Project to meet the reasonable cost of goods, works or services required for a Subproject and in respect of which the withdrawal from the Loan Account is requested;

(ii) for amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of a Performance-based Grant under Part A.2(c)(i) of the Project to meet the reasonable cost of goods, works or services required for the carrying out of Part A.2(c) of the Project, and in respect of which the withdrawal from the Loan Account is requested;

(iii) for expenditures made (or, if the Bank shall so agree, to be made) in respect of: the reasonable cost of goods, works and services required for the Project, and to be financed out of the proceeds of the Loan;

(iv) in respect of the front-end fee referred to in Section 2.04 of this Agreement; and

(v) any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

(b) The Borrower may for the purposes of the Project, open and maintain in Dollars:

(i) a separate special deposit account for purposes of Part A of the Project to be carried out by LGUs and which financing of activities is subject to the NG-LGU Cost Sharing Scheme (“DOF Special Account”); and

(ii) a separate special deposit account for purposes of Parts A and B of the Project to be carried out by DOH (“DOH Special Account”).

Each said special deposit account shall be opened and maintained in a commercial bank specifically authorized for this purpose by the Bangko Sentral ng Pilipinas on terms and conditions satisfactory to the Bank, including appropriate protection against set-off,
seizure and attachment. Deposits into, and payments out of, each of the Special Accounts shall be made in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2012, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

(i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;

(ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and

(iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and
outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. Without limitation upon the provisions of paragraph (a) of Section 2.09 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall:

(i) through DOH, carry out (x) Part A of the Project in DOH-owned health facilities and their relevant Catchment Areas, and (y) Part B of the Project; and

(ii) through DOH, cause LGU Beneficiaries to carry out Part A of the Project in LGU-owned health facilities and their relevant Catchment Areas;

in each case with due diligence and efficiency and in conformity with appropriate administrative, economic, financial and public health practices and sound environmental and social standards acceptable to the Bank, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the execution of the Project,
and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) The Borrower shall, in respect of activities under Part A of the Project to be carried out by LGUs in LGU-owned health facilities and their respective Catchment Areas, make available to LGU Beneficiaries (other than Sorsogon Province, Surigao del Sur Province and Iloilo City) the Loan proceeds allocated to Subproject Financing under Category 6 in the table in Part A of Schedule 1 to this Agreement. The Loan proceeds shall be made available under terms and conditions satisfactory to the Bank. To that end, the Borrower shall make such funds available to each LGU Beneficiary (other than Sorsogon Province, Surigao del Sur Province and Iloilo City) under a Subproject Financing Agreement.

Section 3.02 Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, for purposes of financing their respective contributions to expenditures under the Project the Borrower shall, through DOH:

(a) cause each Municipal LGU within each Provincial LGU Beneficiary to open an account in the Land Bank of the Philippines or any other commercial bank acceptable to the Bank (the Project Account), and thereafter cause each Municipal LGU to maintain its Project Account under terms and conditions satisfactory to the Bank until completion of the Project;

(b) cause each Municipal LGU within each Provincial LGU Beneficiary to deposit, into its Project Account an initial amount equivalent to the average counterpart funding requirements for three months of implementation of those Parts of the Project for which it has implementation responsibilities (which counterpart funding requirements are set out in the respective Project Implementation MOAs); thereafter cause such each Municipal LGU to replenish its Project Account within 60 days of the end of each calendar month an amount equal to that disbursed from such Project Account in that month; and

(c) cause each Municipal LGU within each Provincial LGU Beneficiary to ensure that funds deposited into its Project Account in accordance with paragraph (b) of this Section 3.02 shall be used exclusively to finance expenditures under the Project.

Section 3.03. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of
the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 6 months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements,
and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

(i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in paragraph 9 of Schedule 5 to this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.
ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional event is specified, namely, that any of the Borrower’s National Health Insurance Act of 1995, July 25, 1995 (R.A. 7875), the Local Government Code of 1991, October 10, 1991 (R.A. 7160) or the NG-LGU Cost Sharing Scheme, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) the Borrower, through the Board of Directors of the Philippine Health Insurance Corporation, has: (i) adopted a policy statement supporting the national goals of protecting and improving the health of women and giving priority in its policies and programs to delivery of health care services for women; and (ii) authorized PhilHealth to participate in various activities in the Project in support of said goals, including various measures in the Project sites to support the said goals, satisfactory to the Bank;

(b) the Borrower, through DOH, has caused each Municipal LGU within Sorsogon Province and Surigao del Sur Province to open their respective Project Accounts and caused them to make therein the initial deposits in accordance with the provisions of Section 3.02 (b) of this Agreement;

(c) the Borrower, through DOF, has duly entered into a Subproject Agreement (as said term is defined in LOGOFIND) with each of Sorsogon Province and Surigao del Sur Province pursuant to the terms of LOGOFIND and acceptable to the Bank, and each said Agreement has been duly authorized or ratified by each of the parties thereto; and

(d) the Borrower, through DOH, has adopted its Financial Management Manual, Procurement Implementation Manual and PIP, satisfactory to the Bank.
Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Environment and Health Care Waste Management Operating Guidelines, Environmental Assessment Report, the Indigenous Peoples Strategy, the Indigenous Peoples Development Plans of the Provinces of Sorsogon and Surigao del Sur, and the Resettlement Policy Framework have all been duly authorized or ratified by the Borrower and are legally binding upon the Borrower in accordance with their terms; and

(b) that each of the Subproject Loan Agreements referred to in Section 6.01(c) of this Agreement has been duly authorized or ratified by each of the parties thereto and is legally binding upon said parties in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:
For the Borrower:

Department of Finance
Department of Finance Building
Bangko Sentral Complex
Roxas Blvd.
Manila, Philippines

Cable address: SECFIN
Manila

Facsimile: (63-2) 523-9216

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Washington, D.C.

Facsimile: (1-202) 477-6391
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Manila, Republic of the Philippines, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By /s/ Cesar V. Purisima

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Joachim von Amsberg

Authorized Representative
# SCHEDULE 1

**Withdrawal of the Proceeds of the Loan**

## A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>% of Expenditures To be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods under Parts A and B of the Project</td>
<td>4,000,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally.</td>
</tr>
<tr>
<td>(2) Works under Part A of the Project</td>
<td>1,300,000</td>
<td>90%</td>
</tr>
<tr>
<td>(3) Consultants’ services</td>
<td>2,700,000</td>
<td>87% for individuals 82% for firms</td>
</tr>
<tr>
<td>(4) Training and workshops</td>
<td>1,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Performance-based Grants under Part A.2(c)(i) of the Project</td>
<td>3,300,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(6) Subproject Financing under Part A.1(a)(i) of the Project</td>
<td>1,500,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(7) Front-end Fee</td>
<td>80,000</td>
<td>Amount due under Section 2.04 of this Agreement</td>
</tr>
<tr>
<td>(8) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>-0-</td>
<td>Amount due under Section 2.09(c) of this Agreement</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollars)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>--------------</td>
<td>--------------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>(9) Unallocated</td>
<td>1,420,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16,000,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

   (a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

   (b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”; and

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement and (b) Subproject Financing under Category (6) set forth in the Table in paragraph 1 of this Schedule 1, (i) until the Borrower has adopted a Funding Modalities Plan acceptable to the Bank in accordance with the provisions of paragraph 6 of Schedule 5 to this Agreement to apply to all Subproject Financings; and (ii) in respect of a LGU Beneficiary, until such time as such LGU Beneficiary, and each Municipal LGU within the LGU Beneficiary, in the case of a Provincial LGU Beneficiary, has opened its Project Account and made its initial deposit therein in accordance with the provisions of Section 3.02(b) of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than $200,000 equivalent per contract; (b) works costing less than $500,000 equivalent per contract; (c) for services of individual consultants costing less than $50,000 equivalent per contract; (d) for services of consulting firms under contracts costing less than $100,000 equivalent per contract; (e) for training and workshops; (f) Performance-based Grants; and (g) Subproject Financing, all under such terms and conditions as the Bank shall specify by notice to the Borrower.
5. The Borrower may request withdrawals from the Loan Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the Loan Account, the Borrower shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Accounts

1. The Borrower may open and maintain in Dollars two special deposit accounts, each in a commercial bank specifically authorized for this purpose by the Bangko Sentral ng Pilipinas, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment: (a) the DOF Special Account for purposes of Part A of the Project to be carried out by LGUs and which financing of activities is subject to the NG-LGU Cost Sharing Scheme; and (b) the DOH Special Account for the purpose of Parts A and B of the Project to be carried out by DOH.

2. After the Bank has received evidence satisfactory to it that the Special Accounts have been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Accounts shall be made as follows:

   (a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

   (b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Accounts shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Accounts, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Accounts:

   (a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

   (b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Loan Account; or
(c) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Accounts; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Accounts in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Accounts was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Accounts (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Accounts shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Accounts will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.
Annex A

to

SCHEDULE 1

Operation of Special Accounts
When Withdrawals Are Not
Report-based Disbursements

1. For the purposes of this Annex, the term “eligible Categories” means:

   (a) (i) in respect of the DOH Special Account, Categories (1), (2), (3), (4), and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and

   (ii) in respect of the DOF Special Account, Category (6).

   (b) the term “Authorized Allocation” means an amount to be withdrawn from the Loan Account and deposited into the Special Accounts pursuant to paragraph 2 of this Annex, equivalent: (i) in the case of the DOF Special Account to $150,000; and (ii) in the case of the DOH Special Account to $1,300,000 provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of $700,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of $3,250,000.

2. Payments out of the Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Accounts have been duly opened, withdrawals of the respective Authorized Allocation and subsequent withdrawals to replenish each Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the respective Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account such amount as the Borrower shall have requested.

   (b) For replenishment of the respective Special Account, the Borrower shall furnish to the Bank requests for deposit into the respective Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of
which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for Eligible Expenditures. Each such deposit into each Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

4. The Bank shall not be required to make further deposits into each respective Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
Annex B

to
SCHEDULE 1
Operation of Special Account
When Withdrawals Are

Report-based Disbursements

1. Withdrawals from the Loan Account shall be deposited by the Bank into
   the Special Accounts in accordance with the provisions of Schedule 1 to this Agreement.
   Each such deposit into the respective Special Account shall be withdrawn by the Bank
   from the Loan Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the
   Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and
   deposit into the Special Accounts an amount equal to the lesser of: (a) the amount so
   requested; and (b) the amount which the Bank has determined, based on the reports
   referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is
   required to be deposited in order to finance Eligible Expenditures during the six-month
   period following the date of such reports.
SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in improving women’s health by: (i) demonstrating in selected sites a sustainable model of delivering cost-effective reproductive health services to disadvantaged women; and (ii) establishing support systems to facilitate country-wide replication of lessons learned within the framework of its Health Sector Reform Agenda.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A  Local Delivery of the Integrated WHSM Service Package

1. (a) Develop and enhance the capacity of LGU Beneficiaries to establish and operate a network of providers of the WHSM Service Package, including teams for women’s health (“WH Team”), basic emergency obstetric care (“BEmOC Team”), comprehensive emergency obstetric care (“CEmOC Team”), sexually transmitted infection team (“STI Team”), adolescent and youth health team (“AYH Team”), and itinerant team (“Itinerant Team”) through the provision of: (i) Subproject Financing for goods and works for LGU-owned facilities; and (ii) goods and works for DOH-owned facilities; and (iii) consultant services, training and workshops.

(b) In selected pilot sites, assist LGUs in the development and implementation of cost-effective and sustainable approaches to reach three high risk groups: freelance sex workers, returning overseas workers, and young adults.

2. Establish and operate reliable and sustainable support systems for the delivery of the WHSM Service Package, including systems for:

   (a) Drug and contraceptive security, through the provision of goods and services for: (i) the establishment of efficient province- and city-wide logistics planning, management and procurement systems; (ii) the segmentation of local markets for appropriate targeting of subsidized financing and free distribution of contraceptives; and (iii) the complementary establishment or expansion of social marketing initiatives for contraceptives.

   (b) Safe blood supply, through the provision of goods and services for the setting up of a network of blood service facilities at different levels of the health care system to meet anticipated needs for safe blood for obstetric and other emergencies.
(c) Behavior change interventions through: (i) pilot testing of Performance-based Grants to selected LGUs, health services providers, and users; and (ii) the provision of goods and services for advocacy, communications and information dissemination.

(d) Sustainable financing of local WHSM services and related commodities through: (i) increased LGU financing and increased revenues from PhilHealth benefit payments; and (ii) application of a market segmentation mechanism that would allow LGU Beneficiaries to raise user charges from non-poor clients and encourage use of WHSM services by eligible poor clients through grants and awards.

Part B: National Capacity to Sustain WHSM Services

1. Develop, adopt and implement operational and regulatory guidelines for the provision and use of WHSM Services.

2. Develop a network of training providers that are accredited to provide courses on: (a) appropriate delivery of the integrated WHSM Service Package; and (b) team work and collaboration for the various types of WHSM teams.

3. (a) Develop a system to monitor and evaluate the implementation of the WHSM Service Package and publicly disseminate the monitoring and evaluation results; (b) carry out Project baseline and impact evaluation studies; and (c) support policy and operations research on WHSM.

4. Establish and maintain project management capacity at the national and at the local level.

* * *

The Project is expected to be completed by December 31, 2011.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Installment Share (Expressed as a %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 15, 2013</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2014</td>
<td>4.17</td>
</tr>
<tr>
<td>October 15, 2014</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2015</td>
<td>4.17</td>
</tr>
<tr>
<td>October 15, 2015</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2016</td>
<td>4.17</td>
</tr>
<tr>
<td>October 15, 2016</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2017</td>
<td>4.17</td>
</tr>
<tr>
<td>October 15, 2017</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2018</td>
<td>4.17</td>
</tr>
<tr>
<td>October 15, 2018</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2019</td>
<td>4.17</td>
</tr>
<tr>
<td>October 15, 2019</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2020</td>
<td>4.17</td>
</tr>
<tr>
<td>October 15, 2020</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2021</td>
<td>4.17</td>
</tr>
<tr>
<td>October 15, 2021</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2022</td>
<td>4.17</td>
</tr>
<tr>
<td>October 15, 2022</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2023</td>
<td>4.17</td>
</tr>
<tr>
<td>October 15, 2023</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2024</td>
<td>4.17</td>
</tr>
<tr>
<td>October 15, 2024</td>
<td>4.17</td>
</tr>
<tr>
<td>April 15, 2025</td>
<td>4.09</td>
</tr>
</tbody>
</table>
2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule
shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
SCHEDULE 4

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services and training) shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts for goods shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. (a) Goods estimated to cost less than $200,000 equivalent per contract and (b) works estimated to cost less than $1,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions in the Annex to this Schedule.

2. Shopping. Goods estimated to cost less than $50,000 equivalent per contract and works estimated to cost less than $50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.
4. **Force Account.** Works which the Bank agrees meet the requirements for Force Account may be carried out in accordance with the provisions of said procurement method.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $200,000 equivalent per contract may comprise entirely national consultants.

B: **Other Procedures**

1. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

2. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

3. **Individual Consultants.** Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

**Section IV. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. If the Procurement Plan provides for prior review of contracts for the employment of individual consultants, the record of justification for such contracts, referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines, shall be subject to Prior Review by the Bank. All other contracts shall be subject to Post Review by the Bank.
Annex
To
Schedule 4

National Competitive Bidding Procedures

With respect to goods and works to be procured in accordance with the procedures referred to in paragraph 1 of Part B of Section II to Schedule 4 to this Agreement, the National Competitive Bidding (NCB) procedures of the Borrower shall apply, except that, unless otherwise agreed by the Bank in writing, the following procedures shall apply:

1. National Competitive Bidding (NCB) opportunities shall be advertised in national newspapers of general circulation, with sufficient time for bidders to prepare offers, which shall not be less than 30 days, unless a different time is specifically agreed upon by the Bank. Posting shall also be done in the Government Electronic Procurement System (GEPS) or the Procuring Entity’s website.

2. Foreign suppliers and contractors from eligible countries shall be allowed to participate, if interested, without first being required to associate with, or enter into joint ventures with, local firms. However, joint ventures will be encouraged.

3. Eligibility screening may be carried out prior to bidding with the prior concurrence of the Bank.

4. If any bidder is to be denied access to the bidding process for reasons unrelated to its financial and technical qualifications to perform the contract, prior concurrence of the Bank shall be sought.

5. A ceiling may be applied to bid prices, with the prior concurrence of the Bank in advance of bidding. The Approved Budget Estimate may be disclosed in the advertisement or in the bidding documents.

6. The Bank’s domestic preferences shall not be applied in the evaluation of bids, and other preferences in effect in the Philippines shall also not be used, except with the prior concurrence of the Bank.

7. Price negotiation shall not be allowed. However, in the case of a budget limitation, an adjustment in the quantities of goods or the scope of work may be agreed upon, subject to the prior concurrence of the Bank.

8. Bid opening shall be open to those who wish to attend, and the deadline for submission of bids shall be the same as that for bid opening. All bids received on time shall be opened and read publicly.
9. Within 72 hours from bid opening, but prior to bid evaluation, a copy of the certified minutes of bid opening shall be furnished to the Bank, which shall contain the following: (a) names of the bidders provided with bid documents; (b) original amount (unevaluated) of the bid of each bidder, as read; (c) date, time and place of bid opening; (d) summary of bid proceedings; and (e) names of the bidders’ representatives and other persons present.

10. Suppliers and contractors shall not be required to purchase only local goods or supplies, or to hire local labor, except for unskilled labor.

11. Explicit bid evaluation criteria shall be set forth in the bid documents based on monetarily quantifiable elements.

12. Modifications exceeding 15% of the contract amount and material changes in the conditions during implementation require prior concurrence of the Bank.

13. For foreign suppliers and contractors, prior registration (such as with the Bureau of Food and Drugs for the registration for drugs, agency accreditation, etc.), licensing (such as licensing by the Philippine Contractors Accreditation Board, etc.), and/or other government authorizations (such as a Mayor’s permit, etc.), shall not be a requirement for purposes of participating in bidding competitions. Such registration, licensing and/or other government authorizations may, however, be required from the selected bidder as a condition of signing of the contract, and the Borrower shall not be stopped from asserting such requirement where this is mandated under national law.

14. Bid and performance securities shall be specified in the bidding documents, which may be in the form of a certified check, letter of credit, or bank guarantee from a reputable bank.

15. To obtain the best market prices available, open competitive bidding shall be maximized. For this purpose, requirements shall not include restrictive importation permits from private associations or protective preferences for Philippine Flag vessels.

16. Two-envelope system procedures shall not be used unless prior concurrence by the Bank has been obtained.

17. Privileges granted to Provincial bidders to match the lowest bid submitted by a contractor with the principal office address outside the province in which the project is located, shall not be allowed.

18. The use of GEPS for procurement of goods may be allowed with the prior concurrence of the Bank.
SCHEDULE 5

Implementation Program

The provisions of this Schedule shall apply for purposes of Section 3.01(b) of this Agreement.

Project Management

1. The Borrower shall:

   (a) at the national level, maintain within DOH, a Project Director, Project Manager, and Project Technical Coordinator, all of whom shall be provided with technical and secretariat support from the National Center for Disease Prevention and Control and the Unified Project Management Division, for the purpose of overseeing overall Project implementation and supervision at the national level, and provided with sufficient resources and qualified staff in adequate numbers, all in a manner and substance satisfactory to the Bank; and

   (b) at the regional level, maintain within the DOH Centers for Health Development, a Regional Technical Coordinator, assisted by a regional Unified Project Management Team, consisting of specialists in monitoring and evaluation, and technical supervision for Project implementation by LGUs and provided with sufficient resources and qualified staff in adequate numbers, all in a manner and substance satisfactory to the Bank; and

   (c) at the provincial- or city- level, cause each LGU Beneficiary to maintain a Project Management Team consisting of the Provincial or City Health Officer, as the case may be, acting as Project Director assisted by the Provincial/City Health Office which he/she heads and a Project Secretariat dedicated to supporting Project implementation, comprised of a civil works engineer, a finance specialist, a procurement specialist, and a training officer, for the purpose of supporting Project implementation at the provincial, city and municipal levels, and provided with sufficient resources and qualified staff in adequate numbers, all in a manner and substance satisfactory to the Bank.

Project Implementation

2. The Borrower shall:

   (a) adopt, and thereafter maintain in effect and implement:

      (i) the Financial Management Manual;

      (ii) the Procurement Implementation Manual;
(iii) the PIP, which PIP shall contain the provisions set forth in the Annex to this Schedule 5; and

(b) maintain in effect and implement:

(i) the Environment and Health Care Waste Management Operating Guidelines;

(ii) the Indigenous Peoples Strategy; and

(iii) the Resettlement Policy Framework;

all in form and substance satisfactory to the Bank.

3. Except as the Bank shall otherwise agree, the Borrower shall not amend, waive or fail to enforce the Financial Management Manual, the Procurement Implementation Manual, the PIP, the Environment and Health Care Waste Management Operating Guidelines, the Indigenous Peoples Strategy, and the Resettlement Policy Framework, or any provisions thereof, provided that, in case of any conflict between the provisions of this Agreement and those of said Manuals or PIP, the provisions of this Agreement shall prevail.

4. The Borrower, through DOH, shall cause the Board of Directors of PhilHealth to:
(a) adopt a policy statement supporting the national goals of protecting and improving the health of women and giving priority in its policies and programs to delivery of health care services for women; and
(b) authorize PhilHealth to participate in various activities of the Project in support of said goals, including piloting various measures in the Project sites to support the said goals, satisfactory to the Bank.

Selection of Sites under Part A of the Project

5. The Borrower shall carry out Part A of the Project in accordance with the eligibility and selection criteria and processes set forth in the PIP, which eligibility and selection criteria include:
(a) comparatively high rates of maternal mortality, and infant mortality and low contraceptive prevalence in relation to other LGUs;
(b) population size, limited to provinces or cities with populations between 200,000 and 800,000, which represents the appropriate scale for implementation of a full and integrated WHSM Service Package; and (c) a duly authorized expression of official commitment to the objectives and activities of the Project issued by the prospective eligible LGU.

Subproject Financing

6. The Borrower shall:

(a) not later than July 1, 2006, furnish to the Bank for its approval a Funding Modalities Plan setting out the funding modalities for Subproject Financings, describing
the detailed criteria, conditions and procedures to be followed in the provision of
Subproject Financings, which criteria, conditions and procedures shall be consistent with
the provisions of paragraphs 7 and 8 of this Schedule 5 and of the PIP;

(b) only make available to LGU Beneficiaries Subproject Financing in
accordance with such Funding Modalities Plan as shall have been approved by the Bank
and in accordance with the provisions of paragraphs 7 and 8 of this Schedule 5 and of the
PIP; and

(c) not amend, delete, suspend or waive any part of the Funding Modalities
Plan without the prior approval of the Bank.

Project Implementation MOA

7. The Borrower shall, through DOH, enter into a Project Implementation MOA
with each LGU Beneficiary, each of which MOA shall set out:

(a) the technical, financial, administrative, fiduciary and safeguards aspects
of the national- and LGU levels of participation in the implementation and use of the
proceeds of the Loan;

(b) in the case of each LGU Beneficiary other than Sorsogon Province,
Surigao del Sur Province and Iloilo City, the undertakings of DOF concerning: the
on-lending and disbursement of the proceeds of the Loan to the relevant LGU
Beneficiary which shall be in accordance with the provisions of a Subproject Financing
Agreement and with the guidelines, procedures, and criteria set forth in the PIP;

(c) the undertakings of DOH to: provide policy guidance, technical
oversight and assistance, and administrative support to the LGU in the carrying out of a
Subproject; issue technical specifications on the operations of WHSM service areas and
standards for facilities serving said areas, including BemOCs and CemOCs; in the case of
each of Sorsogon Province, Surigao del Sur Province and Iloilo City, coordinate
with the project management for the Local Government Finance and Development
Project financed under LOGOFIND; and develop and implement support systems for
drug and contraceptive security, safe blood supply, behavior change interventions, and
sustainable financing of WHSM services;

(d) the undertakings of the LGU Beneficiary to:

(i) delineate specific networks of providers of the WHSM Service
Package within its province or city, as the case may be, in
accordance with the guidelines, procedures, and criteria set forth
in the Project Implementation Plan, and acceptable to the DOH;
upgrade and maintain the service capacities of facilities owned
and operated by the LGU which are designated as BemOCs or CemOCs;

(ii) obtain either (A) a Subproject Financing (in the case of each LGU Beneficiary other than Sorsogon Province, Surigao del Sur Province and Iloilo City) or (B) financing under LOGOFIND (in the case of each of Sorsogon Province, Surigao del Sur Province and Iloilo City), to upgrade and maintain the service capacities owned and operated by the LGU which are designated as BemOCs or CemOCs;

(iii) meet all technical requirements of a Subproject including obtaining the approval of DOH of the LGU Beneficiary’s civil works plan, investment plan, maintenance plan, staff management and development plan, and business management plan;

(iv) (A) in the case of each of Sorsogon Province, Surigao del Sur Province and Iloilo City, carry out the environment and health care waste management plan for such LGU Beneficiary set out in the Environmental Assessment Report;

(B) in the case of each other LGU Beneficiary, for Subprojects identified during Project implementation, (i) carry out the environmental and health care assessment in accordance with the Environment and Health Care Waste Management Operating Guidelines, and thereafter (ii) prepare an environment and health care waste management plan in accordance with said Guidelines and (iii) implement said plan;

(C) in the case of Sorsogon Province and Surigao del Sur Province, carry out their respective Indigenous Peoples Development Plans;

(D) in the case of each other LGU Beneficiary, for Subprojects identified during Project implementation, (i) carry out the Indigenous Peoples assessment in accordance with the Indigenous Peoples Strategy, and thereafter, where required pursuant to the terms of said Strategy, (ii) prepare an Indigenous Peoples Development Plan in accordance with said Strategy and (iii) implement said plan;
(E) in the case of all LGU Beneficiaries, carry out the Resettlement Policy Framework where applicable in accordance with its terms;

all in a manner and substance satisfactory to the Bank, and maintain adequate operational procedures at all times to enable both the DOH and the LGU Beneficiary to monitor and evaluate, on a regular basis and based on indicators acceptable to the Bank, the prompt carrying out of the foregoing;

(v) (A) carry out the Project with due diligence and efficiency and in accordance with appropriate administrative, financial, technical, managerial and health care practices and sound environmental and social standards; (B) provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and (C) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Project;

(vi) promptly refund to the DOH any proceeds from the Loan not used for the purposes of carrying out the Project or for achieving the objectives thereof, or otherwise utilized in a manner which does not comply with the provisions of this Agreement or the Project Implementation Plan; and

(vii) in the case of a provincial LGU Beneficiary, the undertaking of said provincial LGU Beneficiary to enter into a Municipality MOA with each Municipal LGU within its administrative jurisdiction for the purpose of carrying out Part A of the Project;

(e) the right of the Borrower to:

(i) inspect by itself, or jointly with the Bank, if the Bank shall so request, the goods, works, sites, plants and construction included in the Subproject or Subprojects, the operations thereof and any relevant records and documents; and

(ii) obtain all information as the Borrower or the Bank shall reasonably request regarding the administration, operation and financial conditions of the LGU Beneficiary;
(f) the undertaking of each of the parties to: (i) collaborate to achieve the Project’s objectives; and (ii) carry out its undertakings in such a manner as to protect the interests of the Borrower and the Bank, and, except as the Bank shall otherwise agree, not assign, amend, abrogate, or waive the Project Implementation MOA, or any provision thereof; and

(g) the undertaking of each of the parties to promptly inform each other of any condition which obstructs or threatens to obstruct with the implementation of the Project and the achievement of the objectives thereof;

all in a manner and substance acceptable to the Bank.

Environment, Resettlement and Indigenous Peoples

8. The Borrower shall not commence, and through DOH, shall ensure that no LGU Beneficiary commences, any works under Part A of the Project until the Borrower or said LGU Beneficiary, as the case may be, has carried out the following:

(a) prepared an environment and health care waste management assessment in accordance with the provisions of the Environment and Health Care Waste Management Operating Guidelines and satisfactory to the Bank, and an environment and health care waste management plan, in the event that the said assessment concludes that such assessment and management plan is required;

(b) prepared a resettlement action plan satisfactory to the Bank, and in accordance with the principles set forth in the Resettlement Policy Framework, in the event any activity under Part A of the Project involves the acquisition of land or other assets from, resettlement and rehabilitation of, and compensation to Displaced Persons; and

(c) carried out consultations with and undertaken a process of informed participation by Indigenous Peoples, in accordance with principles set forth in the relevant Indigenous Peoples Development Plan, in the event that any activity under Part A of the Project impacts such people and to ensure that the design and implementation of said activities adequately addresses the needs and cultural preferences of such people.

Project Monitoring and Reporting

9. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators satisfactory to the Bank and set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;
(b) (i) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on June 30 and December 31 of each year, commencing in December 2005 semi-annual reports, integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 9, on the progress achieved in the carrying out of the Project during the period preceding the date of each such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(ii) review with the Bank each report referred to in sub-paragraph (b)(i) of this paragraph 9, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof during the period following the date of such report, based on the conclusions and recommendations of the said report and the view of the Bank on the matter;

(c) (i) by December 31, 2008, prepare under terms of reference satisfactory to the Bank and furnish to the Bank, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 9, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(ii) review with the Bank by December 31, 2008, or such later date as the Bank shall request, the report referred in sub-paragraph (c)(i) of this paragraph 9, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof during the period following the date of such report, based on the conclusions and recommendations of the said report and the views of the Bank on the matter.
ANNEX TO SCHEDULE 5

Project Implementation Plan Provisions

The PIP shall include the following:

1. A description of the Project development objectives;

2. Sector issues addressed, key policies and reforms supported by the Project;

3. Over-all project description;

4. Summary Project costs and financing;

5. Project component details, including the following:

   (a) **Component A: Local Delivery of the Integrated WHSM Service**

      (i) Critical Capacities to provide Quality WHSM Services:

         (A) WHSM Teams: composition, roles and responsibilities of WHSM Teams (WHT, BemOC Team and supporting staff, CEmOC team and supporting staff, and itinerant teams); and inter-local health zone arrangements and conditions for flexible staffing (arrangements for “visiting midwives” in BemOC facilities and arrangements with medical specialists for CEmOC Team)

         (B) WHSM Facilities: Facility Types (CEMOC, BEMOC, Birthing facility); guidelines for facility mapping in convergence sites; Project requirements for civil works; standard equipment lists for project facilities

         (C) Criteria for selection of LGU Beneficiaries

         (D) Requirements for PhilHealth accreditation

         (E) Project Safeguards: summary of the Environmental and Health Care Waste Management and Operating Guidelines; Indigenous Peoples Strategy; Indigenous Peoples Development Plans of Sorsogon Province and
Surigao del Sur Province; Resettlement Policy Framework

(ii) Component A.2: Reliable and Sustainable Support Systems for WHSM Service Delivery:

(A) Drug and Contraceptive Security (contraceptive self-reliance strategy and social marketing franchise arrangement)

(B) Safe Blood Supply (Safe Blood strategy, civil works and equipment standards for blood supply network)

(C) Behavior Change Intervention (operating guidelines, criteria and procedures for the award and implementation of Performance-based Grants)

(D) Sustainable Financing of local WHSM services and commodities (Operating guidelines for Client Classification scheme, PhilHealth Benefit Packages for WHSM services)

(b) Component B: National Capacity to Sustain WHSM Services

(i) Operational and regulatory guidelines for the provision and use of WHSM services

(ii) Network of training providers for the integrated WHSM- SP human resources development strategy

(iii) Monitoring, Evaluation, Research and Dissemination (Performance Indicators: Results Framework; Progress Reports and Indicators; Arrangements for results monitoring, operating guidelines for special studies).

(iv) Institutional arrangements for project management, monitoring and reporting, coordination with other agencies, role of the Bank during Project implementation;

6. Project Implementation arrangements (as set out in the Procurement Implementation Manual and the Financial Management Manual);
7. Project implementation timetable; and
8. Project Implementation and Municipality MOA templates.
## SCHEDULE 6

### Performance Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Target Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of births delivered by skilled attendant (health professional) either in facility or at home</td>
<td>Yr 1</td>
</tr>
<tr>
<td>% of births delivered in a health facility</td>
<td>40%</td>
</tr>
<tr>
<td>% of deliveries by the poor in BemOCs and CemOCs financed through PhilHealth Sponsored Program</td>
<td>25%</td>
</tr>
<tr>
<td>% of deliveries by the poor in BemOCs and CemOCs financed through DOH-LGU Performance-based Grant</td>
<td>5%</td>
</tr>
<tr>
<td>Increase in the contraceptive prevalence rate</td>
<td>Increased by 5 percentage points</td>
</tr>
<tr>
<td>% of RHUs that have not experienced stock-outs of pills, injectables and IUDs for the past 6 months</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: All targets are for the LGU Beneficiaries of Sorsogon Province, Surigao del Sur Province and Iloilo City. Targets have been set on the basis of baseline statistics drawn from national level estimates, which may be substantially different from those of the project sites. Targets may therefore be adjusted, with the agreement of the Bank, upon completion of the baseline survey. Corresponding targets will be set, but at lower levels, for other LGU Beneficiaries, which are expected to start implementation in 2007.