

OFFICIAL
DOCUMENTS

LOAN NUMBER 8335-PH

Loan Agreement

(KALAHI-CIDSS National Community Driven Development Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *April 2*, 2014

LOAN AGREEMENT

AGREEMENT dated *April 2*, 2014, entered into 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 Preamble and 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 seventy-nine million Dollars (\$479,000,000), 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.
- 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 the Reference Rate 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.05. The Payment Dates are February 15 and August 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of 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: (A) 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; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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,

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

ARTICLE IV —TERMINATION

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is its Secretary of Finance.
- 5.02. The Borrower's Address is:

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

Facsimile:

(63-2) 523-9216

- 5.03. The Bank's Address is:

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


Facsimile:

1-202-477-6391

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

REPUBLIC OF THE PHILIPPINES

By



Authorized Representative

Name: CESAR V. PURISIMA

Title: SECRETARY, DOF

INTERNATIONAL BANK FOR
RECONSTRUCTION AND
DEVELOPMENT

By



Authorized Representative

Name: OUSMANE DIONE

Title: ACTING COUNTRY DIRECTOR
PHILIPPINES

SCHEDULE 1

Project Description

The objective of the Project is to empower communities in targeted municipalities to achieve improved access to services and to participate in more inclusive local planning, budgeting and implementation.

The Project consists of the following parts:

Part 1. Barangay (Community) Sub-Grants for Planning and Investment

(a) Provision of Sub-grants to beneficiary Barangays to: (i) carry out specific activities for the orientation, consultation, participatory priority-setting, action planning, review and approval of Sub-projects at Barangay and inter-Barangay (municipal) levels, including the provision of technical assistance to ensure the quality of design and development of community infrastructure, facilities, services and other priority activities identified by communities; and (ii) develop and/or improve community-identified priority infrastructure, facilities and services and other priority activities identified by communities, including activities in response to an Eligible Crisis or Emergency, as needed.

(b) Provision of training and other technical support to strengthen the capacity of community volunteers to facilitate the implementation of Sub-projects.

Part 2. Local Capacity Building and Implementation Support

Carrying out of specific activities to strengthen the capacity of local government units and area coordination teams to conduct poverty reduction action planning, budget execution and public financial management, including to facilitate and oversee the planning and implementation of Sub-projects; carrying out of specific activities to strengthen the capacity of relevant sector and sub-national units and staff of national government agencies to enhance their community based activities; and review and revision of legal instruments, policies and guidelines to integrate and mainstream community-driven development principles.

Part 3. Project Administration, Monitoring and Evaluation

Carrying out of the day-to-day coordination, administration, procurement, financial management, environmental and social management; communication and dissemination of information to sensitize stakeholders to the Project's objectives, strategies and lessons learned; monitoring, evaluation and audit of the Project at the national, regional and sub-regional levels, including the carrying out of relevant studies

for the purposes of the Project such as reviews of the technical quality of infrastructure, economic rates of return on investments, process monitoring of procedural variations in different contexts (conflict, disasters, indigenous populations), and analyses of outcomes of different methodological approaches; and provision of operational assistance to regional and municipal offices of DSWD in disaster affected areas to reestablish operational capacity.

SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall maintain, throughout the period of implementation of the Project, a National Steering Committee with a mandate and composition satisfactory to the Bank. Without limitation to the foregoing, the National Steering Committee shall: (a) be chaired by the Secretary of DSWD and comprise representatives of relevant national government and oversight agencies, the Recipient's National Commission on Indigenous Peoples, the leagues of provinces, municipalities and barangays, and civil society organizations; and (b) be responsible for, *inter alia*: (i) providing overall policy direction and oversight of the Project; (ii) facilitating the coordination of Project activities among the entities represented in the National Steering Committee, and making recommendations for actions to resolve policy and strategic issues that require inter-agency decision; and (iii) reviewing annually, or more often if required, progress made towards achieving the Project's objectives.
2. The Borrower shall maintain, throughout the period of implementation of the Project, a national and regional Project management teams staffed and managed by DSWD, such teams to have functions and resources set forth in the Project Operations Manual, to be responsible for approving the Project Financing Plans, and providing technical advice and guidance to the national and regional Project management offices and the area coordination teams referred to in paragraphs 3-5 below.
3. The Borrower shall maintain, throughout the period of implementation of the Project, national Project management office within DSWD, such office to have functions, resources and staff in numbers and with terms of reference and qualifications as set forth in the Project Operations Manual, to be responsible for managing the national implementation of the Project and providing inter-regional coordination for such implementation.
4. The Borrower shall maintain, throughout the period of implementation of the Project, a regional Project management office and, where necessary, sub-regional Project management offices in each of the Regions in which the Project Municipalities are located, all such offices with functions, resources and staff in numbers and with terms of reference and qualifications as set forth in the Project

Operations Manual, to be responsible for providing technical guidance for, and supervising and monitoring the regional implementation of the Project.

5. The Borrower shall maintain, throughout the period of implementation of the Project, an area coordination team in each Project Municipality, with functions, resources and staff in numbers and with terms of reference and qualifications as set forth in the Project Operations Manual, to be responsible for overseeing and supporting the implementation of Project activities at Barangay level.

B. Project Operations Manual

The Borrower shall carry out the Project in accordance with the arrangements and procedures set out in the Project Operations Manual (provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Operations Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail), and shall not amend, abrogate or waive the Project Operations Manual or any of its provisions without prior approval in writing by the Bank.

C. Project Financing Plans

1. The Borrower shall prepare and furnish to the Bank for its approval, not later than November 1 of each year during the implementation of the Project, a Project Financing Plan containing all eligible Project activities and expenditures planned for the following fiscal year of the Borrower, including a specification of the source or sources of financing for all eligible expenditures; provided, however, that in case of any conflict between the Project Financing Plans and the provisions of this Agreement, the provisions of this Agreement shall prevail.
2. The Borrower shall not make or allow to be made any change to the approved Project Financing Plans in respect of the proceeds of the Loan without prior approval in writing by the Bank.

D. Sub-projects

1. For purposes of Part 1 of the Project, the Borrower shall select Sub-projects and make Sub-grants to Beneficiaries, in accordance with the criteria and procedures and on terms and conditions set forth in the Project Operations Manual and the Environmental and Social Management Framework, including the following:
 - (a) An activity or activities shall be selected only if it meets the eligibility criteria set forth in the Project Operations Manual.

- (b) Without limitation on the provisions of Section 2.05 of the General Conditions, a Sub-project shall not include any activities and expenditures on the negative list set forth in the Project Operations Manual and the ESMF.
- (c) A Sub-grant to a Beneficiary shall be approved only if:
 - (i) a Memorandum of Agreement, with terms and conditions acceptable to the Bank, has been entered into between DSWD and the Municipality in which the Beneficiary is located, and said Municipality has agreed to comply with the relevant provisions of the Project Operations Manual applicable to Sub-projects;
 - (ii) the Beneficiary has prepared an environmental and social management plan (including pest management plan as applicable) in accordance with the Environmental and Social Management Framework, in the event that the environmental and social screening carried out in accordance with said framework concludes that such plan is required;
 - (iii) the Beneficiary has prepared a land acquisition, resettlement and rehabilitation plan in accordance with the ESMF, in the event the Sub-project creates a Displaced Person or Persons; and
 - (iv) the Beneficiary has carried out consultations and a process of informed participation with Indigenous Peoples, in accordance with the ESMF, and prepared an Indigenous Peoples plan in the event that the Sub-project impacts or may impact such peoples, to ensure that the design and implementation of the Sub-project adequately addresses the needs and cultural preferences of such peoples.
- (d) Each Sub-grant shall be made on conditions whereby the Borrower, through DSWD, shall enter into a Sub-project Implementation Agreement with the Beneficiary to obtain rights adequate to protect the interests of the Borrower and the Bank, including without limitation the rights to:
 - (i) require the Beneficiary to have in place prior to approval of a Sub-grant and, thereafter maintain, a Sub-project implementation team, with responsibilities and resources as set forth in the Project Operations Manual;

- (ii) require the Beneficiary to carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, financial, managerial, social and environmental standards and practices, including in accordance with the provisions of the Anti-Corruption Guidelines;
- (iii) require the Beneficiary to provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Sub-project;
- (iv) require that the goods, works and services to be financed out of the proceeds of the Sub-grant shall be procured in accordance with the provisions of Section III of this Schedule and the Project Operations Manual, and shall be used exclusively in the carrying out of the Sub-project;
- (v) require that, where applicable, the Beneficiary implement an environmental and social management plan (including pest management plan as applicable), land acquisition, resettlement and rehabilitation plan and Indigenous Peoples plan (including a program of consultation with and informed participation by Indigenous Peoples), if applicable, in accordance with the ESMF;
- (vi) inspect, by itself or jointly with representatives of the Bank such goods and the sites, works, plans and construction included in the Sub-project, the operation thereof and any relevant records and documents;
- (vii) require the Beneficiary to provide the Borrower and the Bank all such information as the Borrower or the Bank may reasonably request relating to the foregoing and to the administration and operations of the Beneficiary and to the benefits to be derived from its respective Sub-project;
- (viii) require the Beneficiary to maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives;
- (ix) require the Beneficiary to maintain: (A) a financial management system and prepare financial reports in a format acceptable to the Borrower and the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project;

and (B) at the Bank's or the Borrower's request, have such financial reports audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank;

- (x) require the Beneficiary to complete all Sub-project activities and submit all relevant financial management documentation prior to the Closing Date, and in the event that Sub-project activities are not completed by the Closing Date, to refund any unused and unaccounted for Sub-grant funds to the Borrower; and
- (xi) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Sub-grant, or refund any proceeds of the Sub-grant, upon failure by such Beneficiary to perform its obligations under its Sub-project Implementation Agreement with the Borrower.

2. Without limitation on the foregoing provisions of paragraph 1 of this Part D, for the purposes of Emergency Sub-projects, the Borrower shall, through DSWD:

- (a) ensure that the Emergency Response Sub-projects are carried out in accordance with the Disaster Response Operations Sub-manual;
- (b) not amend, suspend, abrogate, repeal or waive any provision of the Disaster Response Operations Sub-manual without prior written approval by the Bank; and
- (c) not undertake any activities under the Emergency Response Sub-projects unless and until: (i) an Eligible Crisis or Emergency has occurred; and (ii) the Borrower has ensured the preparation and disclosure of all environmental and social safeguards instruments required for said activities in accordance with this Agreement and as detailed in the Emergency Sub-Manual, and has ensured the implementation of any actions which are required to be taken under said instruments.

E. Anti-Corruption

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

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

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 acceptable to the Bank and set forth in the Project Operations Manual. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Bank not later than sixty (60) days after the end of the period covered by such report.

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 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. As part of the annual audit referred to in the preceding paragraph and without limitation thereof, the Borrower shall submit to the Bank a value-for-money audit covering physical inspection, evaluation of sustainability, and adequacy of maintenance and monitoring with respect to at least ten percent (10%) of Sub-projects.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
- B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**
1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
 3. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in paragraph 3 of this Part B; (b) Shopping; (c) Direct Contracting; and (d) Community Participation procedures which have been found acceptable to the Bank and set forth in the Project Operations Manual.
 4. **Additional National Competitive Bidding Provisions.** The following provisions shall apply to the procurement of goods, works and non-consulting services under National Competitive Bidding procedures: (a) eligibility screening shall not be applied, provided however that bids that do not contain any of the following documents shall not pass the documentary compliance check: (i) evidence of the required financial, technical or production capability; (ii) audited financial statements; (iii) credit line or cash deposit certificate; (iv) bid security; and (v) authority of the bid signatory; (b) a ceiling may be applied to bid prices provided the following conditions are met: (i) bidding documents are obtainable free of charge on a freely accessible website; (ii) the agency has procedures in place to ensure that the ABC is based on Engineer's Estimate; (iii) the agency has trained cost estimators on estimating prices and analyzing bid variance; and (iv) the agency has established a system to monitor and report bid prices relative to ABC and Engineer's Estimate; (c) domestic or regional preferences shall not be applied in the evaluation of bids, and other preference in effect in the Philippines shall not be used except with prior concurrence of the Bank; (d) 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, and 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; (e) alternative procurement methods defined in the implementing rules and regulations such as Limited Source Bidding, Direct Contracting and Shopping as acceptable, and the use of the other alternative methods shall require prior Bank concurrence; and (f) the e-bulletin board, e-catalogue of prices, subscriber's registry and e-payments features of the Recipient's government electronic procurement system (PhilGEPS) may be used with prior Bank concurrence as described in the Project Operations Manual.

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of 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:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants’ services, Training and Operating Costs	97,610,000	100%
(2) Sub-grants under Part 1(a) of the Project	380,192,500	100% of amounts disbursed
(3) Front-end Fee	1,197,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07(c) of this Agreement
TOTAL AMOUNT	479,000,000	

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 \$25,000,000 equivalent may be made for payments made prior to this date but on or after January 1, 2014, for Eligible Expenditures under Categories 1 and 2.
2. The Closing Date is December 31, 2019.

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15 and August 15 Beginning August 15, 2024 through August 15, 2038	3.33%
On February 15, 2039	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 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: (a) 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 (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is 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.

APPENDIX

Definitions

1. “ABC” means the *approved budget for the contract*, as defined in Section 5(a) of the Borrower’s Implementing Rules and Regulations of Government Procurement Reform Act (GRPA), Republic Act No 9184.
2. “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 and revised in January 2011.
3. “Barangay” means an administrative unit within a city or municipality in the territory of the Borrower.
4. “Beneficiary” means a Barangay or an Indigenous Peoples organization selected in accordance with the policies and procedures set forth in the Project Operations Manual, to receive financing for the carrying out of a Sub-project under Part 1 of the Project; and “Beneficiaries” means, collectively, all such Beneficiaries.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
7. “Disaster Response Operations Sub-manual” means the Borrower’s manual referred to in Section I.D.2 of Schedule 2 to this Agreement and included in the Project Operations Manual, as such manual may be revised from time to time with the written approval of the Bank, setting forth detailed arrangements for the approval and implementation of Emergency Response Sub-projects, including: (a) special institutional arrangements for coordinating and implementing the Emergency Response Sub-projects; (b) specific activities which may be included in the Emergency Response Sub-projects, which may include certain activities which are otherwise excluded in respect of Sub-projects under Part 1 (a) of the Project pursuant to Section I.D.1(b) of Schedule 2 to this Agreement, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (c) application of the ESMF to the Emergency Response Sub-projects; and (d) other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Sub-projects.

8. “Displaced Person” includes a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and Protected Areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons.
9. “DSWD” means the Borrower’s Department of Social Welfare and Development, and any successor thereto.
10. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Borrower, associated with a natural or man-made crisis or disaster.
11. “Emergency Expenditure” means any of the eligible expenditures set forth in the Disaster Response Operations Sub-manual in accordance with the provisions of Section I.D.2 of Schedule 2 to this Agreement, and required for Emergency Sub-projects.
12. “Emergency Sub-project” means a specific community development activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 1 (a) of the Project.
13. “Engineer’s Estimate” means the cost estimate that the design engineer has calculated for a particular infrastructure or work project.
14. “Environmental and Social Management Framework” and the acronym “ESMF” each means the framework document duly adopted by the Borrower and publically disclosed on May 21, 2013, which sets forth arrangements and procedures, satisfactory to the Bank, to assess, mitigate, manage and monitor the environmental and social impacts of the Project, and which includes the Indigenous Peoples Policy Framework and the Land Acquisition, Resettlement and Rehabilitation Policy Framework.
15. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012.
16. “Indigenous Peoples” means distinct, vulnerable, social and cultural groups which possess the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in

these habitats and territories (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language, often different from the official language of the country or region; and including groups that have lost collective attachment to geographically distinct habitats or ancestral territories because of forced severance.

17. “Indigenous Peoples Policy Framework” means the framework document included in the ESMF, which sets forth the arrangements and procedures, satisfactory to the Bank, to address any social or cultural impact on Indigenous Peoples caused by the execution of the Project, including screening and monitoring procedures and the development of Indigenous Peoples development plan or plans, where applicable.
18. “KALAHI-CIDSS” means Kapitbisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services, which is the Borrower’s on-going program of support to the poorest Barangays, established by Executive Order 443 of 1997, for the carrying out of community-based projects.
19. “Land Acquisition, Resettlement and Rehabilitation Policy Framework” means the framework document included in the ESMF, which sets forth the principles and procedures, satisfactory to the Bank, governing land or other asset acquisition from, resettlement and rehabilitation of, and compensation to Displaced Persons, as well as reporting and monitoring arrangements to ensure compliance with said principles and procedures.
20. “Limited Source Bidding” means a method of procurement of goods and consultants’ services that involves direct invitation to bid by the procuring entity form a list of pre-selected suppliers or consultant with known experience and proven capability on the requirement of the particular contract as provided for in Section 49.1 of the Borrower’s Implementing Rules and Regulations of Government Procurement Reform Act (GRPA), Republic Act No. 9184.
21. “Local Government Units” and “LGUs” mean the political subdivisions of the Borrower at the provincial, city, municipal or Barangay level; and “LGU” means any one of such LGUs.
22. “Municipalities” means LGUs several of which constitute a Province and which are made up of several Barangays.
23. “National Steering Committee” means the committee to be maintained by the Borrower pursuant to Section I.A.1 of Schedule 2 to this Agreement.

24. "Operating Costs" means the reasonable and documented expenditures incurred by DSWD for hiring of contractual personnel (but excluding staff salaries); travel; materials and supplies; and advocacy activities, for purposes of implementing the Project and which expenditures would not have been incurred absent the Project.
25. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
26. "Procurement Plan" means the Borrower's procurement plan for the Project, dated May 16, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
27. "Project Financing Plan" means each annual financing plan, together with the related budget, for the Project approved by the Bank pursuant to the provisions of Section I.C of Schedule 2 to this Agreement.
28. "Project Municipalities" means the Municipalities listed in the Annex to the Operations Manual entitled "Project Municipalities", as such list may be revised up with the written approval of the Bank.
29. "Project Operations Manual" means the Borrower's manual referred to in Section I.B of Schedule 2 to this Agreement, as such manual may be revised from time to time with the written approval of the Bank, containing detailed arrangements and procedures for institutional coordination and day-to-day execution of the Project, including Project budgeting, disbursement and financial management, procurement, environmental and social management, monitoring, evaluation, reporting and communication, eligibility criteria and implementation arrangements for Subprojects, and such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.
30. "Protected Areas" means environmentally sensitive areas protected by the Borrower's Law No. RA No 7586 as such law may be revised from time to time.
31. "Regions" means the fourteen (14) regions in the territory of the Borrower without executive powers (with the exception of the Autonomous Region in Muslim Mindanao), that serve primarily to organize the Provinces for administrative convenience.

32. "Sub-grant" means a grant made available by the Borrower to finance the reasonable costs of goods, works and services required for a Sub-project under Part 1 of the Project; and "Sub-grants" means more than one Sub-grant.
33. "Sub-project" means a specific community development activity or activities which has or have been selected to receive a Sub-grant under Part 1 (a) of the Project.
34. "Sub-project Implementation Agreement" means the agreement to be entered into between the relevant Beneficiary and the Borrower, through DSWD, pursuant to Section I.D of Schedule 2 to this Agreement, for purposes of implementing Sub-projects.
35. "Training" means the reasonable costs of goods and services required for the participation of personnel involved in training activities, workshops or study tours under the Project, including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation, but excluding salaries of consultants.