

**CONFIRMED COPY**

**LOAN NUMBER 7147 PH**

## **Loan Agreement**

**Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated  
Delivery of Social Services Project  
(Kalahi- CIDSS) Project**

**between**

**REPUBLIC OF THE PHILIPPINES**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated October 7, 2002**

**LOAN AGREEMENT**

AGREEMENT, dated October 7, 2002, 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; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (the General Conditions) constitute an integral part of this Agreement.

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

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

(b) "Barangay" means an administrative unit within a city or municipality.

(c) "Barangay Grant" means a grant made available by the Borrower out of the proceeds of the Loan and out of its own funds to a Grantee or Grantees to finance the cost of a Barangay Sub-project under Part A.1 of the Project; and "Barangay grants" means, collectively, all such Barangay Grants.

(d) “Barangay Sub-project” means a specific community development project, carried out by a Grantee under Part A.1 of the Project and utilizing the proceeds of a Grant made available in accordance with a Barangay Sub-project Implementation Agreement; and “Barangay Sub-projects” means, collectively, all such Barangay Sub-projects.

(e) “Barangay Sub-project Implementation Agreement” means the agreement to be entered into between the relevant Grantee or Grantees and DSWD, pursuant to paragraph 6(e) of Schedule 5 to this Agreement, for purposes of implementing the activities under a Barangay Sub-project under Part A.1 of the Project.

(f) “Comprehensive and Integrated Delivery of Social Services” and “CIDSS” mean the Borrower’s on-going program of support to the poorest Barangays, established by Executive Order 443 of 1997, for the carrying out of community-based projects.

(g) “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by:

- (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or
- (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person,

and “Displaced Persons” means, collectively, all such Displaced Persons.

(h) “DSWD” means the Borrower’s Department of Social Welfare and Development, and any successor thereto.

(i) “Environmental Impact Assessment Guidelines” means the Environmental Impact Assessment Guidelines dated July 30, 2002, duly adopted by DSWD, which sets forth guidelines, satisfactory to the Bank, to assess, mitigate, manage and monitor environmental impact of the Project.

(j) “Financial Monitoring Report” and the acronym “FMR” mean each report prepared in accordance with Section 4.02 of this Agreement.

(k) “Grantee” means a Barangay selected in accordance with the policies and procedures set forth in the Project Implementation Manual, to receive financing out of the

proceeds of the Loan to carry out its respective Barangay Sub-project under Part A.1 of the Project; and “Grantees” means, collectively, all such Grantees.

(l) “Indigenous Peoples” means social groups with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language, often different from the national language; (iv) presence of customary social and political institutions; and (v) primarily subsistence-oriented production.

(m) “Indigenous Peoples Strategy” means the Indigenous Peoples Strategy dated July 30, 2002, duly adopted by DSWD, which sets forth the guidelines, satisfactory to the Bank, to address any social or cultural impact on Indigenous Peoples caused by the execution of the Project, including screening and monitoring procedures and the development of Indigenous Peoples development plan or plans, where applicable.

(n) “National Steering Committee” means the committee to be maintained by the Borrower pursuant to paragraph 1 of Schedule 5 to this Agreement.

(o) “Project Implementation Manual” means a manual, including sub-manuals, which sets out, among other things: (i) criteria for the selection of Barangay Sub-projects and Grantees; (ii) procurement procedures (including the supplemental letter on procurement procedures of even date with this Agreement) and standard documentation as set forth in Schedule 4 and Part B of the Annex to Schedule 5 of this Agreement, (iii) reporting requirements and financial management procedures, including audit procedures, as set forth in Article 4 of this Agreement, (iv) the Project Performance Indicators as set forth in Schedule 6 to this Agreement, and includes the Environmental Impact Assessment Guidelines, Resettlement Policy Framework and Indigenous Peoples Strategy, and which manual is to be adopted by the Borrower pursuant to paragraph 5 of Schedule 5 to this Agreement, as such manual may be revised from time to time with the prior approval of the Bank.

(p) "Project Provinces" means the forty (40) provinces listed in the Annex to Schedule 2 to this Agreement, which provinces are located in Regions IV through XIII Caraga and the Cordillera Administrative Region, and such other provinces of the Borrower which may from time to time be designated as Project Provinces by agreement between the Borrower and the Bank.

(q) “Resettlement Policy Framework” means the Resettlement Policy Framework dated July 30, 2002, duly adopted by DSWD, which sets forth the principles and procedures, satisfactory to the Bank, governing land or other asset acquisition from,

resettlement and rehabilitation of and compensation to Displaced Persons, as well as reporting and monitoring arrangements to ensure compliance with said principles and procedures.

(r) "Special Account" means the account referred to in Section 2.02(b) of this Agreement.

## **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 one hundred million Dollars (\$100,000,000), 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. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement: (i) for amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of a Barangay Grant under Part A.1 of the Project to meet the reasonable cost of goods, works and services required for a Barangay Sub-project and in respect of which the withdrawal from the Loan Account is requested; (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A.2, B and C of the Project and to be financed out of the proceeds of the Loan; (iii) the front-end fee referred to in Section 2.04 of this Agreement; and (iv) any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project open and maintain a special deposit account in a commercial bank specifically authorized for this purpose by Bangko Sentral ng Pilipinas on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2009, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective

Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one 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 semi-annually in arrears on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be

paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. Without limitation upon the provisions of paragraph (a) of Section 2.09 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end shall carry out the Project, through DSWD, with due diligence and efficiency and in conformity with appropriate administrative, economic, educational, engineering, financial, and management practices, and sound environmental and social standards, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree procurement of goods, works and services required for: (a) Part A.1 of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Annex to Schedule 5 to this Agreement; and (b) Parts A.2, B and C of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

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

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

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect, separately, the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of Financial Monitoring Reports or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders,



invoices, bills, receipts and other documents) evidencing such expenditures;

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

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 7 (b) of Schedule 5 to this Agreement, the Borrower shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Effective Date; Termination**

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) The National Steering Committee referred to in paragraph 1 of Schedule 5 to this Agreement shall have finalized, according to procedures acceptable to the Bank, the selection of the first eleven (11) municipalities in the Project Provinces that will participate in the Project.

(b) A special order shall have been issued by the Undersecretary, DSWD, setting out the responsibilities of the National Project Management Office referred to in paragraph 3 of Schedule 5 to this Agreement.

(c) A special order shall have been issued by the Undersecretary, DSWD setting out the responsibilities of the Regional Project Management Office referred to in paragraph 4 of Schedule 5 to this Agreement.

(d) The Project Implementation Manual, acceptable to the Bank, has been adopted by National Steering Committee in accordance with paragraph 5 of Schedule 5 to this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VI**

### **Representative of the Borrower; Addresses**

Section 6.01. The Secretary of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:	Telex:	Facsimile:
SECFIN Manila	40268CB-CONF	(63-2) 523-9216

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

REPUBLIC OF THE PHILIPPINES

By /s/ Jose Isidro Camacho

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Robert Vance Pulley

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Barangay Grants	90,600,000	100% of Grant amount disbursed
(2) Goods under Parts B and C of the Project	1,000,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 90% of local expenditures for other items procured locally.
(3) Consultants' services	4,000,000	82% for individual consultants and 87% for consulting firms
(4) Incremental Operating Costs	2,200,000	50%
(5) Fee	1,000,000	Amount due under Section 2.04 of this Agreement
(6) Unallocated	1,200,000	
(7) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09(c) of this Agreement
	<hr/>	
TOTAL	<u>100,000,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means any expenditures that are not foreign expenditures; and

(c) the term “Incremental Operating Costs” means the reasonable and documented expenditures incurred by DSWD for hiring of contractual personnel (but excluding staff salaries); travel; materials and supplies; and advocacy activities, for purposes of implementing the Project and which expenditures would not have been incurred absent the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$1,000,000 may be made in respect of Categories (2), (3) and (4) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after June 1, 2002; and (b) a Grant under Category (1) unless a Barangay Sub-project Implementation Agreement has been entered into in accordance with paragraph 6(e) of Schedule 5 to 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) Barangay Grants; (b) goods under contracts costing less than \$200,000 equivalent each; (c) consultants’ services under contracts with firms, each costing less than \$100,000 equivalent; (d) consultants’ services under contracts with individuals, each costing less than \$50,000 equivalent; and (e) Incremental Operating Costs, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower in strengthening local communities' participation in community governance, and developing their capacity to design, implement and manage development activities that reduce poverty.

The Project, which shall be carried out in the Project Provinces, 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      Barangay Grants

1. Carrying out community development sub-projects, including investment in economic and social infrastructure, environmental conservation measures and capacity building, through the provision of grants to Barangays.
2. Carrying out audits of the records, accounts and financial statements of expenditures relating to the implementation of community development sub-projects.

#### Part B      Implementation Support

1. Mobilizing local communities to participate in the Project through provision of technical assistance by facilitators and community organizations.
2. Strengthening the capacity of local communities and local government units to initiate, plan and implement, manage and supervise Barangay Sub-projects, through provision of technical assistance, training and workshops.

#### Part C      Monitoring and Evaluation

Strengthening the capacity of the National Project Management Office and local communities to monitor and evaluate implementation of the Project and Barangay Sub-projects respectively through development of baseline data and a computerized management information system.

\* \* \*

The Project is expected to be completed by December 31, 2008.

**ANNEX TO SCHEDULE 2**

**List of Project Provinces**

Ifugao  
Mt. Province  
Romblon  
Quezón  
Oriental Mindoro  
Marinduque  
Masbate  
Albay  
Camarines Norte  
Catanduanes  
Camarines Sur  
Sorsogon  
Iloilo  
Capiz  
Negros Occidental  
Guimaras  
Bohol  
Siquijor  
Cebu  
Negros Oriental  
Eastern Samar  
Northern Samar  
Samar  
Leyte  
Biliran  
Southern Leyte  
Zamboanga del Norte  
Zamboanga del Sur  
Lanao del Norte  
Misamis Occidental  
Bukidnon  
Misamis Oriental  
Davao  
Davao Oriental  
Sarangani  
South Cotabato  
North Cotabato  
Sultan Kudarat  
Agusan del Sur  
Agusan del Norte



### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each April 15 and October 15 Beginning October 15, 2010 through October 15, 2021	4.17%
On April 15, 2022	4.09%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## **SCHEDULE 4**

### **Procurement under Parts A.2, B and C of the Project**

#### Section I. Procurement of Goods

##### Part A: General

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

Except as otherwise provided in Part C of this Section, 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.

##### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

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

###### 2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 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.

###### 3. Direct Contracting

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not exceeding \$100,000 equivalent, and which must be purchased from the original supplier to be compatible with existing equipment or are of a proprietary nature may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 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 shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction, 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of this Section.

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for carrying annual audits under Part A.2 of the Project that are estimated to cost less than \$200,000 equivalent per contract up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services under Parts B and C of the Project that are estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$5,000,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services under Parts B and C of the Project of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, which are estimated to cost up to an aggregate amount not to exceed \$4,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank, for its review and approval, prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank.

2. Prior Review

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

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

comparison of the qualifications and experience of candidates, and the terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Guidelines shall also apply to such contracts.

3. Post Review

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

## **SCHEDULE 5**

### **Implementation Program**

1. The Borrower shall maintain the National Steering Committee: with functions, responsibilities and resources satisfactory to the Bank; and managed and staffed with qualified and experienced personnel in adequate number, to provide overall policy direction and coordination for the implementation of the Project.
2. The Borrower shall maintain the Technical Working Committee: with functions, responsibilities and resources satisfactory to the Bank; and managed and staffed with qualified and experienced personnel in adequate number, to provide technical and inter-agency oversight for the implementation of the Project.
3. The Borrower shall maintain the National Project Management Office within DSWD: with functions, responsibilities and resources satisfactory to the Bank; and managed and staffed with qualified and experienced personnel in adequate number, to manage regional implementation of the Project and provide inter-regional coordination for such implementation.
4. The Borrower shall maintain the Regional Project Management Office in each of the regions in which the Project Provinces are located: with functions, responsibilities and resources satisfactory to the Bank; and managed and staffed with qualified and experienced personnel in adequate number, to provide technical guidance for and supervise and monitor the implementation of the Project.
5. The Borrower, through the National Steering Committee:
  - (a) shall adopt and, thereafter, apply in the implementation of the Project, the Project Implementation Manual, which sets out, among other things: (i) criteria for the selection of Barangay Sub-projects and Grantees; (ii) procurement procedures (including the supplemental letter on procurement procedures of even date with this Agreement) and standard documentation as set forth in Schedule 4 to this Agreement, (iii) reporting requirements and financial management procedures, including audit procedures, as set forth in Article 4 of this Agreement, and (iv) the Project Performance Indicators as set forth in Schedule 6 to this Agreement, and which manual also includes the Environmental Impact Assessment Guidelines, Resettlement Policy Framework and Indigenous Peoples Strategy; and
  - (b) shall not amend, delete, suspend, or waive any part of the Project Implementation Manual, without the prior approval of the Bank.

6. For purposes of Part A.1 of the Project, the Borrower shall select Barangay Sub-projects and make Barangay Grants to Grantees, all in accordance with the criteria and procedure and on terms and conditions set forth in the Project Implementation Manual, including the following:

Criteria

(a) A Barangay Sub-project may be selected only if it is a community development project that is technically, financially and environmentally viable, and socially and economically justified.

(b) A Barangay Sub-project shall not include expenditures for any of the activities or items set out in the Annex to this Schedule.

Procedure, Terms and Conditions

(c) A Barangay Grant to a Grantee may be approved only if a Memorandum of Agreement, with terms and conditions acceptable to the Bank, has been entered into between DSWD and the municipality in which the Grantee is located and said municipality has adopted the Project Implementation Manual.

(d) A Barangay Grant to a Grantee may be approved only if such Grantee:

(i) has prepared an environmental assessment and an environmental management plan on the basis of standards satisfactory to the Bank and in accordance with the principles set forth in the Environmental Impact Assessment Guidelines, in the event that the environmental screening carried out in accordance with said principles concludes that such assessment and management plan are required;

(ii) has prepared a resettlement action plan satisfactory to the Bank, and in accordance with the principles set forth in the Resettlement Policy Framework, in the event the Barangay Sub-project involves resettlement of Displaced Persons; and

(iii) has carried out consultations with and a process of informed participation by Indigenous Peoples, in accordance with principles set forth in the Indigenous Peoples Strategy, in the event that the Barangay Sub-project impacts such people and to ensure that the design and implementation of the Barangay Sub-project adequately addresses the needs and cultural preferences of such people.



(e) In respect of each Barangay Grant, the Borrower shall enter into a Barangay Sub-project Implementation Agreement with the relevant Grantee whereby the Borrower shall obtain rights adequate to protect the interests of the Borrower and the Bank, including without limitation the rights to:

- (i) require the Grantee to carry out its Barangay Sub-project with due diligence and efficiency and in accordance with sound technical, financial, managerial, social and environmental standards and practices, and to maintain adequate records;
- (ii) require the Grantee to have in place prior to approval of a Barangay Grant and, thereafter maintain, a project implementation team, with responsibilities and resources satisfactory to the Borrower and the Bank, and managed and staffed with qualified personnel in adequate number to manage the implementation of its Barangay Sub-project;
- (iii) require that the works to be financed out of the proceeds of the Barangay Grant shall be procured in accordance with the provisions of the Annex to this Schedule and shall be used exclusively in the carrying out of the Barangay Sub-project;
- (iv) require that the Grantee implement its environmental management plan, resettlement action plan and program of consultation with and informed participation by Indigenous Peoples, if applicable, in a manner satisfactory to the Borrower and the Bank;
- (v) inspect, by itself or jointly with representatives of the Bank such goods and the sites, works, plans and construction included in the Barangay Sub-project, the operation thereof and any relevant records and documents;
- (vi) require that the Grantee provide to the Borrower and the Bank all such information as the Borrower or the Bank may reasonably request relating to the foregoing and to the administration, operations and financial condition of the Grantee and to the benefits to be derived from its respective Barangay Sub-project;
- (vii) require the Grantee to: (A) establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the

Borrower and the Bank, adequate to reflect the operations, resources and expenditures related to its Barangay Sub-project; (B) have the records, accounts and financial statements referred to in clause (A) above for each fiscal year audited, in accordance with auditing standards acceptable to the Borrower and the Bank, consistently applied, by independent auditors acceptable to the Bank; and (C) furnish to the Borrower and the Bank, copies of the financial statements referred to in clause (A) above as so audited together with an opinion on such statements, records and accounts and report of such audit by said auditors; and

- (viii) suspend or terminate the right of the Grantee to the use of the proceeds of the Barangay Grant upon failure by such Grantee to perform its obligations under its Barangay Sub-project Implementation Agreement with the Borrower.

7. The Borrower shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators set out in Schedule 6 to this Agreement, the carrying out of the Project (including implementation of environmental management plans, resettlement action plans and program of consultation with and informed participation by Indigenous Peoples referred to in paragraph 6(d) of this Schedule) and the achievement of the objectives thereof;

- (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank: (i) an annual report on or about February 15 of each year, commencing February 15, 2004, and (ii) a mid-term report on or about February 15, 2005, in each case integrating the results of the monitoring and evaluation activities performed pursuant to clause (a) of this paragraph, on the progress achieved in the carrying out of the Project (including implementation of environmental management plans, resettlement action plans and program of consultation with and informed participation by Indigenous Peoples referred to in paragraph 6(d) of this Schedule) during the period preceding the date of each such 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 February 15, 2006, or such later date as the Bank shall request, the report referred to in clause (b)(ii) 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 views on the matter.

## **Annex to Schedule 5**

### **Selection Criteria and Procurement Procedure for Barangay Sub-projects**

#### **A. Selection Criteria for Barangay Sub-projects**

No Barangay Sub-project shall include expenditures for any of the following activity or items:

- (a) Weapons, chainsaws, explosives, pesticides, insecticides, herbicides, asbestos, and other potentially dangerous materials and equipment
- (b) Fishing boats (beyond the weight limit set by the Philippine Bureau of Fisheries and Aquatic Resources) and related equipment
- (c) Civil works in or that affect protected areas
- (d) Purchase of or compensation for land
- (e) Micro-credit and livelihood activities which involve on-lending of Project funds
- (f) Maintenance and operation of facilities that have been the subject of civil works financed by proceeds of the Loan
- (g) Activities that have alternative prior sources of committed funding
- (h) Recurrent Government expenditures, including salaries
- (i) Civil works for government administration or religious purposes
- (j) Political and religious activities (including rallies) and facilities and materials related to such activities
- (k) Activities that employ children below the age of 16 years
- (l) Activities that exploit an individual or individuals
- (m) International travel
- (n) Consumption items

#### **B. Procurement Procedures for Barangay Sub-projects under Part A.1 of the Project**

Goods and works under Barangay Sub-projects shall be procured in accordance with community participation procedures acceptable to the Bank and as set forth in the Project Implementation Manual.

**SCHEDULE 6**

**Performance Indicators**

<b>Performance Indicators</b>	<b>Baseline December 2003</b>	<b>December 2005</b>	<b>Closing Date Final total count</b>	<b>Source of Data</b>
<b>COMMUNITY GRANTS</b>				
Barangays with sub-projects implemented at technical standards and within budget (>80% of target).	N/A	1524	4122	RPMO reports Barangay records DSWD monitoring reports Participatory evaluations
Barangays with sub-projects that meet basic financial reporting standards in FM&A manual (>80% of target)	N/A	1524	4122	RPMO reports Barangay records DSWD monitoring reports
Timely flow of funds to sub-projects (>80% of target)	N/A	1524	4122	RPMO reports Barangay records DSWD monitoring reports Participatory evaluations
<b>IMPLEMENTATION SUPPORT</b>				
Number of <i>barangay</i> facilitators recruited (80% of target)	45	381	650	RPMO reports NPMO reports
Number of area coordination <u>teams</u> recruited (80% of target)	9	78	200	RPMO reports NPMO reports
Trainings of facilitators (>90% of target)	41	342	585	RPMO reports NPMO reports
Trainings provided for LGU staff (>90% of target)	11	96	191	RPMO reports NPMO reports
Training/technical support to barangay volunteers/ barangay development committees (>90% of target)	0	7727	15,456 (@ 3 per barangay)	RPMO reports NPMO reports DSWD monitoring reports Supervision reports

<b>Performance Indicators</b>	<b>Baseline December 2003</b>	<b>December 2005</b>	<b>Closing Date Final total count</b>	<b>Source of Data</b>
<b>MONITORING AND EVALUATION</b>				
Internal computerized MIS established and reporting conducted as scheduled by all levels	Initiated in 11 Regions & HQ	Completed in 11 regions and HQ	Completed in 11 regions & HQ	NPMO reports
External monitoring consultant engaged and functioning	Initiated	Operational in 11 regions	Operational in 11 regions	RPMO reports NPMO reports
Civil society involved in monitoring	Independent	Independent	Independent	Media reports NGO monitoring RPMO
Participatory beneficiary monitoring functioning in barangays (>80% of target)	NA	Agreement on the set of indicators for participatory assessment	Beneficiary Assessment of all projects using own indicators	Participatory evaluation reports RPMO reports NPMO reports
Financial audits conducted in 10% of sub-project barangays (>90 of target)		Annual targets of 5% of sub-project components	COA project audits and/or independent audit	COA audit reports Independent audit reports
Grievance redress arrangements established	Grievance framework prepared	% of grievances resolved	Resolution of all project-related grievances	Complaints register at RPMO & NPMO
<b>EMPOWREMENT INDICATORS</b>				
Barangays that have adopted KALAHI-CIDSS participatory practices (<50% of target municipalities)	N/A	1288	2576	- Barangay Dev. Plan - Barangay records - Municipal Dev. Plans - independent monitoring
Barangays with project planning and management teams established through barangay meetings (>90% of target)	N/A	2318	4436	- RPMO reports - Barangay records - Participatory evaluations
Barangays with sub-projects for which community contributions were provided as committed (>80% of target)	N/A	2060	At least 4120 sub-projects	- RPMO reports - Supervision reports - DSWD monitoring reports

<b>Performance Indicators</b>	<b>Baseline December 2003</b>	<b>December 2005</b>	<b>Closing Date Final total count</b>	<b>Source of Data</b>
Barangays with sub-projects with adequate funding arrangements for O&M (>80% of target).	N/A	2060	At least 4120 sub-projects	- RPMO reports - Supervision reports - DSWD monitoring reports
Barangay Development Plans integrated in the MDP (> 60% of target).	N/A	1545	3091	- IBF Reports - Municipal records
<b>GOVERNANCE INDICATORS</b>				
LGUs (Municipalities) that comply with Memoranda of Agreement (>80% target)	-	76	152	- Supervision reports - Evaluation reports - Media monitoring - Municipal records - RPMO reports
Number of barangays assisted by LGUs with technical support for sub-project planning and implementing (>80% target)	-	1524	4122	- Supervision reports - Evaluation reports - Media monitoring - Municipal records RPMO
LGUs that conduct monitoring of sub-project planning and implementation (>80% of target)	-	76	152	Supervision reports Municipal records RPMO
Project transparency requirements complied with in sub-project preparation, selection, and implementation (>80% of target)	N/A	1524	4122	Media monitoring RPMO Supervision reports

Performance Indicators	Baseline December 2003	December 2005	Closing Date Final total count	Source of Data
POVERTY REDUCTION				
Improved poverty indicators in project barangays compared to without-project barangays	NA	TBD	TBD	M & E based on cross-sectoral analysis
Improved quality of life indicators in project barangays compared to without-project barangays	Data from poverty mapping	TBD	TBD	Impact assessment based on longitudinal analysis

Assumptions:

- Maximum: 20 Barangays per Inter-Barangay Forum (IBF), up to a total of **250** IBF
- One Area Coordinator Team (3 persons, 1 general area coordinator, 1 engineer, 1 financial TA) up to a total of **~250**
- Maximum: 5 Barangay facilitators per area Coordinator Team, up to a total of **~83** at maximum capacity
- Maximum: 5 Barangays per Bbarangay facilitator, up to a total of **~332** Barangay facilitators at maximum capacity
- The figures are the minimum figures to achieve performance goals

## **SCHEDULE 7**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1) through (4) as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means an amount equivalent to \$10,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$4,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$10,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
  - (b)
    - (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
    - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or



payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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