

CONFORMED COPY

LOAN NUMBER 7058 PH

Project Agreement

(Metro Manila Urban Transport Integration Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

Metropolitan Manila Development Authority

Dated August 8, 2001

LOAN NUMBER 7058 PH

PROJECT AGREEMENT

AGREEMENT, dated August 8, 2001 between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and METROPOLITAN MANILA DEVELOPMENT AUTHORITY (MMDA).

WHEREAS (A) by the Loan Agreement of even date herewith between the Republic of the Philippines (the Borrower) and the Bank, the Bank has agreed to lend to the Borrower an amount equal to sixty million Dollars (\$60,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that MMDA agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

(B) by a Subsidiary Agreement to be entered into between the Borrower and MMDA, a portion of the proceeds of the Loan provided for under the Loan Agreement will be made available to MMDA on terms and conditions set forth in said Subsidiary Agreement; and

WHEREAS MMDA, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) MMDA declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out Parts A.1, C.1(a) and E of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, social and technical practices, and shall provide, or cause to be provided, 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 Bank and MMDA shall otherwise agree, MMDA shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to the Loan Agreement.

Section 2.02. Except as the Bank shall otherwise agree, procurement of works, goods and services required for Parts A.1, C.1(a) and E of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 5 to the Loan Agreement.

Section 2.03. (a) MMDA shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of the Project Agreement and Parts A.1, C.1(a) and E of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, MMDA shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Bank and MMDA, a plan on the execution and initial operation of Parts A.1, C.1(a) and E of the Project; its cost and the benefits derived and to be derived from it, the performance by MMDA and the Bank of their respective obligations under the Project Agreement and the accomplishment of the purposes of the Loan; and
- (ii) afford the Bank a reasonable opportunity to exchange views with MMDA on said plan.

Section 2.04. MMDA shall duly perform all its obligations under the Subsidiary Agreement. Except as the Bank shall otherwise agree, MMDA shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the Subsidiary Agreement or any provision thereof.

Section 2.05. (a) MMDA shall, at the request of the Bank, exchange views with the Bank with regard to the progress of Parts A.1, C.1(a) and E of the Project, the performance of its obligations under this Agreement and under the Subsidiary Agreement, and other matters relating to the purposes of the Loan.

(b) MMDA shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Parts A.1, C.1(a) or E of the Project, the accomplishment of the purposes of the Loan, or the performance by MMDA of its obligations under this Agreement and under the Subsidiary Agreement.

ARTICLE III

Management and Operations of MMDA

Section 3.01. MMDA shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and technical practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. MMDA shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and technical practices.

Section 3.03. MMDA shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 3.04. MMDA shall comply with environmental impact assessment procedures that have previously been agreed with the Bank in the Environmental Management Plan in the procurement and implementation of all works carried out under Parts of the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) MMDA shall establish not later than December 31, 2001 and thereafter maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Bank, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) MMDA shall:

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, MMDA shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable MMDA, 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 Parts A.1, C.1(a) and E of the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for said components of the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of that portion of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of that portion of the proceeds of the Loan during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in implementation of Parts A.1, C.1(a) and E of the Project, 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 Parts A.1, C.1(a) and E of the Project and expenditures under contracts financed out of the proceeds of the Loan, as at 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, MMDA 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

Effective Date; Termination Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of MMDA thereunder shall terminate on the date on which the Loan Agreement shall terminate.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other addresses as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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

For Metropolitan Manila Development Authority:

MMDA Building, EDSA Corner Orense Street,
Guadalupe, Makati City,
Metro Manila, Philippines

Facsimile:

(63-2) 882-2630

Section 6.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of MMDA, may be taken or executed by the Chairman of the MMDA or by such other person or persons as MMDA shall designate in writing, and MMDA shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By /s/ Robert Vance Pulley

Authorized Representative

Metropolitan Manila Development Authority

By /s/ Rogello Uranza

Authorized Representative

