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**LOAN NUMBER 7805-PH**

# **Loan Agreement**

**(Social Welfare and Development Reform Project)**

**between**

**REPUBLIC OF THE PHILIPPINES**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated January 7, 2010**

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## **LOAN AGREEMENT**

AGREEMENT dated January 7, 2010, between the REPUBLIC OF THE PHILIPPINES (“Borrower”) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### **ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of four hundred and five million Dollars (\$405,000,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“the Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.

- 2.05. The Payment Dates are April 1 and October 1 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (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 withdrawn and outstanding 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 the 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 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 for 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 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through DSWD in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall

ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE IV — REMEDIES OF THE BANK**

4.01. The additional event under Section 7.02(m) of the General Conditions consists of the following:

- (a) The Legal Framework has been amended, suspended, abrogated, repealed, waived or replaced so as to affect materially and adversely the ability of the Borrower to carry out the Project or to perform any of its obligations under this Agreement.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Borrower's Representative is the Secretary of Finance.

6.02. The Borrower's Address is:

Department of Finance  
Department of Finance Building  
Bangko Sentral Complex  
Roxas Blvd.  
Manila, Philippines

Facsimile:

(63-2) 523-9216

6.03. The Bank's Address is:

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)

1-202-477-6391

AGREED at Manila, Philippines, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By: /s/ Margarito Teves

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By:/s/ Bert Hofman

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to strengthen the effectiveness of DSWD as a social protection agency to efficiently implement the Pantawid Pamilyang Pilipino Program (the CCT Program) and to expand an efficient and functional National Household Targeting System of social protection programs.

The Project consists of the following parts:

#### **Part 1: Support to the National Household Targeting System for Poverty Reduction**

- (a) Carrying out of household poverty assessments for approximately 8.3 million households, including collection, supervision, processing, and estimation of proxy means test data, and issuing of identification cards to households that meet the poverty criteria as established by the Borrower and set out in the Operations Manual for part 1 of the Project.
- (b) Enhancing the capacity of the National Project Management Office-NHTS (NPMO-NHTS) to carry out Part 1(a) of the Project through the provision of technical assistance and training, carrying out of social marketing, development and implementation of a Management Information System (MIS) for targeting, and carrying out an assessment of the targeting mechanism through spot checks.

#### **Part 2: Conditional Cash Transfer Program (CCT Program)**

- (a) Provision by the Borrower of CCT Grants under the CCT Program to Beneficiaries in order to enable them to access health and/or education services under the terms and conditions set out in the Operations Manual for Part 2 of the Project.
- (b) Enhancing the capacity of the National Project Management Office-CCT (NPMO-CCT) to carry out Part 2 (a) of the Project through: (i) provision of technical assistance and training, acquisition of vehicles for regional offices, carrying out of a social marketing campaign, and establishment of a grievance redress system; and (ii) development of a MIS for the CCT Program.
- (c) Enhancing the capacity of DSWD to monitor and evaluate Part 2(a) of the Project through the design and implementation of: (i) a spot check system to ensure that the CCT Program is functioning as provided for in the Operations Manual for

Part 2 of the Project; (ii) a methodologically rigorous impact evaluation system; and (iii) a system for regular monitoring.



**Part 3: Building Institutional Capacity to Lead in Social Protection**

- (a) Enhancing the capacity of DSWD in policy and strategy formulation through development and advocacy of key national social protection policies.
- (b) Enhancing the capacity of DSWD in: (i) setting up knowledge management and learning development networks, (ii) carrying out social marketing activities for the Project; and (iii) financial management, in each case through the provision of technical assistance and training.
- (c) Enhancing the capacity of DSWD to monitor and evaluate key social protection programs and policies through the provision of technical assistance and training.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements.**

1. For the purposes of overall management and oversight and coordination of the Project, the Borrower shall maintain for the duration of the Project an Executive Committee within DSWD with oversight responsibility for the Project which shall be chaired by the Secretary of DSWD and have composition, and terms of reference satisfactory to the Bank.

2. For the purposes of Part 2 of the Project, the Borrower shall maintain:

(a) A National Advisory Committee (NAC) within DSWD to ensure coordination of Project activities among key agencies of the Borrower. The NAC shall be chaired by the Undersecretary responsible for Part 2 of the Project and have composition and terms of reference satisfactory to the Bank, including the following: representatives from DSWD and the following agencies or any successor thereof; the Borrower's National Anti-Poverty Commission (NAPC); the Borrower's National Economic and Development Authority (NEDA); the Borrower's Department of the Interior and Local Government (DILG); the Borrower's Department of Health (DOH); the Borrower's Department of Education (DepEd); and the Borrower's National Nutrition Council.

(b) A Regional Advisory Committee (RAC) in each region in which Project activities are taking place, and a Municipal Advisory Committee (MAC) in each municipality in which Project activities are taking place, to ensure coordination of Project activities among key agencies of the Borrower at the Regional and local levels, respectively. The RACs and the MACs shall all maintain composition, staffing, and terms of reference satisfactory to the Bank. Each RAC and MAC shall serve as a Grievance Committee to handle public complaints.

3. For the purposes of carrying out the Project, the Borrower shall maintain within DSWD for the duration of the Project:

(a) a National Project Management Office-NHTS (NPMO-NHTS) headed by a NPMO-NHTS Director, and having composition, staffing, and terms of reference satisfactory to the Bank to carry out of Part 1 of the Project; and

(b) a National Project Management Office-CCT (NPMO-CCT) headed by the NPMO-CCT Director and having composition, staffing, and terms of reference satisfactory to the Bank carry out Part 2 of the Project.

## **B. Implementation Arrangements**

1. (a) The Borrower shall carry out the Project in accordance with Indigenous Peoples Participation Framework, the Project Implementation Plan and the Operations Manuals. The Operations Manual for Part 2 of the Project shall contain, inter alia:

- (i) the eligibility criteria and detailed rules, for the identification, registration and selection of Beneficiaries under Part 2(a) of the Project;
- (ii) the requirements to be fulfilled by Beneficiaries as conditions for the provision of CCT Grants under Part 2(a) of the Project;
- (iii) the mechanisms for verification of compliance with CCT Grant conditions; and
- (iv) the detailed procedures for coordination and collaboration among the regions, the municipalities, other cooperating institutions, and other stakeholders in carrying out of the Project.

(b) Except as the Bank shall otherwise agree, the Borrower shall not amend, waive or fail to enforce the Indigenous Peoples Participation Framework, the Project Implementation Plan or the Operations Manuals, or any provision thereof. In case of any conflict between the provisions of this Agreement and those of the Indigenous Peoples Participation Framework, the Project Implementation Plan or the Operations Manuals, the provisions of this Agreement shall prevail.

2. For the purpose of carrying out Part 2(a) of the Project, the Borrower, through DSWD, shall: (a) enter into a Memorandum of Agreement with each Participating LGU under terms and conditions acceptable to the Bank and consistent with those in this Agreement and in the Operations Manuals; (b) except as the Bank shall otherwise agree, not assign, amend, or waive any MOA or any provision thereof which may materially or adversely affect the satisfactory implementation of the Project; (c) except as the Bank shall otherwise agree, not abrogate or fail to enforce any MOA or any provision thereof; and (d) if the event described in Section 7.02(c) of the General Conditions arises in connection with the implementation of the Project by any representative of a Participating LGU, address such situation in a manner satisfactory to the Bank. If any event set out in clauses (b), (c), or (d) of this paragraph occurs, the Bank may, without limitation to any other rights, declare the relevant Participating LGU to be ineligible for participation in the Project.

3. The Borrower shall not later than January 31 and July 31 in each year, commencing July 31, 2010, and until July 31, 2012, and thereafter, not later than July 31

in each year, commencing July 31, 2013, carry out spot checks under terms of reference and with a minimum coverage satisfactory to the Bank, to verify:

- (a) that Beneficiaries receiving grants under Part 2(a) of the Project meet the eligibility criteria set out in the Operations Manual for Part 2 of the Project; and
- (b) that Beneficiaries receiving grants under Part 2(a) of the Project are complying with the requirements of the CCT Program and in particular those set out in the Operations Manual for Part 2 of the Project.

4. The Borrower shall by April 30, 2010, appoint an independent third party having qualifications and terms of reference acceptable to the Bank and in accordance with the provisions of Section III of this Schedule to conduct the spot checks referred to in the preceding Paragraph.

5. The Borrower through DSWD, shall, no later than six (6) months after the Effective Date of this Agreement, engage or cause to be engaged the services of reputable audit consultants, having qualifications and terms of reference acceptable to the Bank, to assist in strengthening the internal control systems of DSWD, including its internal audit unit.

6. The Borrower shall no later than five (5) months after the Effective Date: (i) fill the Operations Audit Division Head position in IAS for the purposes of Part 3(c) of the Project, and (ii) establish a dedicated financial management group for the Project, including hiring a financial management officer and other key financial management staff.

**C. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**D. Eligibility Criteria, Terms and Conditions for Conditional Cash Transfer Grants**

**1. Eligibility Criteria**

Except as the Bank shall otherwise agree, a CCT Grant shall be made only to the Beneficiaries who satisfy the eligibility criteria set forth in the Operations Manual for Part 2 of the Project, which shall include, *inter alia*, that any of the spot checks carried out in accordance with Paragraph B.3 of this Section I have not identified such CCT Grant as being ineligible.

**2. Terms and Conditions for Providing CCT Grants for Health Services**

CCT Grants to enable Beneficiaries to access health services shall be provided in accordance with the terms and conditions set out in the Operations Manual for Part 2 of the Project, which shall include the following:

- (a) the Beneficiary shall be a household residing in the Project Area with one or more children less than fifteen (15) years old or a pregnant woman;
- (b) the amount of the CCT Grant shall be up to Php 500 (approximately \$11 equivalent) per month per household irrespective of the number of children in the household;
- (c) all children 0-5 years old in the household must attend a health center or rural health unit to get the services according to their age, as established by the Department of Health;
- (d) pregnant women must attend a health center or rural health unit according to DOH protocol;
- (e) all selected children 6-14 years old in the household must comply with the de-worming protocol in school;
- (f) for households with children 0-14 years old the household grantee and/or spouse shall attend family development sessions at least once a month; and
- (g) such CCT Grants, if eligible, shall be financed out of the proceeds of the Loan upon the establishment and operationalization of a compliance verification system linked to payments as set out in the Operations Manual and satisfactory to the Bank.

**3. Terms and Conditions for Providing CCT Grants for Education Services**

CCT Grants to enable Beneficiaries to access education services shall be provided in accordance with the terms and conditions set out in the Operations Manual for Part 2 of the Project, which shall include the following:

- (a) The Beneficiary shall be a household living in the Project Area with children in the age groups of 3-5 and/or 6-14 years old.

- (b) The amount of the CCT Grant shall be up to PhP 300 (approximately \$6 equivalent) per child per month (for a period of 10 months/year), up to a maximum of 3 children.
- (c) Beneficiary households will receive payments under the CCT Grant: (i) for selected children between 6-14 years old so long as they are enrolled in primary and secondary school and maintain a class attendance rate of 85% every month; and (ii) for selected children between 3-5 years old so long as they are enrolled in day care centers and maintain an attendance rate of 85 % every month, provided, however, that a CCT Grant under this category shall not be eligible for financing out of the proceeds of the Loan until such time as agreed to by the Bank.
- (d) Such CCT Grants, if eligible, shall be financed out of the proceeds of the Loan until June 30, 2010 or such later date as the Bank may agree based on the existing manual monitoring system at the school level and thereafter such grants shall be financed upon the establishment and operationalization of a compliance verification system linked to payments as set out in the Operations Manual and satisfactory to the Bank.

## **Section II. Project Monitoring Reporting and Evaluation**

### **A. Project Reports**

- 1. (a) The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators set out in Attachment 1 to this Schedule 2. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report.
- 2. The Borrower shall (a) prepare and submit to the Bank for review and comment, by no later than 24 months after the Effective Date (or such later date as the Bank and the Borrower may otherwise agree in writing), a draft mid-term review incorporating the results of each Project Report; and (b) by no later than twelve (12) weeks thereafter (or such later date as the Bank and the Borrower may otherwise agree), submit to the Bank a final mid-term review having taken into account the comments provided by the Bank on mid-term review.
- 3. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than four (4) months after the closing date.

### **B. Financial Management, Financial Reports and Audits**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than sixty (60) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.
4. The Borrower shall, no later than sixty (60) days after the end of each calendar semester, commencing with the second semester after the date of this Agreement, submit to the Bank an internal audit report covering the Project.

### **Section III. Procurement**

#### **A. General**

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.



2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) National Competitive Bidding, subject to the provisions set forth in Attachment 2 to this Schedule
(b) Shopping
(c) Direct Contracting

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Least-Cost Selection
(b) consultants' qualifications
(c) single source selection
(d) Individual Consultants

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower

(including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed</b>
(1) Goods, training, workshops, consultants’ services and incremental operating costs for the Project	81,601,000	100%
(2) Conditional Cash Transfer Grants	320,886,000	75% of amounts disbursed under each Grant
(3) Front-end Fee	1,012,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(4) Unallocated	1,500,500	
<b>TOTAL AMOUNT</b>	<b>405,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$81 million equivalent may be made for payments made prior to this date but on or after December 1, 2008 for Eligible Expenditures under Categories 1 and 2.
2. No payments made under a CCT Grant to a Beneficiary shall be eligible for financing out of the proceeds of the Loan unless: (a) the Borrower has entered into a Memorandum of Agreement with the relevant Participating LGUs as

referred to in Paragraph B.2 of Section I of this Schedule, such Agreement has not been suspended or terminated and such LGU has not been declared to be ineligible; (b) the Beneficiary has been selected in accordance with the eligibility criteria as referred to in Paragraph D.1 of Section I of this Schedule; (c) the Borrower has obtained a Letter of Commitment from the Beneficiary and such Letter has not been suspended or terminated; (d) the Borrower and the Beneficiaries have complied with the conditions for the provision of CCT Grants as set out in the Operations Manual including those referred to in Paragraphs D.2 and D.3 of Section I of this Schedule; (e) the payments have been made in accordance with a mechanism satisfactory to the Bank; and (f) the Borrower has carried out a verification of compliance with the above conditions in accordance with the mechanism and procedures set out in the Operations Manual in a manner satisfactory to the Bank and as referred to in paragraphs D.2(g) and D.3(d) of Section I of this Schedule.

3. The Closing Date is June 30, 2014.

## ATTACHMENT 1 TO SCHEDULE 2

### Key Performance Indicators

PDO	Project Outcome Indicators (POIs)	Use of Project Outcome Information
<p>To strengthen the effectiveness of DSWD as a social protection agency to efficiently implement the Pantawid Pamilyang Pilipino Program (the CCT Program) and to expand an efficient and functional National Household Targeting System of social protection programs.</p>	<ul style="list-style-type: none"> <li>• Share of all poor households registered in the National Household Targeting System for Poverty Reduction (NHTS-PR).<sup>1</sup></li> <li>• Share of children 6-14 years old in poor beneficiary households attending school at least 85% of the time.</li> <li>• Share of children 0-5 years old undergoing growth monitoring and check-ups in accordance with DOH protocol</li> </ul>	<ul style="list-style-type: none"> <li>• Yr1-Yr2 - Assess progress in building national database of poor households.</li> <li>• Yr1-Yr5 – Measure the achievement of the POIs and assess effectiveness of targeting system for CCT program.</li> </ul>
<p><b>Part 1 of the Project</b></p> <p>A targeting system to select poor households implemented and functioning efficiently.</p>	<ul style="list-style-type: none"> <li>• At least 2 major national programs using the NHTS-PR for selecting their beneficiaries.</li> </ul>	<ul style="list-style-type: none"> <li>• Assess whether the NHTS-PR is being used by national agencies to target poor households.</li> </ul>

<sup>1</sup> Based on baseline of poor households in the latest official household data of 2006 (4.7 million poor households total).

Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
	<ul style="list-style-type: none"> <li>• MIS designed and in operation including integrated data entry application, proxy means test data processing and management, and sharing capabilities properly functioning.</li> <li>• Share of poor households registered in the database receiving benefits of social programs.</li> </ul>	<ul style="list-style-type: none"> <li>• Assess whether the IT infrastructure software and hardware is being developed to support the NHTS-PR.</li> <li>• Assess whether DSWD is making progress in the use of NHTS-PR.</li> </ul>
<p><b>Part 2 of the Project</b></p> <p>CCT program implemented and functioning efficiently.</p>	<ul style="list-style-type: none"> <li>• MIS developed and functioning to support payments, verification, updates and grievance system.</li> <li>• Share of beneficiary households receiving CCT Grants regularly and on time.</li> <li>• Share of households meeting conditionalities set out in the Operations Manual for Part 2 of the Project for CCT Grants for education.</li> <li>• Share of households meeting conditionalities set out in the Operations Manual for Part 2 of the Project for CCT Grants for health.</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the MIS performance</li> <li>• Assess pace of project implementation.</li> <li>• Assess that verification system in education and health is in place and functional.</li> </ul>
	<ul style="list-style-type: none"> <li>• Spot checks for CCT Program of schools, clinics, municipal links, and beneficiary households carried out annually.</li> <li>• Impact evaluation report based on first follow-up survey.</li> </ul>	<ul style="list-style-type: none"> <li>• Yr2-Yr5: Assess progress in program implementation</li> <li>• Results of the impact evaluation will allow for corrective measures to be undertaken and/or increases</li> <li>• buy in among stakeholders.</li> </ul>
<p><b>Part 3 of the Project</b></p> <p>Key institutional systems on policy formulation, monitoring and impact evaluation and social marketing developed and operationalized</p>	<ul style="list-style-type: none"> <li>• Social protection operational framework developed and adopted.</li> <li>• Framework for integrated service delivery developed and adopted.</li> <li>• Evaluation of two social protection programs completed and disseminated.</li> </ul>	<ul style="list-style-type: none"> <li>• Policies will provide the analytical basis for sustained implementation of the targeting system and CCT program beyond 2013.</li> <li>• Capacity building will ensure efficient implementation of the Project and eventual mainstreaming of the Project into the Borrower's overall social welfare reform program.</li> </ul>



## **ATTACHMENT 2 TO SCHEDULE 2**

### **National Competitive Bidding Procedures**

The procedures to be followed for National Competitive Bidding shall be those set out in the Borrower's Government Procurement Reform Act (Republic Act No. 9184) (hereinafter referred to as the Procurement Law) with the following clarifications or modifications required for compliance with the Procurement Guidelines:

1. Eligibility screening shall not be applied. However, bids that do not contain any of the following documents will not pass the documentary compliance check: (a) evidence of the required financial, technical or production capability; (b) audited financial statements; (c) credit line or cash deposit certificate; (d) bid security; and (e) authority of the bid signatory.
2. A ceiling may be applied to bid prices provided the following conditions are met: (a) Bidding documents are obtainable free of charge on a freely accessible website; (b) The agency has procedures in place to ensure that the ABC<sup>2</sup> is based on Engineer's Estimate; (c) The agency has trained cost estimators on estimating prices and analyzing bid variance; (d) the agency has established a system to monitor and report bid prices relative to ABC and Engineer's estimate.
3. Domestic or regional preferences will not be applied in the evaluation of bids, and other preference in effect in the Philippines will not be used except with prior concurrence of the Bank.
4. In case of contracts for prior review, modification exceeding 15% of contract amount and material changes in the conditions during implementation, require prior Bank concurrence.
5. Foreign suppliers and contractors shall be allowed to participate, if interested, without first being required to associate with, or enter into joint venture, with local firms. Moreover, foreign bidders shall be allowed to bid, even without registration, licensing, and other government authorizations, leaving these requirements for after award and before signing of contract.
6. For works contract, the experience qualification requirement shall be: (a) at least one previous contract at 80% of the estimated cost of the contract being procured; and (b) an annual turnover from all works averaged over the last three years equal to 100% of the estimated cost of the contract being procured.

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<sup>2</sup> As defined in the Procurement Law

7. Alternative procurement methods defined in the implementing rules and regulations such as Limited Source Bidding, Direct Contracting and Shopping are acceptable. The use of the other alternative methods will require prior Bank concurrence.
8. A period of at least 30 days for bid preparation shall be allowed.



## 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 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) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each April 1 and October 1 beginning April 1, 2020 through April 1, 2034	3.33%
On October 1, 2034	3.43%

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn 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 is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable 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) Amounts of the Loan withdrawn within two (2) 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, if at any time the Bank adopts 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 Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is 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 the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

## **APPENDIX**

### **Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Beneficiary” means a household eligible to receive a grant under Part 2(a) of the Project.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Conditional Cash Transfer Grant” and “CCT Grant” mean any of the grants to be provided under Part 2(a) of the Project.
5. “Conditional Cash Transfer Program” and “CCT Program” mean the Borrower’s program for the assistance of poor families through the provision of cash transfers conditional on compliance with the conditions referred to in the Legal Framework and the Operations Manual for Part 2 of the Project and otherwise known as the Pantawid Pamilyang Pilipino Program.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “DOH” means the Borrower’s Department of Health or any successor thereto.
8. “DSWD” means the Borrower’s Department of Social Welfare and Development or any successor thereto.
9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
10. “IAS” means the Internal Audit Services unit in DSWD, or any successor thereto.
11. “Incremental operating costs” means the operating costs incurred by DSWD on account of the implementation of Project, including maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, advertising expenses, printing of materials, travel per diems, and accommodation, but excluding salaries of the Borrower’s civil servants.

12. “Indigenous Peoples Participation Framework” means the framework set out in the Indigenous Peoples Participation Framework document dated January 27, 2009 provided by the Borrower to the Bank.
13. “Legal Framework” means the framework of the Borrower establishing the CCT Program and comprising among others the following: (a) Memorandum Circular No. 09, Series of 2007, for Creating the Ahon Pamilyang Pilipino Program (AAP) National Advisory Committees and Defining their Roles and Responsibilities; (b) Administrative Order No. 16, Series of 2008, for Guidelines on the Implementation of Pantawid Pamilyang Pilipino Program (4Ps); (c) Joint Memorandum Circular No. 01, Series of 2009, for Defining the Institutional Arrangements for the Implementation, Monitoring and Evaluation of the Pantawid Pamilyang Pilipino Program (4Ps), as may be revised from time to time.
14. “Letter of Commitment” means the letter obtained or to be obtained by the Borrower through DSWD from a Beneficiary setting out, *inter alia*, the commitments to be fulfilled by said Beneficiary as conditions for receiving a CCT Grant.
15. “LGUs” means Local Government Units which are political subdivisions of the Borrower at the provincial, city, municipal or barangay level, and “LGU” means any such Local Government Unit.
16. “Memorandum of Agreement” and “MOA” means the Agreement entered into or to be entered into by the Borrower through DSWD and the Participating LGU in accordance with the Operations Manual for the purpose of implementing the Program as referred to in Paragraph B.2 of Section I of Schedule 2 to this Agreement.
17. “MIS” means Management Information System.
18. “National Project Management Office-CCT” and “NPMO-CCT” mean the office to be maintained by the Borrower in DSWD to carry out Part 2 of the Project, as provided for in Paragraph A.3(b) of Section 1 of Schedule 2 to this Agreement.
19. “National Project Management Office-NHTS” and “NPMO-NHTS” mean the office to be maintained by the Borrower in DSWD to carry out Part 1 of the Project, as provided for in Paragraph A.3(a) of Section 1 of Schedule 2 to this Agreement.
20. “Operations Manual for Part 1 of the Project” means the manual dated August 28, 2009 duly adopted by the Borrower and found acceptable by the Bank as such manual may be revised from time to time in agreement with the Bank.

21. “Operations Manual for Part 2 of the Project” means the manual dated September 24, 2009 duly adopted by the Borrower and found acceptable by the Bank as such manual may be revised from time to time in agreement with the Bank.
22. “Operations Manuals” means, collectively, the Operations Manual for Part 1 of the Project and the Operations Manual for Part 2 of the Project, and referred to in Section I.B.1 of Schedule 2 to this Agreement.
23. “Participating LGUs” means the LGUs at the city or municipal level selected in accordance with the policies and procedures set forth in the Operations Manual to participate in the CCT Program.
24. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
25. “Procurement Law” means the Borrower’s Government Procurement Reform Act (Republic Act No. 9184).
26. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated July 10, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
27. “Project Area” means the 160 municipalities of the Borrower listed in the Project Implementation Plan selected by the Borrower in which the Project will be carried out as such list may be revised from time to time with the prior approval of the Bank.
28. “Project Implementation Plan” and “PIP” mean the plan for the implementation of the Project dated July 10, 2009 adopted by the Borrower and found acceptable by the Bank, as such plan may be revised from time to time with the prior approval of the Bank.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

*“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest*

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association

(“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (1) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (1) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

- (c) The definition of the term “Variable Rate” is modified, in relevant part, to read as follows:

“(c) upon a Currency Conversion to an Approved Currency of an amount of the Withdrawn Loan Balance that accrues interest at a variable rate during the Conversion Period, the variable rate of interest applicable to such amount shall be equal to either: (i) the sum of: (A) LIBOR, or such other base rate as may be agreed by the Borrower and the Bank, for the Approved Currency; plus (B) the spread to LIBOR or to such other base rate, if any, payable by the Bank under the Currency Hedge Transaction relating to said Currency Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the interest rate component of the Screen Rate.”