

CONFORMED COPY

LOAN NUMBER 7191-PH

Loan Agreement

(Judicial Reform Support Project)

between

REPUBLIC OF THE PHILIPPINES

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 2, 2003

LOAN AGREEMENT

AGREEMENT, dated October 2, 2003, 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), and the feasibility and priority of the Supreme Court's Action Program for Judicial Reform, 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 (the General Conditions) constitute an integral part of this Agreement.

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 additional terms wherever used in this Agreement have the following meanings:

(a) "Bangko Sentral ng Pilipinas" means the Borrower's central bank and any successor thereto;

(b) "DBM" means the Borrower's Department of Budget and Management, and any successor thereto;

(c) "Environmental Impact Assessment Guidelines" means the Borrower's Environmental Impact Assessment Guidelines dated February, 2003, duly adopted by the Supreme Court, which sets forth guidelines, satisfactory to the Bank, to assess, mitigate, manage and monitor the environmental impact of Part C.3 of the Project;

(d) "Financial Monitoring Report" and the acronym "FMR" mean each report prepared in accordance with Section 4.02 of this Agreement;

(e) “Higher Courts” means, for purposes of the Project, the Supreme Court, the Court of Appeals, the Court of Tax Appeals and the Sandiganbayan;

(f) “Pilot Model Courts” means regional, metropolitan and municipal trial courts selected, in agreement with the Bank, to participate in the Project;

(g) “Program Management Office” means the office established within the Supreme Court, to oversee the implementation of the Supreme Court’s Action Program for Judicial Reform;

(h) “Project Operations Manual” means a manual, including sub-manuals, which sets out, among other things: (i) the Procurement Policy Guidelines and Procedures which conforms with the procurement procedures and standard documentation set forth in Schedule 4 to this Agreement and its Annex, (ii) reporting requirements and financial management procedures, including audit procedures, as set forth in Article 4 of this Agreement, and (iii) the Project Performance Indicators as set forth in Schedule 6 to this Agreement, and which manual is to be adopted by the Borrower through the Supreme Court pursuant to paragraph 2 of Schedule 5 to this Agreement, as such Manual may be revised from time to time with the prior approval of the Bank;

(i) “Sandiganbayan” means the Anti-Corruption Court of the Philippines;

(j) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement; and

(k) “Supreme Court’s Action Program for Judicial Reform” and “APJR” mean the Program adopted in December 2000 by the Supreme Court en banc.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to the Supreme Court of the Philippines.

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 twenty one million nine hundred thousand Dollars (\$21,900,000), 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 for: (i) 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; (ii) the front-end fee referred to in Section 2.04 of this Agreement; and (iv) 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 a special deposit account in a commercial bank specifically authorized for this purpose by 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, the Special Account shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009, 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. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to 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 percent (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 percent (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 semi-annually 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.

Section 2.11. The Chief Justice of the Supreme Court, and any person or persons whom he or she shall designate in writing, is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

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 shall carry out the Project, through the Supreme Court, with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, financial, legal, judicial and management practices, and sound environmental standards acceptable to the Bank, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(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, through the Supreme Court, carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of goods, works and 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.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall, through the Supreme Court:

(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 for the continued achievement of the purposes 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, through the Supreme Court, maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect, separately, the operations, resources and expenditures related to the Project.

(b) The Borrower shall, through the Supreme Court:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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 six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, 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 Financial Monitoring Reports or statements of expenditure, the Borrower shall, through the Supreme Court:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for 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;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Financial Monitoring Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

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, through the Supreme Court, 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 Financial Monitoring Report 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 Financial Monitoring Report shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination

Section 5.01. 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) that the Supreme Court's Information Systems Strategic Plan has been adopted in accordance with paragraph 3 of Schedule 5 to this Agreement; and

(b) that the Project Operations Manual has been adopted by the Supreme Court in accordance with paragraph 2 of Schedule 5 to this Agreement.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.11 of this Agreement, 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 6.02. 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 Boulevard
Manila, Republic of the Philippines

Cable address:	Telex:	Facsimile:
SECFIN Manila	40268CB-CONF	(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:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(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/ Jose Isidro Camacho

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Robert Vance Pulley

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Works	8,500,000	90%
(2) Goods	4,700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(3) Consultants' services and training	5,200,000	87% of expenditures for services of firms and 82% of expenditures for services of individual consultants
(4) Incremental operating costs	2,600,000	60%
(5) Front-end fee	219,000	Amount due under Section 2.04 of this Agreement

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(6) Premia for interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09 (c) of this Agreement
(7) Unallocated	681,000	
	<u>21,900,000</u>	
TOTAL	=====	

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 any expenditures that are not foreign expenditures; and

(c) the term “Incremental operating costs” means the reasonable and documented expenditures (which expenditures would not have been occurred absent the Project) incurred by: (i) the PMO on account of Project implementation, including office supplies, telecommunications expenses, and travel costs, including per diem, and (ii) the Supreme Court on account of the implementation of Part C.3 of the Project, including the costs of rental of temporary premises, relocation costs, and incremental utilities and maintenance costs; but excluding salaries or salary supplements of officials of the Borrower’s civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$300,000, may be made in respect of Categories (2) and (3) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after April 30, 2003.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts costing less than \$500,000 equivalent each; (b) goods under contracts costing less than \$200,000 equivalent each; (c) training; (d) consultants’ services under contracts with firms, each costing less than \$100,000 equivalent; (e) consultants’ services under contracts with individuals, each costing less than \$50,000 equivalent; and (f) Incremental operating costs, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in developing a more effective and accessible Judiciary that would foster public trust and confidence, through the implementation of the Supreme Court's Action Program for Judicial Reform.

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: Improving Case Adjudication and Access to Justice

1. Design and implementation of an improved case management system at the Supreme Court, the Court of Appeals, the Sandiganbayan, the Court of Tax Appeals, and in selected Pilot Model Courts, through the provision of technical assistance, the acquisition of software and the provision of training.
2. Design and implementation of a court records management system in the Higher Courts and in selected Pilot Model Courts; formulation of policies and procedures for the inventory and categorization of court records, such as indexing and coding, disclosure, archival, storage, disposal, physical layout, retrieval and filing design, and preparation and dissemination of a Court Records Management Manual, including the provision of technical assistance, the acquisition of related software, and the provision of training.
3. Installation of computer-aided transcription technology in the Higher Courts and in selected Pilot Model Courts, and formulation of an implementation plan, including acquisition of related software and equipment, and provision of technical assistance and training.
4. Reorganization of the jurisdictional structure of courts, including a nation-wide review and reengineering of the judiciary's jurisdictional structure and the establishment of internal institutional guidelines for continued review, planning and policy improvements, including provision of technical assistance and workshops.
5. Identification of (a) policy options for the adoption of a social pricing mixed scheme for legal fees to improve the affordability of legal services, including the use of the courts by the poor, and (b) mechanisms for public and private resource generation programs to support the availability of affordable legal services to the poor; and development of policy options for addressing affordability constraints to the access to the judicial system by the poor and the vulnerable sections of the population; including the provision of technical assistance and the carrying out of workshops.
6. Strengthening of the access to justice via mobile courts, including (a) carrying out of a study on the establishment and operationalization of mobile courts, in locations

with large land areas, a dispersed population and very limited public transport facilities; (b) carrying out of workshops, and (c) acquisition of mobile vehicles and information and communication technology equipment.

7. Upgrading of the judiciary's information and communications technology through the provision of the technological infrastructure, applications, capability and organization to manage the overall information and communication needs of the judiciary, including design and acquisition of software, procurement and installation of information and communications technology equipment, and provision of training.

Part B: Enhancing Institutional Integrity

1. Carrying out of a review and assessment of the Canon of Judicial Ethics, the Code of Professional Responsibilities and the Code of Conduct for Court Personnel; and, thereafter, formulation and development of a comprehensive manual on the Code of Ethics for justices, judges, lawyers and court personnel, including the provision of technical assistance and workshops.

2. Development of alternative feedback mechanisms on judicial performance to improve the quality and quantity of venues for information exchange on judicial functions, operations and performance, through the provision of technical assistance and workshops.

3. Implementation of the computerized judicial performance management system in three selected Pilot Model Courts and in the Higher Courts, through the design and acquisition of software and provision of training.

4. Formulation and implementation of a gender-sensitive Human Resource and Development Master Plan for Non-Judicial Personnel and the strengthening of the overall capacity of the Philippine Judicial Academy, including the carrying out of workshops and training, and the provision of training equipment and distance learning tools and materials.

Part C: Strengthening the Institutional Capacity of the Judiciary

1. Implementation in selected Pilot Model Courts of the judicial system's decentralized structure established by the Supreme Court, including (a) development of a detailed technical design and implementation plan, and (b) implementation of revised policies on local government unit support for the operation of lower courts, through the provision of relevant equipment, technical assistance, workshops and training.

2. Development and implementation of a financial management improvement program, including reporting and information systems, revenue management, fund management, physical asset management and the payroll system for use in selected Pilot Model Courts, through the design and acquisition of software, and provision of training and technical assistance.

3. Establishment of Pilot Model Courts in each of Mindanao, Visayas and Luzon through the rehabilitation (including expansion) of existing courthouses, remodeling of office layouts, and provision of furniture, information and communications equipment, and technical assistance.

4. Establishment of electronic library and research facilities to permit timely access to judicial information relevant for judiciary personnel and the public in general, and the development of options for institutionalizing judiciary policy and research capabilities, through the design and acquisition of software, and the provision of training and technical assistance.

Part D: Support for the Reform of the Judicial System and Program Management Office

1. Provision of technical assistance, training and workshops for:

(a) an assessment of the possible impacts of the APJR on the judiciary's personnel and the subsequent preparation and implementation of an impact mitigation program based on said study;

(b) the carrying out of knowledge sharing programs among the Judiciary, the Government, the legal community and non-governmental organizations;

(c) the provision of specialized technical and institutional support, best practices and training support for judges working groups, and assistance for implementation and supervision;

(d) the design and development of public communications programs to promote the APJR and share the progress of the activities under the APJR;

(e) the preparation of a program for internal and external communication for the courts through periodic support to inter-institutional meetings, association meetings for preparing professional development sessions and developing other mechanisms that promote a sense of commitment and public service, and organization of local and international seminars on strategic topics;

(f) the development of community outreach; and

(g) the carrying out of gender-segregated user surveys for feedback and for the refinement of reform activities.

2. Strengthening the capacity of the Program Management Office through the provision of technical assistance: (a) in specialized areas such as institutional development, team building, procurement, site development management, public affairs, financial management, and Project evaluation; (b) for judicial statistics, re-engineering, mediation techniques, establishment of mobile courts, and new judicial organization models; and (c) for administration and coordination, monitoring and control; and the provision of information and communications equipment and training.

* * *

The Project is expected to be completed by June 30, 2009.

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:

<u>Payment Date</u>	<u>Installment Share</u> <u>(Expressed as a %)</u>
On each April 15 and October 15 beginning October 15, 2011, through October 15, 2022	4.17%
On April 15, 2023	4.09%

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. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for works shall be grouped in bid packages estimated to cost \$500,000 equivalent or more each, and contracts for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, and works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$500,000 or more and each contract for goods estimated to cost the equivalent of \$200,000 or more the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services for improving case adjudication and access to justice, and the establishment of an electronic judicial library, under Parts A and C.4 of the Project, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for strengthening institutional capacity under Part C of the Project, 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 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services for enhancing institutional integrity and for the implementation of a decentralized organization model, under Parts B and C.1 of the Project, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services of individual consultants for:

(a) facilitating change management under Part D.1 of the Project, shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines; and

(b) enhancing the reform program management under Part D.2 of the Project, may be selected on a sole-source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to prior approval of the Bank.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every six months during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants: (i) estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, the terms of reference and the terms of employment of the consultants shall be furnished to the Bank for its prior review and approval; and (ii) to be selected on a sole source basis, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

ANNEX TO SCHEDULE 4

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. Except for major or complex works, as defined in this Loan Agreement, where prequalification is required, prequalification of contractors shall only be undertaken upon prior Bank approval.
4. Eligibility screening may be carried out prior to bidding with the prior concurrence of the Bank.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.

10. 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.
11. Suppliers and contractors shall not be required to purchase only local goods or supplies, or to hire local labor, except for unskilled labor.
12. Explicit bid evaluation criteria shall be set forth in the bid documents based on monetarily quantifiable elements.
13. Modifications exceeding 15% of the contract amount and material changes in the conditions during implementation require prior concurrence of the Bank.
14. 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.
15. 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.
16. 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.
17. Two-envelope system procedures shall not be used unless prior concurrence by the Bank has been obtained.
18. 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.
19. The use of GEPS for procurement of goods may be allowed with the prior concurrence of the Bank.

SCHEDULE 5

Implementation Program

1. The Borrower shall maintain until completion of the Project, a Program Management Office in the Supreme Court, responsible for overseeing the implementation of the Supreme Court's Action Program for Judicial Reform and the Project, chaired by a Director, and said Office to be provided at all times with adequate funds and other resources and staffed by qualified and experienced personnel in adequate numbers as shall be necessary to accomplish its objectives.
2. The Borrower shall, through the Supreme Court, adopt, and thereafter apply in the implementation of the Project, the Project Operations Manual, acceptable to the Bank, as such Manual may be amended from time to time with the prior agreement of the Bank.
3. The Borrower shall, through the Supreme Court, adopt a Supreme Court Information System Strategic Plan, which takes into account the Bank's comments on the draft Plan.
4. The Borrower shall, through the Supreme Court: (a) carry out regular reviews of the APJR and the Project, commencing January 15, 2004, and at least annually thereafter until completion of the Project; and (b) shall afford the Bank a reasonable opportunity to exchange views with the Supreme Court on any proposed revisions to said APJR.
5. The Borrower shall, through the Supreme Court carry out, until completion of the Project, semi-annual consultations on the APJR with a consultative group that shall include representatives from the judicial system, lawyer associations, civil society, academia, the Borrower's Department of Justice, and Congress.
6. The Borrower shall, through the Supreme Court, prepare an infrastructure master strategic plan for the future construction and rehabilitation of courts, and not later than January 15, 2004, adopt the plan, taking into account the comments of the Bank on such plan.
7. The Borrower shall, through the Supreme Court, adopt an overall training framework for the APJR, which takes into account the Bank's comments thereon not later than January 1, 2004.
8. In carrying out Part C.3 of the Project, the Borrower shall, through the Supreme Court, apply the principles set forth in the Environmental Impact Assessment Guidelines, in the event that the environmental screening carried out in accordance with said principles concludes that such an assessment and management plan are required.

9. The Borrower shall, through the Supreme Court:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about July 1, 2006, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said 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

(c) review with the Bank, by September 1, 2006, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6		
Performance Indicators¹		
	Mid-term Review	Project Completion
More effective and accessible judicial system:		
5 percentage-point increase in user satisfaction and confidence in Higher Courts	In progress	Completed
5 percentage-point increase in user satisfaction and confidence in Pilot Model Courts relative to the average for lower courts	In progress	Completed
Improvement in case adjudication and access to justice:		
At least a 10 percentage reduction in case processing times (including median time from case filing to closing of file) in Higher Courts	Completed	
At least a 10 percentage reduction in case backlogs in Pilot Model Courts relative to the average of lower courts		Completed
At least a 20 percent per annum increase in the number of citizens served by mobile courts after they become operational		Completed
Enhancement in institutional integrity:		
50 percent of judges and other court personnel receiving training on Code of Ethics	Completed	
Implementation of a gender sensitive HRD Master Plan		Completed
Strengthening institutional capacity:		
Completion and testing of Pilot Model Court with provision of modern case management system, decentralized administration and financial management systems, and adequate physical infrastructure	One by mid term	Other 2 by completion
5 percentage-point increase in user satisfaction with Pilot Model Courts after first year of their operation	In progress	Completed
¹ Where applicable, performance indicators are relative to baseline data recorded in Annex 1 of the Project Appraisal Document for the Project.		
Improvement in support for reform of the judiciary:		
Maintenance of an active institutionalized program of public education, knowledge sharing, consultations, citizen feedback and dissemination of results	In progress	Completed

SCHEDULE 7

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1) through (4) as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures 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 allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means an amount equivalent to \$2,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$1,000,000 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 \$7,000,000.
2. Payments out of the Special Account 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 Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Borrower shall furnish the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule 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

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 Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, 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.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) 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 the records and accounts for the Special Account;

(c) 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 the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, 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 allocated to the eligible Categories 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 Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such

payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account 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 shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, 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 Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b), and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.