LOAN AGREEMENT

(Manila Urban Development Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 9, 1976
LOAN AGREEMENT

AGREEMENT, dated June 9, 1976, between REPUBLIC OF THE PHILIPPINES (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) the Borrower has requested the Bank to assist in the financing of the Project described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) the Borrower has also requested the Bank to provide additional assistance towards the financing of the Project under the Interest Subsidy Fund for the Third Window established by Resolution No. 75-111 of the Executive Directors of the Bank and by an agreement of even date herewith between the Borrower and the Bank (hereinafter called the Intermediate Term Loan Agreement) the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to ten million dollars ($10,000,000) (hereinafter called the Intermediate Term Loan);

(C) the Borrower and the Bank intend that the proceeds of this Loan and of the Intermediate Term Loan be disbursed pro rata on the basis of 11:5 ratio;

WHEREAS the Bank has agreed, on the basis inter alia of the foregoing, to make the Loan to the Borrower upon the terms and conditions hereinafter set forth;
ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

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

(a) "DPWTC" means the Borrower's Department of Public Works, Transportation and Communication;

(b) "NHA" means the National Housing Authority, established by Presidential Decree No. 757, dated July 31, 1975;

(c) "MWSS" means the Metropolitan Waterworks and Sewerage System, an agency of the Borrower;

(d) "TFDPO" means the Tondo Foreshore-Dagat-Dagatan Project Office of NHA;

(e) "Project Tulungan" means the Borrower's social welfare programs and services conducted under such name;
(f) "MASICAP" means the Medium and Small Industries Coordinated Action Program of the Borrower's Department of Industry;

(g) "MMC" means the Metropolitan Manila Commission, established by Presidential Decree No. 824 of the Borrower, dated November 7, 1975;

(h) "DBP" means the Development Bank of the Philippines;

(i) "PNB" means Philippines National Bank;

(j) "PBSP" means Philippines Business for Social Progress, a foundation established under the laws of the Borrower; and

(k) "Letter of Instruction" means the letter of instruction which the Borrower intends to issue for the implementation of the Project.
ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to twenty-two million dollars ($22,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, contracts for the purchase of goods or for civil works required for the Project to be financed out of the proceeds of the Loan, shall be procured in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be September 30, 1981 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.
Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of eight and one-half per cent (8-1/2%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
ARTICLE III

Execution of the Project

Section 3.01. The Borrower shall carry out the Project, or cause the Project to be carried out with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and town planning practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. (a) In order to assist NHA in carrying out Parts A, B, D and G (i) of the Project, the Borrower shall relend the proceeds of the Loan and the Intermediate Term Loan allocated to such Parts of the Project under a subsidiary loan agreement to be entered between the Borrower and NHA (hereinafter called the NHA Subsidiary Loan Agreement) under terms and conditions satisfactory to the Bank which shall include, inter alia, those set forth in paragraph 1 of Schedule 5 to this Agreement.

(b) In order to assist MWSS in carrying Part C of the Project, the Borrower shall relend the proceeds of the Loan and of the Intermediate Term Loan allocated to such Part of the Project under a subsidiary loan agreement to be entered into between the Borrower and MWSS (hereinafter called the MWSS Subsidiary Loan Agreement) under terms and conditions satisfactory to the Bank which shall include, inter alia, those set forth in paragraph 2 of Schedule 5 to this Agreement.
(c) The Borrower shall exercise its rights under the NHA Subsidiary Loan Agreement and the MWSS Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purpose of the Loan and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the said subsidiary loan agreements or any provision of any one thereof.

Section 3.03. (a) In order to assist the Borrower in carrying out Parts F, G (ii), G (iii) and H of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

(b) In order to assist NHA to complete detailed designs and to supervise construction of the works described in Parts A and B of the Project, and in carrying out Parts G (i) (1) and G (i) (2) of the Project, the Borrower shall cause NHA to employ consultants whose qualifications, experience and terms of reference shall be satisfactory to the Bank.

(c) In order to assist MWSS in carrying out Part C of the Project, the Borrower shall cause MWSS to employ consultants whose qualifications, experience and terms of reference shall be satisfactory to the Bank.

Section 3.04. In carrying out Part F (6) of the Project, the Borrower shall furnish to the Bank, not later than December 31, 1976, or such other date as the Bank shall agree, a training program in traffic management and engineering satisfactory to the Bank.
Section 3.05. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.06. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.
Section 3.07. The Borrower shall take or cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for carrying out the Project.
ARTICLE IV

Management and Operation of NHA

Section 4.01. The Borrower shall cause NHA at all times to carry on its operations, manage its affairs, plan its future development and maintain its organization and its financial position all in accordance with appropriate town planning, financial and administrative practices, and under the supervision of experienced and competent management.

Section 4.02. The Borrower shall cause NHA to take out and maintain with responsible insurers, or to make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.03. The Borrower shall cause NHA to establish, staff and maintain a monitoring and evaluation system which shall, inter alia, monitor and evaluate the progress of the Project.

Section 4.04. The Borrower shall cause NHA to complete the organization of TFDPO in a manner satisfactory to the Bank in a timely manner to ensure the prompt start of implementation of the Project. Such organization shall have capabilities for, inter alia:

(i) project design and implementation;

(ii) social and support programs; and
(iii) administrative, financial and legal affairs.

Section 4.05. The Borrower shall cause NHA: (i) to maintain in employment on a full-time basis: (A) a deputy to the general manager, an officer responsible for financial planning, an officer responsible for general administration and an officer responsible for project development; (B) and to maintain in TFDPO an officer responsible for overall Project management and an officer responsible for financial matters; (ii) to afford the Bank a reasonable opportunity to comment on the qualifications and experience of the candidates before making any designation to such positions except that of officer responsible for financial matters, before the Project is completed.
ARTICLE V

Other Covenants

Section 5.01. (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets.

(b) To that end the Borrower: (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Borrower to the Bank; and (ii) undertakes that, except as the Bank shall otherwise agree, if any such lien shall be created, it will ipso facto equally and ratably, and at no cost to the Bank, secure the payment of the principal of, and interest and other charges on, the Loan and in the creation of any such lien express provision will be made to that effect. The Borrower shall promptly inform the Bank of the creation of any such lien.

(b) The foregoing representation undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "governmental assets" means assets of the Borrower or of any agency of the Borrower including the Central Bank of the Philippines or any institution performing the functions of a central bank for the Borrower.
(d) The Borrower further undertakes that, within the limits of the laws in force in its territories, it will make the foregoing undertaking effective with respect to liens on the assets of its political subdivisions and their agencies, and to the extent that the Borrower is unable within the limits of the laws in force in its territories to make this undertaking effective, the Borrower will give to the Bank an equivalent lien satisfactory to the Bank.

Section 5.02. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 5.03. (a) The Borrower shall cause NHA to maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations and financial condition of NHA.

(b) The Borrower shall cause NHA to: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
(iii) furnish to the Bank such other information concerning the accounts and financial statements of NHA and the audit thereof as the Bank shall from time to time reasonably request.

Section 5.04. (a) The Borrower shall cause NHA to make arrangements satisfactory to the Bank for setting rents or development levies on lots developed under Parts A and B of the Project at levels which will provide NHA with revenues at least sufficient to provide for the recovery, on reasonable terms and conditions, of the cost of such development, taking into account: (i) the revenues expected from the sale or lease of commercial and industrial property developed under Parts A (5) (a) and B (4) (a) of the Project; (ii) the amounts provided to NHA pursuant to the provisions of Section 5.05 of this Agreement; and (iii) beneficiaries' ability to pay.

Section 5.05. Without any limitation or restriction on the Borrower's obligations under Section 3.01 of this Agreement, the Borrower shall provide to NHA an amount equal to the incremental costs to NHA of developing the Tondo Foreshore area resulting from: (i) the construction of highways C-2 and R-10 in the said area; and (ii) the expansion of the port of Manila in the said area.
ARTICLE VI

Remedies of the Bank

Section 6.01. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (k) thereof:

(a) Decree No. 757 of the Borrower dated July 31, 1975 establishing NHA, or Decree No. 814 of the Borrower dated October 17, 1975, prescribing the land tenure system in the Project area or the Letter of Instruction shall have been amended, suspended, abrogated, repealed or waived in such a manner as to materially and adversely affect the implementation of the Project or the carrying out of the Borrower's obligations under this Agreement;

(b) a resolution shall have been passed for the dissolution or disestablishment of NHA or for the suspension of its operations;

(c) the Borrower, NHA or MWSS shall have failed to perform any of its obligations under the NHA Subsidiary Loan Agreement or the MWSS Subsidiary Loan Agreement, as the case may be.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof:

(a) any event specified in paragraph (c) of Section 6.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Bank to the Borrower; and
(b) any event specified in paragraphs (a) or (b) of Section 6.01 of this Agreement shall occur.
ARTICLE VII

Effective Date; Termination

Section 7.01. 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 execution and delivery of the NHA Subsidiary Loan Agreement and the MWSS Subsidiary Loan Agreement on behalf of the parties to such agreements have been authorized or ratified by all necessary corporate and governmental action;

(b) the consultants referred to in Section 3.02 (b) of this Agreement and to be employed under Parts A, B and G (i) (1) of the Project have been appointed in accordance with the provisions of the said Section;

(c) the Letter of Instruction has been issued and has become effective; and

(d) all conditions precedent to the effectiveness of the Intermediate Term Loan Agreement, save for the effectiveness of this Agreement, shall have been fulfilled.

Section 7.02. 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 NHA Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and NHA and is legally binding upon the Borrower and NHA; and

(b) that the MWSS Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and MWSS and is legally binding upon the Borrower and MWSS.

Section 7.03. The date September 9, 1976, is hereby specified for the purposes of Section 12.04 of the General Conditions.
ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. 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 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Secretary of Finance  
Department of Finance  
Manila, Philippines

Cable address: SECFINANCE  
Telex: 727550  
Manila

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  
Telex: 440098 (ITT)  
Washington, D.C. 248423 (RCA) or  
64145 (WUI)
IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By /s/ Imelda Romualdez Marcos  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Robert S. McNamara  
President
SCHEDULE 1

Withdrawal of the Proceeds of the Loan and of the Intermediate Term Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan and of the Intermediate Term Loan, the allocation of the amounts of the Loan and of the Intermediate Term 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 and of the Intermediate Term Loan Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part C of the Project</td>
<td>280,000</td>
<td>60%</td>
</tr>
<tr>
<td>(b) under Parts A, B and E of the Project</td>
<td>5,920,000</td>
<td>30%</td>
</tr>
<tr>
<td>(c) under Part F of the Project</td>
<td>850,000</td>
<td>30%</td>
</tr>
<tr>
<td>(2) Equipment and materials under Parts A, B and F of the Project and equipment, materials and pharmaceuticals under Part D of the Project</td>
<td>6,990,000</td>
<td></td>
</tr>
</tbody>
</table>
Amount of the Loan and of the Intermediate Term Loan Allocated (Expressed in Dollar Equivalent) to be Financed

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) directly imported items</td>
<td></td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(b) locally procured items</td>
<td></td>
<td>65%</td>
</tr>
<tr>
<td>(3) Loans under Parts A (3), A (5), B (2) and</td>
<td>1,440,000</td>
<td>60% of the amount of such loans</td>
</tr>
<tr>
<td>B (4) of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Consultants' Services, Technical Assistance</td>
<td>6,210,000</td>
<td>100% of foreign expenditures or</td>
</tr>
<tr>
<td>and Training</td>
<td></td>
<td>80% of local expenditures</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>10,310,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>32,000,000</strong></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 the Borrower and for goods or services supplied from the territory of any country other than the Borrower; and

   (b) the term "local expenditures" means expenditures in the currency of the Borrower and for goods or services supplied from the territory of the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan or of the Intermediate Term Loan, shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan and of the Intermediate Term Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. 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, except that withdrawals, in an aggregate amount not
exceeding the equivalent of $2,000,000, may be made in respect of Categories (1), (2) and (4) on account of payments made for such expenditures before that date but after September 1, 1975.

(b) payments made for expenditures under Categories (1) (c), (2) and (4) with respect to Part F of the Project until the Borrower has employed the consultants referred to in Section 3.03 (a) of the Loan Agreement to assist the Borrower in carrying out the said Part F, in accordance with the provisions of the said Section 3.03 (a).

5. The proceeds of the Loan and of the Intermediate Term Loan shall be disbursed pro rata on the basis of a 11:5 ratio.

6. Notwithstanding the allocation of an amount of the Loan and of the Intermediate Term Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan and of the Intermediate Term Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan and of the Intermediate Term Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.
7. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan and of the Intermediate Term Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan and of the Intermediate Term Loan.
SCHEDULE 2

Description of the Project

The Project consists of the following Parts:

A. **Tondo Foreshore Infrastructure** (to be carried out by NHA, except as otherwise indicated)

1. Construction, equipment and materials for the provision of water supply, sewerage, plumbing, surface-water drainage, roads, footpaths, and street lighting services on about 180 ha of the Tondo Foreshore, to serve the resident population estimated at 160,000 persons living in about 15,000 structures after development.

2. Provision of about 1,000 serviced lots and sanitary core units on vacant land in the Tondo Foreshore.

3. Provision by NHA, through DBP, of credit for materials for home improvement.

4. Construction and equipment of:

   (a) primary schools containing in total about 120 classrooms;

   (b) one high school containing about 50 classrooms;

   (c) about 25 multipurpose community centers; and
(d) one health center, upgrading of three other such centers and upgrading of two Project Tulungan clinics.

5. Promotion of employment in the Tondo area through:

(a) the development of about 5.7 ha of vacant or reclaimed land in the Tondo Foreshore for industrial and commercial use;

(b) the provision by NHA through MASICAP of technical assistance to small businessmen; and

(c) the provision of credit to small businessmen by NHA through: (i) DBP; and (ii) at the option of the NHA, PBSP or PNB.

B. Dagat-Dagatan Infrastructure (to be carried out by NHA except as otherwise indicated)

1. Construction of water supply, sewerage, surface-water drainage, roads, footpaths, street lighting services for about 2,000 serviced lots and core units on about 40 ha of land in Dagat-Dagatan, being the first phase of a larger program.

2. Provision by NHA through DBP of credit for materials for home improvements.
3. Construction and equipment of:

(a) primary schools containing in total about 45 classrooms;

(b) three multipurpose community centers; and

(c) one health center.

4. Promotion of employment in the Dagat-Dagatan area through:

(a) the development of about 3.5 ha of land for industrial and commercial use;

(b) the provision by NHA through MASICAP of technical assistance to small businessmen; and

(c) the provision of credit to small businessmen by NHA through: (i) DBP; and (ii) at the option of NHA, PNB and PBSP.

C. Improvement by MWSS of the Tondo Sewage Pumping Station and construction by MWSS of a new outfall sewer.

D. Health Programs common to Tondo and Dagat-Dagatan

The implementation in the Tondo Foreshore area and the Dagat-Dagatan area of the following health programs, to be implemented by the agency or agencies indicated
after each such program, under the general supervision of NHA:

(a) training of not less than 300 volunteer medical officers and community health workers (NHA in coordination with the Borrower's Department of Health);

(b) identification and treatment of malnourished children (NHA and the National Nutrition Council);

(c) training in infant food preparation (National Nutrition Council and "Project Tulungan");

(d) nutrition education (National Nutrition Council and National Media Production Center);

(e) immunization of children against the most prevalent communicable diseases and the detection of tuberculosis in children and adults (Department of Health of the Borrower);

(f) eradication of worms in children (Department of Health of the Borrower);

(g) vermin and rodent control (Department of Health of the Borrower);
(h) vitamin and iron supplementation (National Nutrition Council); and

(i) family planning (Population Commission).

E. Major Road Works in Metropolitan Manila (to be carried out by the Borrower's Department of Public Highways in coordination with NHA)

Construction of the following road sections including necessary river channeling works and bridges:

1. about 2.4 km of the R-10 road to four-lanes;

2. about 3 km of the R-10 road to two lanes;

3. about 1.7 km in total of roads C-2 and C-3 to two lanes;

4. about 0.4 km of major spine road through Dagat-Dagatan to two lanes; and

5. two bridges over Estero de Vitas.

F. Traffic and Transport Improvements in Metropolitan Manila (to be carried out by the Borrower's Department of Public Highways except as otherwise indicated)

1. Provision and installation of about 38 new sets of traffic signals on new sites and of about 50 new sets on existing sites and the linking of such 88 traffic signals near or within the area bounded by circumferencial road C-2;
2. Provision and installation of equipment for a central traffic control center and of about 400 mobile radio units for traffic control by police;

3. Improvement of about 60 road junctions, the painting of road markings at about 200 junctions and 200 crosswalks and the installation of traffic signs;

4. The improvement of about 20 km of footpaths;

5. Construction of about 150 shelters at bus and jeepney stops; and

6. A program of training in traffic management and engineering.

G. Management, Studies and Training

(i) NHA

1. The strengthening of the administration of NHA through consolidation of the accounts of the organizations it has amalgamated, the development of its organizational structure, the setting up of its accounting system and financial control procedures and establishment of a management information system;

2. Feasibility studies by NHA for a second urban development project;
(ii) DPWTC

1. A land use and transportation study by DPWTC to propose:

(a) policies and programs for long-term development of Metropolitan Manila and its transport system;

(b) policies and programs for the improvement of transport in Metropolitan Manila in the short term; and

(c) an administrative, legal and financial framework for policy and project implementation.

(iii) DPWTC for MMC

1. A study to:

(a) review the revenue base of local jurisdictions in the Manila metropolitan area and to propose alternative sources of finance for the metropolitan government and the local jurisdictions;

(b) recommend appropriate institutional arrangements for the provision of integrated municipal services; and

(c) propose improvements to the administration of the property tax through the development of a program to improve the classification of real property, improve the quality of assessment and improve collection of billings.
2. Training and fellowships.

3. A two-year program of cadastral surveys.

H. A program of technical assistance to assist the Borrower in: (i) transport planning coordination and operations including fellowships and training and; (ii) revising the Borrower's transport infrastructure investments for the next four years and in carrying out a national transport system study.

* * *

The Project is expected to be completed by March 31, 1981.
SCHEDULE 3

Amortization Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Payment of Principal (expressed in dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 15, 1981</td>
<td>300,000</td>
</tr>
<tr>
<td>May 15, 1982</td>
<td>315,000</td>
</tr>
<tr>
<td>November 15, 1982</td>
<td>325,000</td>
</tr>
<tr>
<td>May 15, 1983</td>
<td>340,000</td>
</tr>
<tr>
<td>November 15, 1983</td>
<td>355,000</td>
</tr>
<tr>
<td>May 15, 1984</td>
<td>370,000</td>
</tr>
<tr>
<td>November 15, 1984</td>
<td>385,000</td>
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<tr>
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<td>400,000</td>
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<td>420,000</td>
</tr>
<tr>
<td>May 15, 1986</td>
<td>435,000</td>
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<tr>
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<td>455,000</td>
</tr>
<tr>
<td>May 15, 1987</td>
<td>475,000</td>
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<tr>
<td>November 15, 1987</td>
<td>495,000</td>
</tr>
<tr>
<td>May 15, 1988</td>
<td>515,000</td>
</tr>
<tr>
<td>November 15, 1988</td>
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<tr>
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<td>560,000</td>
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<td>585,000</td>
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<tr>
<td>May 15, 1990</td>
<td>610,000</td>
</tr>
<tr>
<td>November 15, 1990</td>
<td>635,000</td>
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<tr>
<td>May 15, 1991</td>
<td>660,000</td>
</tr>
<tr>
<td>November 15, 1991</td>
<td>690,000</td>
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<tr>
<td>May 15, 1992</td>
<td>720,000</td>
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<tr>
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<td>750,000</td>
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<tr>
<td>May 15, 1993</td>
<td>780,000</td>
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<tr>
<td>November 15, 1993</td>
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<tr>
<td>May 15, 1994</td>
<td>850,000</td>
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<td>925,000</td>
</tr>
<tr>
<td>November 15, 1995</td>
<td>960,000</td>
</tr>
</tbody>
</table>

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.
<table>
<thead>
<tr>
<th>Late Payment Due</th>
<th>Payment of Principal (expressed in dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 15, 1996</td>
<td>1,005,000</td>
</tr>
<tr>
<td>November 15, 1996</td>
<td>1,045,000</td>
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<tr>
<td>May 15, 1997</td>
<td>1,090,000</td>
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<tr>
<td>November 15, 1997</td>
<td>1,135,000</td>
</tr>
<tr>
<td>May 15, 1998</td>
<td>1,180,000</td>
</tr>
</tbody>
</table>

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.
Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<table>
<thead>
<tr>
<th>Time of Prepayment</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than three years before maturity</td>
<td>1-1/4%</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>2-1/2%</td>
</tr>
<tr>
<td>More than six years but not more than eleven years before maturity</td>
<td>4-1/2%</td>
</tr>
<tr>
<td>More than eleven years but not more than sixteen years before maturity</td>
<td>6-3/4%</td>
</tr>
<tr>
<td>More than sixteen years but not more than twenty years before maturity</td>
<td>7-1/2%</td>
</tr>
<tr>
<td>More than twenty years before maturity</td>
<td>8-1/2%</td>
</tr>
</tbody>
</table>
SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Except as provided in Part B hereof, contracts for the purchase of goods or for civil works shall be procured in accordance with procedures consistent with those set forth in Part A of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in August 1975 (hereinafter called the Guidelines), on the basis of international competitive bidding.

2. Non-Philippine contractors will not be required to register in the Philippines as a condition of bidding on a contract. Where said registration is required of a non-Philippine contractor after he has been awarded a contract, the Borrower shall take such action as shall be practicable to facilitate his registration.

B. Other Procurement Procedures

1. Contracts for: (i) materials and equipment (except as provided in paragraph B (2) hereof) expected to cost less than the equivalent of $100,000; (ii) for house building materials to be financed through DBP; and (iii) for civil works expected to cost less than the equivalent of $1,000,000, shall be awarded on the basis of competitive bidding advertised locally in accordance with the Borrower's procedures.
2. Contracts for equipment, materials and vehicles for small industry and business, to be financed through DBP, PBSP or PNB, expected to cost less than the equivalent of $100,000 shall be procured in accordance with regulations for such contracts to be established by the said institutions in agreement with NHA.

C. Evaluation and Comparison of Bids for Goods; Preference for Domestic Manufacturers

1. For the purpose of evaluation and comparison of bids for the supply of goods except those to be procured in accordance with local procedures: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically-manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

2. Goods manufactured in the Philippines may be granted a margin of preference in accordance with, and subject to, the following provisions:

(a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.
(b) After evaluation, responsive bids will be classified in one of the following three groups:

(1) **Group A**: bids offering goods manufactured in the Philippines if the bidder shall have established to the satisfaction of the Borrower and the Bank that the manufacturing cost of such goods includes a value added in the Philippines equal to at least 20% of the ex-factory bid price of such goods.

(2) **Group B**: all other bids offering goods manufactured in the Philippines.

(3) **Group C**: bids offering any other goods.

(c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

(d) If, as a result of the comparison under paragraph (c) above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the c.i.f. bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to (i) the amount of cus-
toms duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group C bid; or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the bid from group C which as a result of the comparison under paragraph (c) is the lowest evaluated bid shall be selected.

D. Review of Procurement Decisions by the Bank

1. Review of invitations to bid and of proposed awards and final contracts:

   With respect to contracts for civil works estimated to cost the equivalent of $250,000 or more and with respect to contracts for equipment and materials expected to cost the equivalent of $100,000 or more:

   (a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.
(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report by the consultants referred to in Section 3.03 of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of the said consultants and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

2. With respect to each contract to be financed out of the proceeds of the Loan and not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for
award and such other information as the Bank shall reasonably re-
quest. The Bank shall, if it determines that the award of the
contract was not consistent with the Guidelines or this Schedule,
promptly inform the Borrower and state the reasons for such de-
termination.
SCHEDULE 5

Terms and Condition of Subsidiary Loan Agreements

1. NHA Subsidiary Loan Agreement:

   term: 22 years including 5 years of grace; interest: 8-1/2% per annum.

2. MWSS Subsidiary Loan Agreement:

   term: 22 years including 5 years of grace; interest: 8-1/2% per annum.