
LOAN NUMBER 3100-PHI

LOAN AGREEMENT
(Ordinary Operations)

(KALAHI-CIDSS National Community-Driven Development Project)

between

REPUBLIC OF THE PHILIPPINES

and

ASIAN DEVELOPMENT BANK

DATED 26 MARCH 2014

PHI 46420

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 26 March 2014 between REPUBLIC OF THE PHILIPPINES ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement; and

(B) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit; Maturity Premium.

(a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

- (b) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

- (c) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a

percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Barangay Subproject Implementation Agreement" means an agreement to be entered into between a Beneficiary or Beneficiaries and the EA, pursuant to paragraph 7(e) of Schedule 5 to this Loan Agreement, for the purposes of implementing the activities under a Subproject under Output 1;

(b) "Beneficiary" means a barangay or indigenous peoples organization selected in accordance with the policies and procedures set forth in the PAM, to receive financing for the carrying out of a Subproject under Output 1 and "Beneficiaries" means, collectively, all such Beneficiaries;

(c) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(d) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(e) "DSWD" means the Borrower's Department of Social Welfare and Development, or any successor thereto;

(f) "EARF" means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower through the Project Executing Agency and cleared by ADB;

(g) "EMMP" means an environmental management and monitoring plan for a Subproject, including any update thereto, incorporated in the IEE;

(h) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(i) "GAP" means the gender action plan attached to the PAM, containing gender measures to be undertaken during Project implementation;

(j) "Goods" means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(k) "IAs" means the NPMO, RPMOs and the Beneficiaries who are responsible for implementing their related portions of the Project;

(l) "IEE" means an initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Borrower through the Project Executing Agency pursuant to the requirements set forth in the EARF and cleared by ADB;

(m) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(n) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(o) "IPP" means an indigenous peoples plan for the Project or a Subproject, including any update thereto, prepared and submitted by the Borrower through the Project Executing Agency pursuant to the requirements set forth in the IPPF and cleared by ADB;

(p) "IPPF" means the indigenous peoples planning framework for the Project, including any update thereto, prepared and submitted by the Borrower through the Project Executing Agency and cleared by ADB;

(q) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

(r) "National Steering Committee" means the national steering committee as described in the PAM, to be maintained by the Borrower and which is responsible for providing overall policy direction and coordination for the implementation of the Project;

(s) "NPMO" means the national project management office established within the EA, which is responsible for managing national implementation of the Project and providing inter-regional coordination for such implementation;

(t) "Output 1" means Output 1 of the Project as described in paragraph 2(a) of Schedule 1;

(u) "PAM" means the project administration manual for the Project dated 12 December 2013 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(v) "Participating LGUs" means the local government units involved in the implementation of the Project;

(w) "Pesos" or "P" means the currency of the Borrower;

(x) "Procurement Guidelines" means ADB's Procurement Guidelines (2013, as amended from time to time);

(y) "Procurement Plan" means the procurement plan for the Project dated 12 December 2013 and agreed between the Borrower and ADB, as updated from time to

time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(z) "Project Executing Agency" or "EA" for the purposes of, and within the meaning of, the Loan Regulations means DSWD or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(aa) "Project facilities" means the facilities to be provided, constructed, operated, upgraded and maintained under the Project;

(bb) "Project Manuals" means the manuals, including sub-manuals, for the Project, including any update thereto, prepared and submitted by the EA and cleared by ADB;

(cc) "Project Participating Regions" means the regions listed in Appendix 1 of the PAM (as amended from time to time), and such other regions of the Borrower which may from time to time be designated as Project Participating Regions by agreement between the Borrower and ADB;

(dd) "Project Provinces and Municipalities" means the provinces and municipalities listed in Appendix 1 of the PAM (as amended from time to time), and such other provinces and municipalities of the Borrower which may from time to time be designated as Project Provinces and Municipalities by agreement between the Borrower and ADB;

(ee) "RF" means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower through the Project Executing Agency and cleared by ADB;

(ff) "RP" means the resettlement plan for each Subproject identified by the EA in accordance with the RF, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(gg) "RPMO" means the regional project management office to be established and maintained in the EA's field office in each of the Project Participating Regions in which the Beneficiaries are located, and which is responsible for providing technical guidance, supervision and monitoring of the implementation of the Project and Subprojects at a provincial or regional level, as described in the PAM;

(hh) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMMP, the RP and the IPP (as applicable), including any corrective and preventative actions;

(ii) "SPS" means ADB's Safeguard Policy Statement (2009);

(jj) "Subproject" means a subproject as described in Output 1 which is to be financed out of the proceeds of the Loan, but which shall not include expenditures for any of the activities or items set out in (i) Appendix 5 of the SPS or (ii) the negative list of activities that may be harmful to the environment or indigenous peoples as detailed in the PAM; and

(kk) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and the Project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of three hundred and seventy-two million one hundred and three thousand eight hundred and ninety-five Dollars (\$372,103,895), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 24 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB 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 sum of:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.20% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.20% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 June and 15 December in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (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, whether withdrawn and outstanding 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 Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating 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 Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The Borrower shall ensure that the portion of the Loan to be used to finance expenditures under Output 1 is made available to Beneficiaries on a grant basis under Barangay Subproject Implementation Agreements upon terms and conditions agreed between the EA and ADB.

Section 3.03. Except as ADB may otherwise agree, the proceeds of the Loan which are to be used to finance expenditures under Output 1 shall only be used to finance planning or investment grants and shall be applied exclusively to the cost of Goods, Works and Consulting Services and other items of expenditures required to carry out such grants.

Section 3.04. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.05. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the

proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.06. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.07. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2018 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. The Borrower through the Project Executing Agency shall make available, promptly as needed and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.

Section 4.03. (a) Whenever applicable, in the carrying out of the Project, the Borrower through the Project Executing Agency shall cause competent and qualified consultants and contractors, acceptable to ADB to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and ADB, as applicable. The Borrower through the Project Executing Agency shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 4.04. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the

Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest fund(s) and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.06. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.07. The Borrower shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Secretary of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Department of Finance
DOF Building
Roxas Boulevard
Manila, Philippines

Facsimile Number:

+63 2 523 9216
+63 2 521 9495

For ADB


Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

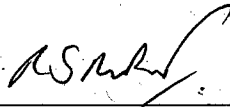
(632) 636-2444
(632) 636-2228.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

REPUBLIC OF THE PHILIPPINES

By 
CESAR V. PURISIMA
Authorized Representative

ASIAN DEVELOPMENT BANK

By 
RICHARD S. M. BOLT
Country Director
Philippines Country Office

SCHEDULE 1

Description of the Project

1. The objective of the Project is that Project Provinces and Municipalities achieve improved access to services and infrastructure and participate in more inclusive local disaster risk reduction and management planning, budgeting and implementation.
2. The Project shall comprise:
 - (a) Output 1: identification and completion of community-driven development subprojects including the provision of (i) planning grants to Beneficiaries to support participatory and gender-inclusive planning and effective project selection and implementation; and (ii) investment grants to Beneficiaries to support projects and activities that respond to community-identified priorities and are identified based on an open menu.
 - (b) Output 2: strengthening the institutional and organizational capacity of DSWD and Participating LGUs including providing training on applying environmental and social safeguard policies, responding to special circumstances such as vulnerability to disasters and climate change, presence of indigenous communities and areas affected by conflict, facilitating community organization in ways that ensure the inclusion and participation of marginalized groups in Subprojects, embedding participatory approaches in government systems and processes and strengthening grievance redress and social accountability mechanisms for the Project.
 - (c) Output 3: enhancing program management, monitoring and evaluation systems including the development and maintenance of a management information system used for tracking, measuring and reporting accomplishments on key performance indicators, undertaking studies on community-driven development and monitoring and evaluation.
3. The Project includes consulting services to develop the capacity of DSWD and Participating LGUs through the activities described in paragraph 2(b) above and to enhance program management, monitoring and evaluation systems through the activities described in paragraph 2(c) above.
4. The Project is expected to be completed by 31 December 2017.

SCHEDULE 2**Amortization Schedule****(KALAHI-CIDSS National Community-Driven Development Project)**

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 ADB 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.

Payment Due	Installment Share (Expressed as a %)
15 June 2022	2.000000
15 December 2022	2.000000
15 June 2023	2.000000
15 December 2023	2.000000
15 June 2024	2.000000
15 December 2024	2.000000
15 June 2025	2.000000
15 December 2025	2.000000
15 June 2026	2.000000
15 December 2026	2.000000
15 June 2027	2.750000
15 December 2027	2.750000
15 June 2028	2.750000
15 December 2028	2.750000
15 June 2029	2.750000
15 December 2029	2.750000
15 June 2030	2.750000
15 December 2030	2.750000
15 June 2031	2.750000
15 December 2031	2.750000
15 June 2032	2.500000
15 December 2032	2.500000
15 June 2033	2.500000
15 December 2033	2.500000
15 June 2034	2.500000
15 December 2034	2.500000
15 June 2035	2.500000

15 December 2035	2.500000
15 June 2036	2.500000
15 December 2036	2.500000
15 June 2037	2.500000
15 December 2037	2.500000
15 June 2038	2.500000
15 December 2038	2.500000
15 June 2039	2.500000
15 December 2039	2.500000
15 June 2040	2.500000
15 December 2040	1.000000
15 June 2041	1.000000
15 December 2041	1.000000
15 June 2042	1.000000
15 December 2042	1.000000
15 June 2043	1.000000
15 December 2043	1.000000
15 June 2044	1.000000
15 December 2044	1.000000
15 June 2045	0.500000
15 December 2045	0.500000
Total	100.000000

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 ADB 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. 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.

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 ADB 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 ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB 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 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

5. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures specified in the PAM and incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 30% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (KALAHI-CIDSS National Community-Driven Development Project)				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Grants	358,581,000		
1A	Investment		310,076,000	100% of total expenditure claimed
1B	Planning		48,505,000	100% of total expenditure claimed
2	Equipment, Vehicle and Furniture	1,073,000		100% of total expenditure claimed
3	Advocacy and IEC Materials	156,000		100% of total expenditure claimed
4	Training, Workshops and Meetings	9,413,000		
4A	ACT		3,829,000	100% of total expenditure claimed
4B	LGU/BUB Implementers		5,274,000	100% of total expenditure claimed
4C	NPMO/RPMO		310,000	100 % of total expenditure claimed
5	Consulting Services	1,200,000		
5A	Capacity Development		1,000,000	100% of total expenditure claimed
5B	Advocacy		100,000	100% of total expenditure claimed
5C	Studies		100,000	100% of total expenditure claimed
6	Monitoring and Evaluation	1,160,000		100% of total expenditure claimed
7	Unallocated	520,895		
	Total	372,103,895		

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

3. Except as ADB may otherwise agree, and except as set forth in paragraph 4 below, Goods and Works shall be procured on the basis of International Competitive Bidding.
4. Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
 - (a) National Competitive Bidding;
 - (b) Shopping;
 - (c) Direct Contracting; and
 - (d) Community Participation in Procurement.
5. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Community Participation in Procurement

7. The Borrower may use community participation in procurement for contracts for Subprojects, in accordance with the agreed procedures set out in the Procurement Plan.

Conditions for Award of Contract

8. The Borrower shall not award any Works contract for a Subproject which involves environmental impacts until the EA has incorporated the relevant provisions from the EMMP into the Works contract.

9. The Borrower shall not award any Works contract involving involuntary resettlement impacts for a Subproject until the Borrower has prepared and submitted to ADB the final RP for such Subproject based on the Subproject's detailed design, and obtained ADB's clearance of such RP.

10. The Borrower shall not award any Works contract for a Subproject which involves impacts on indigenous peoples until the Borrower has prepared and submitted to ADB the final IPP and obtained ADB's clearance of such IPP.

Consulting Services

11. Except as ADB may otherwise agree, and except as set forth in paragraph 12 below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

12. The Borrower shall apply the following methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Consultants' Qualification Selection and Individual Consultants Selection for the training management, social marketing and evaluation studies contracts specified in the Procurement Plan and in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

13. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

14. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

15. Contracts procured under International Competitive Bidding procedures, the first contracts procured under National Competitive Bidding procedures (Goods and Works), contracts for Consulting Services engaged under Consultants' Qualification Selection procedures and contracts for Consulting Services above \$20,000 engaged under Individual Consultants Selection procedures shall all be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

Contracts procured under Community Participation in Procurement procedures shall be subject to review as set out in the Project's Community Based Procurement Manual.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower, through the EA, shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.
2. The Borrower, through the EA, shall ensure that a fully operational RPMO is established for each Project Participating Region and shall ensure that no disbursements are made to a Beneficiary until an RPMO has been established in the Project Participating Region in which that Beneficiary is located.
3. The Borrower, through the EA, shall ensure that the IAs are equipped with appropriately skilled staff, reasonable office space, equipment, and adequate financial resources required for implementation of the Project throughout Project implementation.
4. The Borrower through the EA shall ensure that all Works under the Project are designed and constructed in accordance with all relevant national, municipal and local design codes and standards of the Borrower and that the construction supervision, quality control, contract management, and completion inspection and acceptance procedures will be in accordance with all applicable laws, municipal and local regulations of the Borrower.
5. The Borrower, through the EA, shall ensure that adequate funding and human resources are allocated so that Project facilities are maintained and operated in good condition, and in strict conformity with all applicable laws, regulations and standards of the Borrower.
6. The Borrower, through DSWD, shall:
 - (a) not later than six (6) months after the Effective Date, furnish to ADB the fully revised Project Manuals, all acceptable to ADB; and
 - (b) not amend, delete, suspend, or waive any part of the Project Manuals, without the prior approval of ADB.
7. For purposes of Output 1, the Borrower through the EA shall make grants to Beneficiaries to carry out the Subprojects in accordance with the selection and other criteria and procedure and on terms and conditions set forth in the PAM, including:
 - (a) A Subproject 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 Subproject shall not include expenditures for any of the activities or items set out in Appendix 5 of the SPS or included in the negative list of activities that may be harmful to the environment or indigenous peoples as detailed in the PAM (such negative list not to be amended or revised without ADB's consent).

(c) A grant to a Beneficiary may be approved by the EA only if a memorandum of agreement, with terms and conditions acceptable to ADB, has been entered into between the EA and the municipality in which the Beneficiary of the grant is located and the municipality has agreed to comply with the Project Manuals.

(d) A grant to a Beneficiary may be approved only if such Beneficiary:

(i) has prepared an IEE and an EMMP in accordance with the principles set forth in the EARF, in the event that the environmental screening carried out in accordance with the EARF concludes that an IEE and EMMP are required;

(ii) has prepared an RP in accordance with the principles set forth in the RF, in the event the screening carried out in accordance with the RF concludes that an RP is required; and

(iii) has carried out consultations with and a process of informed participation by indigenous peoples, in accordance with principles set forth in the IPPF, in the event that the Subproject impacts such people and to ensure that the design and implementation of the Subproject adequately addresses the needs and cultural preferences of such people.

(e) In respect of each grant to a Beneficiary for a Subproject, the Borrower shall ensure that the relevant Beneficiary executes and delivers a Barangay Subproject Implementation Agreement with the parties thereto prior to the release of any funds forming part of such grant to the Beneficiary. In this regard, the Borrower shall ensure that the EA and RPMOs follow the procedure set out in the Project Manuals regarding the conditions for fund release, including the requirement for RPMOs to review the accuracy, completeness and validity of a request for funds release and its accompanying documents (which includes an executed copy of the associated Barangay Subproject Implementation Agreement). Each Barangay Subproject Implementation Agreement shall include provisions where the Borrower obtains rights adequate to protect the interests of the Borrower and ADB, including without limitation the rights to:

(i) require the Beneficiary to carry out each of its Subprojects 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 Beneficiary to have in place prior to approval of a grant and, thereafter maintain, a barangay sub project management team in accordance with the requirements set out in the PAM;

(iii) require that the Works to be financed out of the proceeds of the grant shall be procured in accordance with the Procurement Plan and shall be used exclusively in the carrying out of the Subproject;

(iv) require that the Beneficiary implement its EMMP, RP and program of consultation with and informed participation by indigenous peoples, if applicable, in a manner satisfactory to the Borrower and ADB;

(v) inspect, by itself or jointly with representatives of ADB such Goods, Works, the sites, plans and construction included in each Subproject, the operation thereof and any relevant records and documents;

(vi) require that the Beneficiary provide to the Borrower and ADB with all such information as the Borrower or ADB may reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from its respective Subprojects;

(vii) require the Beneficiary to: (A) establish and maintain a financial management system, including records and accounts, and prepare financial reports in a format acceptable to the Borrower and ADB, adequate to reflect the operations, resources and expenditures related to each of its Subprojects; and (B) have the records, accounts and financial reports referred to in clause (A) above for each fiscal year audited, in accordance with auditing standards acceptable to the Borrower and ADB, consistently applied, by independent auditors acceptable to ADB; and

(viii) suspend or terminate the right of the Beneficiary to the use of the proceeds of the grant upon failure by such Beneficiary to perform its obligations under its Barangay Subproject Implementation Agreement with the Borrower.

Counterpart Support

8. The Borrower, through the EA, shall ensure that counterpart funding is provided in a timely manner. To this end, the Borrower and the EA shall ensure timely preparation and submission of annual budgets and requests for disbursement of counterpart funds necessary for Project implementation (including for land acquisition and resettlement activities) and take all measures necessary or appropriate for the prompt disbursement of such funds.

Environment

9. The Borrower, through the EA, shall ensure that the preparation, design, construction, implementation, operation and decommissioning of each Subproject and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the respective IEE and EMMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

10. The Borrower, through the EA, shall ensure that all land and any rights-of-way required for each Subproject and all Project facilities are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and any land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

11. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower, through the EA, shall ensure that no physical or economic displacement takes place in connection with the Subprojects until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

Indigenous Peoples

12. The Borrower, through the EA, shall ensure that the preparation, design, construction, implementation and operation of the Project, each Subproject and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; (c) the IPPF; and (d) all measures and requirements set forth in the final IPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

13. The Borrower shall make available or cause the EA to make available necessary budgetary and human resources to fully implement the EMMP, the RP and the IPP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

14. The Borrower shall ensure or cause the EA to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP, the RP and the IPP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMMP, the RP and the IPP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-Project condition upon the completion of construction.

Safeguards Monitoring and Reporting

15. The Borrower shall do the following or cause the EA to do the following:
- (a) submit quarterly Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
 - (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMMP, the RP and the IPP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
 - (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMMP, the RP or the IPP promptly after becoming aware of the breach.

Prohibited List of Investments

16. The Borrower shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards

17. The Borrower, through the EA, shall ensure that all bidding documents for Works shall include provisions to require the contractors to (i) prioritize employment of women and the poor to at least the percentages of the labor force as set out in the GAP; (ii) provide equal pay for equal work, regardless of gender, age, ethnicity or any other factors; (iii) provide the timely payment of wages; (iv) maximize the employment of local people who meet the job and efficiency requirements for Project construction, operation and maintenance and in that regard, not discriminate against people based on age, provided they are capable of performing the work; (v) advertise labor requirements in a timely manner prior to recruitment, in a venue that can reasonably be expected to be seen by interested men and women, regardless of age or ethnicity; (vi) provide workers with a written contract; (vii) provide such workers with adequate on-the-job training and safety training; (viii) comply with core labor standards and the applicable labor laws and regulations, including stipulations related to employment; (ix) not employ child labor; and (x) maintain records of labor employment (including the name, ethnicity, age, gender, working time and payment of wages) and ensure that such records are included in summary form in the project performance management system.

Gender

18. The Borrower, through the EA, shall ensure that the GAP is fully implemented and that all Project activities are designed and implemented in accordance with the GAP. Measures shall include, but not be limited to the following: (i) participatory selection of Subprojects will include an analysis of the needs and benefits of men and women in the criteria for prioritizing community infrastructure to be rehabilitated or developed; (ii) separate meetings with marginalized households, including women, where needed, to discuss Subproject proposals and all meetings held at times and in locations convenient for women; (iii) increasing women in leadership positions in volunteer committees to 50% by end of the Project (baseline of 35% in 2012); (iv) between 20% to 30% of the paid labor jobs created by the Project are provided to women at the end of the Project; (v) the Operations and Maintenance plan for the Project provides at least 30% paid work to women; (vi) 50% of the participants in overall community based capacity development programs under the Project are women; (vii) gender mainstreaming responsibilities are included in the terms of references and performance targets of the Project management officers; (viii) all Project staff undergo gender training; and (ix) gender indicators are integrated in the overall monitoring and evaluation framework.

Governance and Anticorruption

19. The Borrower shall, and shall cause the EA and the IAs to, comply with ADB's Anticorruption Policy (1998, as amended to date). The Borrower (i) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; and (ii) agrees to cooperate, and shall cause the EA, IAs, and all other government offices, organizations and entities involved in implementing the Project to cooperate, fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. In particular, the Borrower, through the EA, shall ensure that (i) periodic inspections of the Project contractors'

activities related to fund withdrawals and settlements are carried out; (ii) relevant provisions of ADB's Anticorruption Policy are included in all bidding documents for the Project; and (iii) contracts financed under the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the contractors, suppliers, consultants, and other service providers as they relate to the Project. Individuals/entities on ADB's anticorruption debarment lists are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.

20. If the Borrower or ADB is or becomes aware or has a reasonable suspicion that any member of the EA or an IA has engaged in corrupt or fraudulent practices (as defined in ADB's Anticorruption Policy) under or in connection with the Project or the loan, the Borrower shall take such timely and appropriate action satisfactory to ADB to investigate and/or remedy the situation.

21. In addition to these requirements, to deter corruption and increase transparency, the Borrower shall create a Project website within 2 months of the Effective Date, accessible by the general public, to disclose various information concerning the Project including general information about the Project, public procurements related to the Project, Project progress and contact details in English and Filipino. The website shall also provide a link to ADB's Integrity Unit (<http://www.adb.org/Integrity/complaint.asp>) for reporting to ADB any grievances or allegations of corrupt practices arising out of the Project and Project activities. For each contract, the website shall include information on, among others, the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods/services, including consulting services, procured. The Borrower shall cause the EA to permit any bidder to request an explanation as to why a bid was unsuccessful and the EA shall respond within 20 working days. The website shall be updated within 2 weeks after: (i) each award of contract, and (ii) each submission of the semi-annual Safeguards Monitoring Report to ADB. In addition to the web-based disclosure, stakeholders, which include civil society and non-governmental organizations, shall be provided by the Borrower with detailed information on procurement on public notice boards in their respective areas.