

CONFORMED COPY

LOAN NUMBER 3263 PH

(Earthquake Reconstruction Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated November 8, 1990

LOAN NUMBER 3263 PH

LOAN AGREEMENT

AGREEMENT, dated November 8, 1990, 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 A.1, A.3, A.4, A.5, and B of the Project will be carried out by the Borrower through its Department of Public Works and Highways (DPWH), Department of Health (DOH), and National Irrigation Administration (NIA), and Part A.2 will be carried out by the National Home Mortgage Finance Corporation (NHMFC), a corporate entity organized and existing under the laws of the Philippines, and the Housing Entity (as herein defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NHMFC and the Housing Entity a part of the proceeds of the Loan as provided in this Agreement; and

(C) 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" 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) "Affected Areas" mean the areas affected by the earthquake in July 1990 in the following administrative subdivisions (and any successor or successors thereto) of the Borrower: Regions I, II, III and IV, Cordillera Administrative Region, and the National Capital Region;

(b) "Beneficiaries" mean the persons and legal entities who qualify for assistance under the Project on the basis of criteria agreed to by the Bank;

(c) "Construction Loans" mean the portions of the proceeds of the Subsidiary Loan onlent to the Housing Entity under the Construction Loan Agreements;

(d) "Construction Loan Agreements" mean the agreements to be entered into between NHMFC and the Housing Entity pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Construction Loan Agreements;

(e) "Housing Entity" means the National Housing Authority, a corporate entity organized and existing under the laws of the Philippines, and/or other entity or entities agreed to by the Bank;

(f) "Implementing Agencies" mean DOH, DPWH, NIA, NHMFC, and the Housing Entity, and include any successor or successors thereto, responsible for carrying out various parts of the Project;

(g) "Mortgage Agreements" mean the agreements to be entered into between the Housing Entity and the Beneficiaries pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Mortgage Agreements;

(h) "Mortgage Loans" mean the housing credits/mortgage loans extended to the Beneficiaries by the Housing Entity under the Mortgage Agreements;

(i) "PCU" means the Project Coordinating Unit established by DPWH for the purpose of coordinating activities of the PIUs under the Project;

(j) "PIUs" mean the Project Implementation Units established by the Implementing Agencies for the purpose of carrying out their respective parts of the Project;

(k) "Reconstruction Proposals" or "RPs" mean the reconstruction proposals prepared pursuant to paragraph 2 of Schedule 5 to this Agreement;

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

(m) "Subsidiary Loan" means the portion of the proceeds of

the Loan relent under the Subsidiary Loan Agreement; and

(n) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and NHMFC pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan 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 the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred twenty five million dollars (\$125,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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.

(b) The Borrower shall, for the purposes of the Project, open and maintain in Dollars a special deposit account in the Central Bank of the Philippines 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 March 31, 1995 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 for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during 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 determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on May 1 and November 1 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. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

- (i) shall carry out Parts A.1, A.3, A.4, A.5, and B of the Project through DPWH, DOH, and NIA with due diligence and efficiency and in conformity with appropriate administrative, financial, and engineering practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause NHMFC and the Housing Entity to perform all their obligations set forth in the Subsidiary Loan Agreement and the Construction Loan Agreements respectively, shall take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NHMFC and the Housing Entity 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, for the purpose of providing assistance to the Beneficiaries, relend a portion 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.

(c) The Borrower shall exercise its rights under the Sub-

sidiary 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.

(d) The Borrower shall, in making provision for assistance to the Beneficiaries, cause NHMFC to (i) onlend the proceeds of the Subsidiary Loan to the Housing Entity under construction loan agreements to be entered into between NHMFC and the Housing Entity under terms and conditions satisfactory to the Bank, and (ii) cause the Housing Entity to provide housing credit/mortgage loans to the Beneficiaries under mortgage agreements to be entered into between the Housing Entity and the Beneficiaries under terms and conditions satisfactory to the Bank.

(e) The Borrower shall cause NHMFC, and through NHMFC, the Housing Entity to (i) exercise their rights under the Construction Loan Agreements and the Mortgage Agreements respectively in such manner as to accomplish the purposes of the Loan and not to assign, substantially amend, abrogate or waive the Construction Loan Agreements or the Mortgage Agreements or any provision thereof without the prior written consent of the Borrower, and (ii) carry out 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 Part A.2 of the Project.

(f) 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 and cause the Project to be carried out 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 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.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain and cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the Implementing Agencies responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have and cause to 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 and cause to be furnished to the Bank as soon as available, but in any case not later than six months after the end of each such year, the reports of such audits by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish and cause to be furnished to the Bank such other information concerning said records and accounts and the audits 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 and cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain and cause to be retained, until at least one year after the Bank has received the audit reports for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special 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 audits referred to in paragraph (b) of this Section and that the reports of such audits 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that the Subsidiary Loan Agreement has been canceled or terminated without the consent of the Bank or that the parties thereto, in the opinion of the Bank, have failed or are unable to perform their respective obligations prescribed therein.

ARTICLE VI

Effective Date; Termination

Section 6.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Secretary of Finance
Department of Finance
Manila
Philippines

Cable address:

SECFIN
Manila

Telex:

27550 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:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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 city of Manila, Republic of the Philippines, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By /s/ Romeo L. Bernardo

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Attila 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) Civil works		
(a) Roads & bridges	46,000,000	60%
(b) Irrigation	7,300,000	70%
(c) Medical Facilities	6,400,000	70%
(2) Equipment, materials (other than those under		100% of foreign expenditures, 100% of local

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
Category 4), and vehicles		expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(a) Roads & bridges	3,200,000	
(b) Irrigation	1,400,000	
(c) Medical Facilities	1,100,000	
(d) Housing	200,000	
(3) (a) Subsidiary Loan,		
(b) Construction Loans, and		
(c) Mortgage Loans under Part A.2 of the Project	8,300,000	70%
(4) Construction materials	25,000,000	100% of foreign expenditures
(5) Consultants' services and training		100%
(a) Roads & bridges	5,600,000	
(b) Irrigation	100,000	
(c) Medical Facilities	200,000	
(d) Housing	200,000	
(6) Unallocated	20,000,000	
TOTAL	125,000,000 =====	

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;

(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; and

(c) the term "construction materials" means lime, cement, ingots, iron, steel/bars, universals, plates, sheets, tubes, pipes, fittings, and logs and shall be deemed to include essential commodities, agreed to by the Bank, as may be required for the purpose of reconstruction in the Affected Areas.

3. Notwithstanding the provisions of paragraph 1 above, no

withdrawals shall be made in respect of payments made for: (a) expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$25,000,000, may be made in respect of Categories (1), (2), (3), (4), and (5) on account of payments made for expenditures before that date but after July 17, 1990, (b) the Subsidiary Loan unless the Subsidiary Loan Agreement has been duly executed by the parties thereto and a legal opinion, in form and substance acceptable to the Bank, in respect thereof has been submitted to the Bank, (c) a Construction Loan or Mortgage Loan unless the Construction Loan or Mortgage Loan has been made in accordance with the procedures and on the terms and conditions satisfactory to the Bank, and (d) construction materials unless authorized by the Central Bank of the Philippines.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) assist in earthquake reconstruction operations in the Affected Areas; and (ii) introduce measures to help mitigate the impact of future disasters.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Reconstruction

1. Roads and Bridges.

(a) Provision of civil works, equipment, materials, and utility vehicles for reconstruction and repair of roads and bridges identified in the Reconstruction Proposals and construction of temporary roads and bridges necessary to maintain traffic flows during reconstruction; and

(b) Undertaking of measures that may be recommended pursuant to the technical assistance provided under Part B of the Project to mitigate future damage to the roads and bridges.

2. Housing.

(a) Provision of construction and housing credits/mortgage loans for the benefit of Beneficiaries, and undertaking of reconstruction projects for in situ reconstruction and repair of residential accommodations as well as resettlement projects required on account of destruction or damage caused by the earthquake in the Affected Areas; and

(b) Provision of equipment, materials, and utility vehicles for the purpose of carrying out reconstruction and resettlement projects.

3. Medical Facilities.

(a) Provision of civil works for emergency repairs of public hospitals and construction of temporary public health care facilities, and permanent reconstruction and repair of public hospitals and other public health care facilities identified in the Reconstruction Proposals;

(b) Provision of medical equipment to replace that damaged or destroyed on account of the earthquake; and

(c) Undertaking of measures that may be recommended pursuant to the technical assistance provided under Part B of the Project to mitigate future damage to the medical facilities.

4. Irrigation.

(a) Provision of civil works for the emergency repairs and

permanent reconstruction and restoration of irrigation systems and structures including related dams in and around the Affected Areas identified in the Reconstruction Proposals;

(b) Provision of portable centrifugal pumps and dredging equipment necessary to assist in removing additional siltation on account of the earthquake, and seismic equipment to monitor the safety of dams; and

(c) Undertaking of measures that may be recommended pursuant to the technical assistance provided under Part B of the Project to mitigate future damage to the irrigation works.

5. Construction Materials.

Provision of essential construction materials required for the purpose of reconstruction in the Affected Areas.

Part B: Mitigation and Technical Assistance

Provision of technical assistance for project implementation and development of mitigation measures including:

(a) Development of Reconstruction Proposals for the Affected Areas;

(b) Revision of building and zoning regulations where needed;

(c) Improvement of the level of technical expertise in earthquake resistant construction, in both the construction industry and the public sector;

(d) Assistance in the preparation of detailed designs, contract supervision, and project implementation; and

(e) Re-establishment of a network of strong motion equipment throughout the country.

* * *

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
May 1, 1996	2,280,000.00
November 1, 1996	2,370,000.00
May 1, 1997	2,460,000.00
November 1, 1997	2,555,000.00
May 1, 1998	2,655,000.00
November 1, 1998	2,755,000.00
May 1, 1999	2,865,000.00
November 1, 1999	2,975,000.00
May 1, 2000	3,090,000.00
November 1, 2000	3,210,000.00
May 1, 2001	3,330,000.00
November 1, 2001	3,460,000.00
May 1, 2002	3,595,000.00
November 1, 2002	3,735,000.00
May 1, 2003	3,875,000.00
November 1, 2003	4,025,000.00
May 1, 2004	4,180,000.00
November 1, 2004	4,345,000.00
May 1, 2005	4,510,000.00
November 1, 2005	4,685,000.00
May 1, 2006	4,865,000.00
November 1, 2006	5,055,000.00
May 1, 2007	5,250,000.00

November 1, 2007	5,450,000.00
May 1, 2008	5,660,000.00
November 1, 2008	5,880,000.00
May 1, 2009	6,105,000.00
November 1, 2009	6,345,000.00
May 1, 2010	6,590,000.00
November 1, 2010	6,845,000.00

* 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

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to 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

Except as provided in Part C 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).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Republic of the Philippines may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. (a) Except as provided in sub-paragraphs (b), (c), and (d) hereof, items or groups of items for equipment, materials, and vehicles, estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$1,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

(b) Except as provided in sub-paragraph (c) and (d) hereof, items or groups of items for equipment, materials, and vehicles, estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

(c) Except as provided in sub-paragraph (d) hereof, contracts for equipment, materials, and vehicles, estimated to cost up to an aggregate amount equivalent to \$400,000, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Bank.

(d) Contracts for construction materials (as defined in Schedule 1 hereof), estimated to cost the equivalent of \$5,000,000 or less per contract, shall be procured following established commercial practices satisfactory to the Bank.

2. (a) Except as provided in sub-paragraph (b) hereof, items or groups of items for civil works estimated, to cost the equivalent of \$2,500,000 or less per contract, up to an aggregate amount equivalent to \$68,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, or direct contracting in accordance with procedures satisfactory to the Bank.

(b) Civil works, estimated to cost the equivalent of \$250,000 or less per contract, up to an aggregate amount equivalent to \$6,500,000, may be carried out by force account.

3. Goods and services to be financed under Part A.2 (b) of the Project shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and, in the case of service, of their quality and competence of the parties rendering them.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for (i) equipment, materials, and vehicles, (ii) construction materials, and (iii) civil works, estimated to cost the equivalent of \$200,000, \$5,000,000, and \$2,500,000 or more respectively, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall

not apply to contracts on account of which the Bank has authorized withdrawals on the basis of statements of expenditure.

2. 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 Part B of 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

Implementation Program

The Borrower shall implement and cause NHMFC and the Housing Entity to implement the Project in accordance with technical, financial, and environmental standards and procedures satisfactory to the Bank. Without derogating from the generality of the foregoing or limiting the scope of its obligations under this Agreement, the Borrower shall:

1. Ensure that necessary arrangements are made for adequate budgetary allocations and timely flow of funds to the Implementing Agencies/PIUs for implementing the Project.
2. Prepare Reconstruction Proposals for the Affected Areas by March 31, 1991 and thereafter submit the RPs forthwith, for review and comments, to a Technical Panel established by the Borrower in consultation with the Bank. The Borrower shall take into account the recommendations, if any, of the said Technical Panel in the implementation of the RPs.
3. Ensure the timely employment of consultants to provide the requisite technical assistance.
4. Maintain adequate qualified staff in each of the PIUs and PCU and provide necessary facilities thereto to ensure qualitative and timely implementation and supervision of the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:
 - (a) the term "Eligible Category" means Category 3 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 reconstruction and resettlement projects under Part A.2 of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the Eligible Category in accordance with the provisions of Schedule 1 to this Agreement.
 - (c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.
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 a deposit or deposits 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 in 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 Eligible Category, and in the 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the Eligible Category, less 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 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 Category 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; (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.

