

CONFORMED COPY

LOAN NUMBER 7058 PH

Loan Agreement

(Metro Manila Urban Transport Integration Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 8, 2001

LOAN NUMBER 7058-PH

LOAN AGREEMENT

AGREEMENT, dated August 8, 2001, between REPUBLIC OF THE PHILIPPINES (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

WHEREAS Parts A.1, C.1 (a) and E of the Project will be carried out by Metropolitan Manila Development Authority ("MMDA") with the Borrower and the City of Marikina (the Recipient) assistance and, as part of such assistance, the Borrower will make available to MMDA a portion of the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Borrower and the City of Marikina (the Recipient) have requested assistance from the resources of the Global Environment Facility Trust Fund in the financing of Part D of the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution No. 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2, and the Bank has determined that such assistance would be in accordance with the provisions of Resolution No. 94-2 and Resolution No. 98-2 referred to above; 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 and in the agreement of even date herewith between the Bank and MMDA (the Project 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 following additional terms wherever used in this Agreement have the following meanings:

(a) "Project Affected Person" means a person who on account of the Project would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, or interest in or right to use any land (including premises, agricultural and grazing land) or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, and "Project Affected Persons" means, collectively, all persons who qualify as a Project Affected Person.

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

(c) "DOF" means the Borrower's Department of Finance, and any successor thereto.

(d) "DOTC" means the Borrower's Department of Transportation and Communications, and any successor thereto.

(e) "DPWH" means the Borrower's Department of Public Works and Highways, and any successor thereto.

(f) "EDSA" means the Epifanio de los Santos Avenue.

(g) "Eligible Categories" means works, goods, and consultant services.

(h) "Eligible Expenditures" means, in respect of the Special Account for Parts A.1, C.1(a) and E of the Project, the expenditures for works, goods and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Loan allocated from time to time to said Special Account's respective Eligible Categories; and in respect of the Special Account for Parts A.2, B, C.1b and C.2 of the Project, the expenditures for works, goods and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Loan allocated from time to time to said Special Account's respective Eligible Categories.

(i) "Environmental Management Plan," means DPWH's plan of actions to mitigate adverse environmental effects for each road to be upgraded, satisfactory to the Bank, dated July 28, 2000, and the Supplemental Environmental Assessment and Mitigating and Monitoring Plans for the Marikina Bridge and Access Road Project component and the Marcos Highway Project component under Part B of the Project adopted by DPWH pursuant to paragraph 3 of Schedule 4 to this Agreement.

(j) "Grant" means the grant of the Global Environment Facility in an amount in various currencies equivalent to one million Special Drawing Rights (SDR1.0 million) to assist in the financing of Part D of the Project.

(k) "Grant Agreement" means the Agreement for the Grant to be entered into between the Borrower and the Bank acting as an Implementing Agency of the Global Environment Facility.

(l) "LRT" means Light Rail Transit lines.

(m) "MARIPAS" means the local government units of Marikina, Rizal, and Pasig.

(n) "Metro Manila" means Manila and its greater metropolitan area.

(o) "MMDA" means the Metropolitan Manila Development Authority, a national government agency organized and existing through Republic Act 7924.

(p) "NEDA" means the Borrower's National Economic and Development Authority, and any successor thereto.

(q) "Project Agreement" means the agreement between the Bank and MMDA of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

(r) "Project Implementation Plan" means the plan referred to in Paragraph 2 of Schedule 4 to this Agreement, containing; (i) work plans, and procedures to be used for procurement, financial management, disbursement, supervision and impact evaluation in respect of the Project, all in accordance with the provisions of this Agreement, and (ii) procedures for the monitoring and reporting of Project activities, as the same may be amended from time to time, in consultation with the Bank, and includes any schedules to the Project Implementation Plan may be updated from time to time all in accordance with the provisions of this Agreement with the agreement of the Bank.

(s) "Project Management Office" and "PMO" means the offices maintained by DPWH and MMDA in accordance with paragraph 1(b) of Schedule 5 to this Agreement.

(t) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement.

(u) "Public Participation Policy" means the Framework for Public Participation and Consultation dated April 30, 2001, endorsed by DPWH on April 30, 2001 for application to the Project, and satisfactory to the Bank.

(v) "Resettlement Action Plans" means the Resettlement Action Plan for Project Affected Persons in the Marikina Bridge and Access Road with respect to Part B of the Project, approved by DPWH dated April 30, 2001 and the Resettlement Action Plan for Project Affected Persons in the Don Mariano Marcos Avenue Extension with respect to Part C(1) of the Project, approved by DPWH dated October 18, 2000, both Resettlement Action Plans satisfactory to the Bank.

(w) "Resettlement Policy" means the Policy Framework for Land Acquisition, Resettlement and Rehabilitation of Project Affected Persons, dated May 2001, endorsed by DPWH on May 10, 2001 for application to the Project and satisfactory to the Bank.

(x) "Special Accounts" means the accounts referred to in Section B of Schedule 1 to this Agreement.

(y) "Steering Committee" means the Committee established and operating by Department Order No. 189 of DPWH dated October 17, 2000, consisting of representatives from DPWH, MMDA, the Metro Manila Mayors' Council, DOTC, NEDA, and DBM, and to be maintained pursuant to Paragraph 1(a) of Schedule 4 to this Agreement.

(z) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and MMDA pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to MMDA.

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 sixty million Dollars (\$60,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works, goods, and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the front end fee referred to in Section 2.04 of this Agreement.

Section 2.03. The Closing Date shall be March 31, 2007 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 six hundred thousand Dollars (\$600,000). 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 per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

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

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on May 1 and November 1 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.

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: (i) shall carry out Parts A.2, B, C.1(b) and C.2 of the Project through DPWH, and (ii) without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause MMDA to carry out Parts A.1, C.1(a) and E of the Project, to perform in accordance with the provisions of the Project Agreement all of its obligations therein set forth, all with due diligence and

efficiency and in conformity with appropriate transport, administrative, economic, environmental, social, financial, procurement and management practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable DPWH and MMDA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) For the purposes of Parts A.1, C.1 (a) and E of the Project, the Borrower shall grant the proceeds of the Loan allocated from time to time to Categories 1(a), 2(a), and 3(a) of the table in paragraph 1 of Schedule 1 to this Agreement to MMDA under a subsidiary agreement to be entered into between the Borrower and MMDA (the Subsidiary Agreement) under terms and conditions acceptable to the Bank.

(d) The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project (except for Part D thereof) and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 5 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

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

Section 3.04. The Borrower shall:

(a) undertake the acquisition of all necessary land, structures and other assets required for the Project, and provide compensation therefor and resettlement and rehabilitation assistance in accordance with the principles and institutional procedures established in the Resettlement Policy;

(b) ensure that Project Affected Persons shall be compensated, resettled and rehabilitated in accordance with the relevant Resettlement Action Plan; and

(c) carry out the implementation of the relevant Resettlement Action Plan in a manner satisfactory to the Bank.

Section 3.05. The Borrower shall carry out, and shall cause MMDA to carry out, the Project in accordance with the Environmental Management Plan, including the Supplemental Environmental Assessment and Mitigating and Monitoring Plans for the Marikina Bridge and Access Road Project component and the Marcos Highway Project component, satisfactory to the Bank.

Section 3.06. The Borrower shall consult with the public and provide for participation in decisions affecting the Project in accordance with the Public Participation Policy.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures for and in connection with the carrying out of the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for each 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 statements of expenditure, the Borrower shall:

- (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 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 provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than December 31, 2001 or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the three month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the three month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B)

explains variances between the actual and previously forecast implementation targets; and

- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as of the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional event is specified, namely that:

(a) Subject to subparagraph (b) of this paragraph, the right of the Borrower to withdraw the proceeds of the Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Grant Agreement.

(b) Subparagraph (a) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (i) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for Part D of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (ii) of that Section.

ARTICLE VI

Effectiveness; Termination

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

(a) that the Subsidiary Agreement has been executed on behalf of the Borrower and MMDA;

(b) that the GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder, except only the effectiveness of the Loan Agreement, have been fulfilled; and

(c) that the Supplemental Environmental Assessment and Mitigating and Monitoring Plans referred to in Section 3.05 of this Agreement have been adopted by DPWH satisfactory to the Bank.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by MMDA, and is legally binding upon MMDA in accordance with its terms;

(b) that the Subsidiary Agreement has been duly authorized or ratified by MMDA and the Borrower, and is legally binding upon MMDA and the Borrower in accordance with its terms; and

(c) that the Resettlement Policy and Resettlement Action Plans are legally binding upon DPWH and MMDA, respectively, in accordance with their terms.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Department of Finance
Department of Finance Building
Bangko Sentral Complex
Roxas Boulevard
Manila, Republic of the Philippines

Cable address:	Telex:	Facsimile:
SECFIN Manila	40268CB-CONF	(63-2) 526-9990

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

A. General

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

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Works:		70%
(a) under Parts A.1 and C.1(a) of the Project	9,400,000	
(b) under Parts B and C.2 of the Project	29,400,000	
(2) Goods:		100% of foreign expenditures,
(a) under Parts A.1 and C.1(a) of the Project	100,000	100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(b) under Parts A.2, B, C.1(b) and C.2 of the Project	5,500,000	
(3) Consultants' Services:		100%
(a) under Parts A.1, C.1(a) and E of the Project	2,500,000	
(b) under Parts A.2, B, C.1(b) and C.2 of the Project	6,500,000	
(4) Fee	600,000	Amount due under section 2.04 of this Agreement
(5) Unallocated	6,000,000	
TOTAL	60,000,000	

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; and

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

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.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for:

(a) goods under contracts costing less than \$200,000 equivalent each; and

(b) consultants' services under contracts with firms or individuals costing less than \$100,000 equivalent or less than \$50,000 equivalent, respectively; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Accounts

1. The Borrower shall open and maintain in Dollars two separate special deposit accounts, one for Parts A.1, C.1 (a) and E of the Project, and one for Parts A.2, B, C.1(b) and C.2 of the Project in a commercial bank specifically authorized for this purpose by the Bangko Sentral ng Pilipinas, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the respective Special Account in accordance with the provisions of this Schedule. Payments out of each Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of a 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.

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

(a) until the Bank shall have received (i) the first Project Management Report referred to in Section 4.02(b) of this Agreement and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of each Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of a 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.

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

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) if the Borrower shall have failed to furnish to the Bank within the period of time specified in Section 4.01(b)(ii) of this Agreement any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of (A) the records and accounts for any Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

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

notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of any Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into said Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into any 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 determines at any time that any amount outstanding in any Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

Annex A to SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means: (i) in respect of the Special Account for Parts A.2, B, C.1(b), and C.2 of the Project, an amount equivalent to \$3,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$1,500,000, until the aggregate amount of withdrawals from the Loan Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of \$18,000,000 and (ii) in respect of the Special Account for Parts A.1, C.1(a) and E of the Project, an amount equivalent to \$1,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$600,000 until the aggregate amount of withdrawals from the Loan Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of \$5,000,000.

2. Withdrawals of a Special Account's Authorized Allocation and subsequent withdrawals to replenish said Special Account shall be made as follows:

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

(b) For replenishment of said Special Account, the Borrower shall furnish to the Bank requests for deposit into said Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of

Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into said 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 said Special Account for Eligible Expenditures. Each such deposit into said Special Account shall be withdrawn by the Bank from the Loan Account under one or more of said Special Account's Eligible Categories.

3. The Bank shall not be required to make further deposits into a Special Account, once the total unwithdrawn amount of the Loan allocated to said Special Account's 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 in respect of expenditures to be financed out of the proceeds of the Loan allocated to said Categories, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to said 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 said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B to SCHEDULE 1

Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into a Special Account shall be withdrawn by the Bank from the Loan Account under one or more of said Special Account's Eligible Categories.

2. Each application for withdrawal from the Loan Account for deposit into a Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in said Special Account, shall not exceed the equivalent of \$ 2,000,000 in respect of the Special Account for Parts A.2, B, C.1(b) and C.2 of the Project and \$1,000,000 in respect of the Special Account for Parts A.1, C.1(a) and E of the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in enhancing the economic productivity and quality of life of residents of Metro Manila by: (a) improving the operational efficiency and safety of the transport system; and (b) enhancing the use of public transport and non-motorized transport.

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. Traffic Management Improvements

1. Carrying out of civil works for traffic management improvement, including public transport priority, integration among modes, improvement of interchange among buses, jeepneys, LRT lines, and pedestrians and other measures for introducing public transport priority, traffic management at and between intersections, measures for reducing congestion, controlling vendors and other inappropriate frontage activity and

other measures for improving road safety for pedestrians, and measures for bicycles in the following corridors: (i) LRT Line 2 corridor; (ii) EDSA LRT Line 3 corridor; (iii) Southern corridor - Bicutan interchange; and (iv) Southern corridor - Alabang interchange.

2. Provision of traffic signal facilities for the corridors mentioned in Part A.1 above.

Part B. MARIPAS Access Improvements

Carrying out of civil works and provision of traffic signal facilities to improve access to the Marikina Valley, including: (i) the Marikina Bridge and Access Road; (ii) the Marcos Highway; and (iii) the Ortigas Avenue Extension.

Part C. Secondary Roads Program

1. (a) Carrying out of civil works to provide comprehensive corridor treatment that will establish priority for secondary roads, including pavement rehabilitation, drainage and sidewalk improvements, and measures to safeguard pedestrians and improve street level interchange between public transport for the following road links: (i) Pasong Tamo, (ii) Don Mariano Marcos Avenue Extension, (iii) Antonio Arnaiz Avenue; (iv) Sen. Gil Puyat Avenue; and (v) Banaue Avenue.

(b) Provision of traffic signal facilities for the secondary roads mentioned in Part C.1 (a) above.

2. Carrying out of civil works and provision of traffic signal facilities to provide comprehensive corridor treatment that will establish priority for secondary roads, including pavement rehabilitation, drainage and sidewalk improvements, and measures to safeguard pedestrians and improve street level interchange among public transport modes, for the following road links: (i) D. Romualdez-San Marcelino, (ii) Legarda, (iii) Quezon Boulevard; (iv) Pedro Gil/New Panaderos, (v) Tayuman, (vi) M. de la Fuente (Trabajo), (vii) Jacobo Fajardo; (viii) South Super Highway West/East Service Road; (ix) Quirino Highway, and (x) 10th Avenue.

Part D. Non-Motorized Transport

Construction of a bicycle lane network in the City of Marikina, including approximately 50 km of bikeways on existing roads and 16 km of bikeways along the Marikina river banks, provision of physical barriers for adjacent traffic, designation of bicycle lanes, and pedestrianization around schools and market areas, provision of bicycle parking facilities, lighting, a public awareness campaign, and a bicycle safety program.

Part E. Institution Building

Strengthening MMDA's capacity for project implementation, coordination of transport development plans and programs, and management of traffic in the cities and municipalities of Metro Manila.

The Project is expected to be completed by September 30, 2006.

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.

Installment Share

Payment Date	(Expressed as a %)
On each May 1 and November 1 Beginning November 1, 2009 through November 1, 2020	4.17%
On May 1, 2021	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.

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

Implementation Program

1. (a) The Borrower shall maintain the Steering Committee with terms of reference satisfactory to the Bank, to monitor the progress of the Project and to coordinate its components.

(b) The Borrower shall maintain the PMOs in each of DPWH and MMDA headed by a Project Director with qualifications and experience satisfactory to the Bank, assisted by such other competent staff in adequate numbers having such functions, responsibilities, funds and other facilities as shall be required to enable the PMO to undertake the implementation of Parts A, B, C and E of the Project and the overall

supervision and monitoring of the Project.

2. The Borrower shall:

(a) cause DPWH, MMDA and the City of Marikina to maintain in effect until completion of the Project, the Project Implementation Plan for the Project; and

(b) carry out the Project in accordance with the Project Implementation Plan, and shall not amend, delete, suspend, or waive any part of the Project Implementation Plan without the prior approval of the Bank.

3. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, 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 September 30 of each year, commencing September 30, 2002, 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 October 31, 2005 or such later date as the Bank shall request, the report of September 30, 2005 referred to in subparagraph (b) of this paragraph, 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 5

Procurement

Section I. Procurement of Works and Goods

Part A: General

Works and goods 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, works and goods 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 works and goods 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 and 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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$2,500,000 equivalent per contract, up to an aggregate amount not to exceed \$8,300,000 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 \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 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

(a) The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to the following contracts:

- (i) Each contract for works; and
- (ii) Each contract for goods estimated to cost \$200,000 equivalent or more.

3. Post Review

With respect to each contract not governed by paragraph 2 above, 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 the Introduction and Section 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 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-Based Selection

1. 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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$200,000 equivalent per contract, may comprise entirely of national consultants in accordance

with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for Selection

1. Individuals

Services that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individuals in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

2. Single Source Selection

Services which are estimated to cost less than \$100,000 equivalent per contract, 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.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms for estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, 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.

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.

