

CONFORMED COPY

LOAN NUMBER 2974 PH

(Housing Sector Project)

between

REPUBLIC OF PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 1, 1988

LOAN AGREEMENT

AGREEMENT, dated September 1, 1988, between REPUBLIC OF THE PHILIPPINES (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) Parts B, C (1)(b) and C (4) of the Project will be carried out by the National Home Mortgage Finance Corporation (NHMFC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NHMFC a part of the proceeds of the Loan as provided in this Agreement;

(C) Parts B and C (1)(a) of the Project will be carried out by the National Housing Authority (NHA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NHA a part of the proceeds of the Loan as provided in this Agreement;

(D) the Bank has received a letter dated May 19, 1988 from the Borrower including its Housing Sector Policy Statement and Housing Sector Action Plan; 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, the NHMFC Project Agreement of even date herewith between the Bank and NHMFC and the NHA Project Agreement of even date herewith between the Bank and NHA;

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" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (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 have the following meanings:

(a) "NHA" means the National Housing Authority, a body corporate established by the Borrower's Presidential Decree Number 757 dated July 31, 1975;

(b) "NHMFC" means the National Home Mortgage Finance Corporation, a body corporate established by the Borrower's Presidential Decree Number 1267 dated December 21, 1977;

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

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

(e) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and NHMFC pursuant to Section 3.02 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Subsidiary Loan Agreement;

(f) "sub-loan" means a loan (including credit for a conditional sale) secured by real property, made or proposed to be made by NHMFC to a sub-borrower for financing part of the cost of purchase by such sub-borrower of a housing site with services or a housing unit or of upgrading housing owned by such sub-borrower, and partially financed out of the proceeds of the Loan;

(g) "sub-borrower" means a person to whom NHMFC has made, or proposes to make, a sub-loan;

(h) "NHA Charter" means the Borrower's Presidential Decree Number 757 dated July 31, 1975 as amended to date;

(i) "NHMFC Charter" means the Borrower's Presidential Decree Number 1267 dated December 21, 1977 as amended to date;

(j) "NHA Policy Statement" means the statement of policy adopted by the Board of Directors of NHA on February 19, 1988 read together with the letter dated May 19, 1988 from NHA to the Bank;

(k) "NHMFC Policy Statement" means the NHMFC Policy Statement and Operating Guidelines adopted by the Board of Directors of NHMFC on March 1, 1988 read together with the letter dated May 18, 1988 from NHMFC to the Bank;

(l) "NHA Institutional Action Plan" means the institutional action plan of NHA dated May 18, 1988;

(m) "NHMFC Institutional Action Plan" means the institutional action plan of NHMFC dated May 18, 1988;

(n) "qualified originator" means any entity satisfying the criteria for qualified originators set out in the NHMFC Policy Statement;

(o) "HUDCC" means Housing and Urban Development Coordinating Council, an inter-agency coordinating authority established in 1986 pursuant to the Borrower's Executive Order Number 90 dated December 17, 1986;

(p) "Commitment Line Agreement" means the Commitment Line Agreement dated February 4, 1986 between NHMFC and NHA;

(q) "Housing Sector Action Plan" means the Borrower's housing sector action plan attached to the Borrower's letter dated May 19, 1988 referred to in paragraph (D) of the Preamble to this Agreement, read together with the letter dated May 19, 1988 from the Chairman, HUDCC to the Bank;

(r) "Housing Sector Policy Statement" means the Borrower's housing sector policy statement attached to the Borrower's letter dated May 19, 1988 referred to in paragraph (D) of the Preamble to this Agreement read together with the letter dated May 19, 1988 from the Chairman, HUDCC to the Bank;

(s) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(t) "Pesos" or the Sign "P" means pesos in the currency of the Borrower.

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 the Loan Agreement, an amount in various currencies equivalent to one hundred sixty million dollars (\$160,000,000).

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 expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in the Central Bank of the Philippines or a commercial bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1994 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 commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per

annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out, or cause to be carried out, the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and housing practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause NHMFC and NHA to perform in accordance with the provisions of the NHMFC Project Agreement and the NHA Project Agreement, respectively, all the obligations of NHMFC and NHA therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NHMFC and NHA, respectively, to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend \$80,000,000 equivalent of the proceeds of the Loan to NHMFC under a subsidiary loan agreement to be entered into between the Borrower and NHMFC under terms and conditions satisfactory to the Bank which shall include the terms and conditions set out in Schedule 5 hereto, to carry out Part B of the Project.

(c) The Borrower shall make available \$5,000,000 equivalent of the proceeds of the loan to entities designated by agreement between the Bank and HUDCC, under terms and conditions agreed between the Bank and the Borrower, to carry out Part C of the Project.

(d) The Borrower shall exercise its rights under the Subsidiary Loan 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 Loan Agreement or any provision thereof.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.04. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts B, C (1)(b) and C (4) of the Project shall be carried out by NHFMC pursuant to Section 2.03 of the NHMFC Project Agreement and in respect of Part C (1)(a) of the Project shall be carried out by NHA pursuant to Section 2.03 of the NHA Project Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A and C (except Parts C (1)(a), C (1)(b) and C (4)) of the Project of the departments or agencies of the Borrower responsible for carrying out said Parts of the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account 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, 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 and accounts and the audit thereof as the Bank shall 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 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. The Borrower shall ensure that appropriate arrangements are made for the effective coordination of various institutions in the housing sector by continuing to maintain HUDCC (or its equivalent) with adequate resources, staffing, powers and responsibilities.

Section 4.03. Without limiting the generality of Sections 3.01 and 3.02 (a) of this Agreement, the Borrower shall provide or cause to be provided on a timely basis such resources as shall be required by NHA for the establishment of a roll-over construction fund in NHA to finance the construction of serviced sites and housing units as well as the upgrading of housing units.

Section 4.04. The Borrower shall take necessary steps to carry out the Housing Sector Policy Statement and the Housing Sector Action Plan on a timely basis.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) NHMFC shall have failed to perform any of its obligations under the NHMFC Project Agreement;

(b) NHA shall have failed to perform any of its obligations under the NHA Project Agreement;

(c) the NHMFC Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NHMFC to perform any of its obligations under the NHMFC Project Agreement;

(d) the NHA Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NHA to perform any of its obligations under the NHA Project Agreement;

(e) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution and disestablishment of NHMFC or NHA or for the suspension of either of their operations;

(f) an event shall have occurred which shall make it improbable that the Borrower will carry out the Housing Sector Policy Statement or the Housing Sector Action Plan or a significant part of either of them;

(g) the NHMFC Policy Statement or NHMFC Institutional Action Plan or NHA Policy Statement or NHA Institutional Action Plan shall have been amended, suspended, abrogated, withdrawn or waived so as to affect materially and adversely the ability of NHMFC or NHA to perform any of their obligations under the NHMFC Project Agreement or NHA Project Agreement respectively;

(h) the Borrower's Executive Order Number 90 dated December 17, 1986 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the

ability of NHMFC or NHA to perform any of their obligations under the NHMFC Project Agreement or NHA Project Agreement respectively; and

(i) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that NHMFC will be able to perform its obligations under the NHMFC Project Agreement or that NHA will be able to perform its obligations under the NHA Project Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the events specified in paragraphs (c), (d), (e) and (h) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and NHMFC;

(b) the Borrower has granted all approvals necessary for implementing NHA's financial restructuring plan as agreed with the Bank; and

(c) NHA has adopted a liquidation plan satisfactory to the Bank in respect of such of its assets as are to be liquidated pursuant to the NHA Institutional Action Plan.

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

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

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

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

(d) that the conditions to the effectiveness of the Loan set out in Section 6.01 (b) and (c) above have been duly complied with.

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

Representatives 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:

Secretary of Finance
Department of Finance
Manila
Philippines

Cable address:

SECFIN
Manila

Telex:

7550 CBP-PH
40268 CB-CONF

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF PHILIPPINES

By /s/ Emmanuel Pelaez
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ A. Karaosmanoglu
Regional Vice President
Asia

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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) For Part A:		100% of foreign

		expenditures
(a)	construction materials	60,000,000
(b)	petroleum and petroleum products	15,000,000
(2)	Sub-loans made by NHMFC under Part B of the Project	70% of amount financed by NHMFC in respect of each sub-borrower
(a)	in respect of facilities initially provided to sub-borrowers by NHA	30,000,000
(b)	other	50,000,000
	Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)
		% of Expenditures to be Financed
(3)	Goods and vehicles	1,250,000
		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(4)	Consultants' services and training	3,750,000
		100%
	TOTAL	160,000,000

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. The disbursement percentage for Category (2) has been calculated in compliance with the policy of the Bank that the proceeds of the Loan shall not be disbursed on account of payments for the acquisition of land; on this basis, if the cost of land represents more than 50% of the total cost to the concerned sub-borrower of the site and services or housing unit financed under any sub-loan, the Bank may, by notice to the Borrower, decrease the disbursement percentages then applicable to Category (2) as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

- (i) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$16,000,000, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after August 1, 1987;
- (ii) from Category (2) in the table in paragraph 1 of this Schedule in excess of the amount of \$40,000,000 equivalent or after December 31, 1989 unless the Bank shall have determined, by notice to the Borrower, that the Borrower has duly complied with the provisions of Section 2.09 of the NHMFC Project Agreement; and
- (iii) in respect of expenditures for petroleum and petroleum products in an aggregate amount exceeding the equivalent of \$15,000,000.

SCHEDULE 2

Description of the Project

The main objective of the Project is to assist in developing an equitable, viable and eventually self-sustaining system of housing production and finance with an increasing degree of privatization. To this end, the Project aims inter alia to: (a) improve the institutional and policy framework of the housing sector; (b) achieve greater efficiency in the use of public resources in housing; (c) redirect new housing stock to lower income groups and expand access of such groups to housing finance; (d) strengthen financial and risk management capabilities, as well as monitoring of the housing sector; (e) strengthen NHA's financial efficiency so that it may more effectively carry out its mandate to serve the housing needs of marginal and low income families principally in urban areas; (f) improve the operating environment for the private sector domestic construction industry; and (g) stimulate the national economy and generate employment.

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:

Part A

Support to the construction industry by provision of designated imported construction materials required for the housing sector.

Part B

Provision of financial assistance to individuals of selected lower income groups for the purchase of serviced sites and housing units as well as for upgrading units.

Part C

1. Provision of technical assistance, training, equipment, vehicles and consultants' services for the establishment and strengthening of the operations and accounting systems of: (a) NHA; (b) NHMFC; and (c) the secretariat of HUDCC.
2. Establishment of a management information system and a sectoral data base for the housing sector and carrying out key studies for assisting the Borrower in the management and development of its housing sector.
3. Carrying out of a study on critical constraints facing small private builders and contractors in the housing sector.
4. Carrying out of a study on NHMFC's future funding operations.

5. Preparation of future Bank-assisted projects.

* * *

The Project is expected to be completed by June 30, 1993.

SCHEDULE 3
Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)
February 15, 1994	2,920,000
August 15, 1994	3,035,000
February 15, 1995	3,150,000
August 15, 1995	3,270,000
February 15, 1996	3,400,000
August 15, 1996	3,530,000
February 15, 1997	3,665,000
August 15, 1997	3,805,000
February 15, 1998	3,955,000
August 15, 1998	4,105,000
February 15, 1999	4,265,000
August 15, 1999	4,430,000
February 15, 2000	4,600,000
August 15, 2000	4,780,000
February 15, 2001	4,960,000
August 15, 2001	5,155,000
February 15, 2002	5,355,000
August 15, 2002	5,560,000
February 15, 2003	5,775,000
August 15, 2003	5,995,000
February 15, 2004	6,230,000
August 15, 2004	6,470,000
February 15, 2005	6,720,000
August 15, 2005	6,980,000
February 15, 2006	7,245,000
August 15, 2006	7,525,000
February 15, 2007	7,815,000
August 15, 2007	8,120,000
February 15, 2008	8,435,000
August 15, 2008	8,750,000
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TOTAL	160,000,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15

More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Subject to paragraph 2 below of this Part A and except as provided in Part B hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. Contracts for the procurement of goods under Part A of the Project estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

Part B: Other Procurement Procedures

1. Subject to the prior approval of the Bank, commonly traded commodities under Part A of the Project may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Bank, in accordance with procedures acceptable to the Bank.

2. Contracts for goods under Part A of the Project estimated to cost the equivalent of less than \$5,000,000 each may be awarded on the basis of the normal procurement procedures of the purchaser of such goods acceptable to the Bank.

3. Contracts for goods and works under Part B of the Project may be awarded on the basis of the normal procurement procedures of the purchaser of such goods and works.

Part C: Review by the Bank of Procurement Decisions

1. With respect to each contract referred to in Part A of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

2. With respect to each contract referred to in Part B of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.

3. Notwithstanding the provisions of paragraphs 1 and 2 of Part C of this Schedule, where payments under a contract are to be made out of the proceeds of the Special Account, the copies of such contract or the documentation and the information to be furnished to the Bank pursuant to the provisions of paragraphs 1 or 2 of Part C of this Schedule, as the case may be, shall be furnished to the Bank as part of the evidence required under paragraph 4 of Schedule 6 to this Agreement.

4. The provisions of the preceding paragraphs 1, 2 and 3 of Part C of this Schedule shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditures.

5. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

On-lending Terms

I. Subsidiary Loan From Borrower to NHMFC

Interest Rate: as agreed between the Borrower and the Bank

Amortization Period: 20 years, including a grace period of 5 years

Foreign Exchange Risk: to be borne by the Borrower

II. Relending by NHMFC to Sub-borrowers

NHMFC will refinance 70% or less of the cost to the eligible sub-borrower of the sites and services or housing units received by such sub-borrower.

Interest Rate: as agreed between the Borrower, the Bank and NHMFC which shall be at a level adequate to

provide NHMFC a spread of at least two percent over the cost of all funds obtained by NHMFC.

Amortization Period: up to 25 years

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2, 3 and 4 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 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 \$6,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

- (i) 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; or
- (ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories for the Project, minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for the Project, 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 any expenditure or in any 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, 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. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Loan Account.
