

No. 7476

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
PHILIPPINES**

Guarantee Agreement—*Manila Water Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the National Waterworks and Sewerage Authority). Signed at Washington, on 22 July 1964

Official text: English.

Registered by the International Bank for Reconstruction and Development on 20 November 1964.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
PHILIPPINES**

Contrat de garantie — *Projet relatif à l'approvisionnement en eau de Manille* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la National Waterworks and Sewerage Authority). Signé à Washington, le 22 juillet 1964

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 20 novembre 1964.

No. 7476. GUARANTEE AGREEMENT¹ (*MANILA WATER PROJECT*) BETWEEN THE REPUBLIC OF THE PHILIPPINES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 22 JULY 1964

AGREEMENT, dated July 22, 1964, between REPUBLIC OF THE PHILIPPINES (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS, by an agreement of even date herewith between the Bank and National Waterworks and Sewerage Authority (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty million two hundred thousand dollars (\$20,200,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to so guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961³ subject, however, to the modification thereof set forth in Section 1.02 of the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

¹ Came into force on 4 November 1964, upon notification by the Bank to the Government of the Philippines.

² See p. 184 of this volume.

³ See p. 182 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and further guarantees the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes as follows :

(a) That, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, the Guarantor shall make arrangements, satisfactory to the Bank, promptly to provide the Borrower, or cause the Borrower to be provided, with such funds as are needed to meet such expenditures.

(b) That the Guarantor shall not require the Borrower to make any payments on account of amortization, interest or other charges with respect to any existing or future loans, advances or other monies provided by the Guarantor to the Borrower the proceeds of which were used for any of the outlying systems except where such payments can be made by the Borrower out of the revenues of the system or systems for which the proceeds of such loans, advances or other monies were used.

(c) That the Guarantor shall, at the earliest possible time, (i) enter into an agreement with the Borrower, and (ii) cause any of its political subdivisions or any of its agencies or any agency of any political subdivision, including government-owned or -controlled corporations, against which the Borrower presently has a delinquent claim for water supplied from the water system serving the Manila metropolitan area, to enter into an agreement with the Borrower, providing for payment or settlement of such claim.

Section 2.03. The Government of the Guarantor undertakes that it shall take all steps necessary (including if necessary the introduction of appropriate legislation) to indemnify the Borrower in full for all payments on account of compensation, damages, revenues, profits and the like, which the Borrower shall have made to any province, city or municipality and which have been claimed from the Borrower because it took over, pursuant to Republic Act No. 1383, the water or sewerage system of such province, city or municipality.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any agency of the Guarantor, including the Central Bank of the Philippines or any other institution performing the functions of a central bank.

The Guarantor further undertakes that, within the limits of the laws in force in its territories, it will make the foregoing undertaking effective with respect to liens on the assets of its political subdivisions and their agencies, and to the extent that the Guarantor is unable within the limits of the laws in force in its territories to make this undertaking effective, the Guarantor will give to the Bank an equivalent lien satisfactory to the Bank.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

Section 3.07. The Guarantor shall, at a reasonable time prior to any appointment of a General Manager or Assistant General Manager of the Borrower, notify the Bank of any proposal to make such appointment and shall not make such appointment unless the qualifications and experience of the proposed candidate are satisfactory of the Bank.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretary of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following Guarantee Agreements, all between the Guarantor and the Bank,

Guarantee Agreement (*Binga Project*) dated November 22, 1957¹

Guarantee Agreement (*Angat Project*) dated October 13, 1961²

Guarantee Agreement (*Maria Cristina Project*) dated November 7, 1962³

Guarantee Agreement (*Development Corporation Project*) dated February 15, 1963⁴

shall be amended by deleting the second paragraph of Section 3.01 thereof and substituting therefor the following two new paragraphs :

“ The term ‘ assets of the Guarantor ’ as used in this Section includes assets of the Guarantor or of any agency of the Guarantor, including the Central Bank of the Philippines or any other institution performing the functions of a central bank.

“ The Guarantor further undertakes that, within the limits of the laws in force in its territories, it will make the foregoing undertaking effective with respect to liens on the assets of its political subdivisions and their agencies, and to the extent that the Guarantor is unable within the limits of the laws in force in its territories to make this undertaking effective, the Guarantor will give to the Bank an equivalent lien satisfactory to the Bank.”

Section 5.02. The Loan Agreement (*Dredging Project*) between the Guarantor and the Bank, dated July 26, 1961,⁵ shall be amended by deleting the second paragraph of Section 5.04 thereof and substituting therefor the following two new paragraphs :

“ The term ‘ assets of the Borrower ’ as used in this Section includes assets of the Borrower or of any agency of the Borrower, including the Central Bank of the Philippines or any other institution performing the functions of a central bank.

“ The Borrower further undertakes that, within the limits of the laws in force in its territories, it will make the foregoing undertaking effective with respect to liens on the assets of its political subdivisions and their agencies, and to the extent that the Borrower is unable within the limits of the laws in force in its territories to make this undertaking effective, the Borrower will give to the Bank an equivalent lien satisfactory to the Bank.”

¹ United Nations, *Treaty Series*, Vol. 293, p. 83.

² United Nations, *Treaty Series*, Vol. 415, p. 269.

³ United Nations, *Treaty Series*, Vol. 468, p. 282.

⁴ United Nations, *Treaty Series*, Vol. 478, p. 161.

⁵ United Nations, *Treaty Series*, Vol. 414, p. 253.

Article VI

Section 6.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Central Bank of the Philippines
Manila
Philippines

Alternative address for cables and radiograms :

Philcenbank
Manila

For the Bank :

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

Alternative address for cables and radiograms :

Intbafrad
Washington, D.C.

Section 6.02. The Governor of the Central Bank of the Philippines is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of the Philippines :

By Andres V. CASTILLO
Authorized Representative

International Bank for Reconstruction and Development :

By G. M. WILSON
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT
(MANILA WATER PROJECT)

AGREEMENT, dated July 22, 1964, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and NATIONAL WATERWORKS AND SEWERAGE AUTHORITY (hereinafter called the Borrower).

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961¹ subject, however, to the modification thereof set forth in Section 1.02 of this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Paragraph 11 of Section 10.01 of the Loan Regulations shall be amended to read as follows :

“ The term ‘ Project ’ means the project for which the Loan is granted, as described in the Loan Agreement and as the description thereof shall be amended from time to time by agreement among the Guarantor, the Bank and the Borrower. ”

Section 1.03. Unless the context shall otherwise require, the following terms shall have the following meanings :

(a) The term “ Manila metropolitan area ” shall mean the urban complex which now comprises the cities of Manila, Pasay, Quezon and Caloocan and the 16 municipalities of Antipolo, Cainta, Las Piñas, Makati, Malabon, Mandaluyong, Marikina, Navotas, Parañaque, Pasig, Pateros, San Juan, San Mateo, Taguig, Taytay, all in the Province of Rizal, and Valenzuela, in the Province of Bulacan; it shall further include such cities, municipalities and housing developments, adjoining or adjacent, as will reflect peripheral growth.

(b) The term “ Manila metropolitan systems ” shall mean the water supply and sewerage systems of the Borrower serving the Manila metropolitan area, including all sources of water therefor.

(c) The term “ outlying systems ” shall mean all water supply and sewerage systems from time to time operated by the Borrower other than the Manila metropolitan systems.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twenty million two hundred thousand dollars (\$20,200,000).

¹ See p. 182 of this volume.

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on January 1 and July 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall use all goods financed out of the proceeds of the Loan in the territories of the Guarantor exclusively in the carrying out of the Project.

Section 3.03. Pursuant to the second sentence of Section 3.02 of the Loan Regulations, the Bank and the Borrower agree that any withdrawals on account of expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor shall be made in such currency or currencies as the Bank shall reasonably elect.

¹ See p. 200 of this volume.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The General Manager of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project, including the prompt provision of all funds required therefor, with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

(b) To assist it in carrying out the Project, the Borrower shall, except as the Bank and the Borrower shall otherwise agree, employ competent and experienced engineering consultants acceptable to, and upon terms and conditions satisfactory to, the Bank and the Borrower.

(c) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall, in carrying out the Project, employ contractors acceptable to, and on terms and conditions satisfactory to, the Bank and the Borrower.

(d) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(e) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower; shall enable the Bank's representatives to inspect the Project, the goods, the plant sites and operations of the Borrower and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the loan, the Project, the goods, and the administration, operations and financial condition of the Borrower.

Section 5.02. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and

the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.03. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date; or (iv) any mortgage created on property relating to any one or more of the outlying systems solely as security for the payment of amortization, interest and other charges with respect to a loan or loans from the Development Bank of the Philippines the proceeds of which are to be used for such outlying system or systems.

Section 5.04. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement¹ or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.05. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.06. (a) The Borrower shall insure or cause to be insured with a reputable insurer or insurers against such risks and in such amounts as shall be consistent with sound business and public utility practices.

(b) In particular the Borrower shall, except as shall be otherwise agreed between the Bank and the Borrower, insure or cause to be insured the goods financed out of the proceeds of the Loan against risks incident to their purchase and, where appropriate, their importation into the territories of the Guarantor. Such insurance shall be consistent with sound business practices and shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in any other currency which the Borrower can convert into such currency.

¹ See p. 172 of this volume.

Section 5.07. (a) The Borrower shall take all action within its power to maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall operate and maintain its plants, equipment and property, and from time to time shall make all necessary renewals and repairs thereof, all in accordance with sound engineering practices.

(c) The Borrower shall at all times operate its plants and equipment relating to the Manila metropolitan systems and maintain its financial position with respect to said Manila metropolitan systems in accordance with sound business and public utility practices, and shall take all steps necessary to enable it at the earliest possible time to operate its plants and equipment relating to the outlying systems and to maintain its financial position with respect to said outlying systems in accordance with sound business and public utility practices.

(d) The Borrower shall at all times employ qualified and experienced management.

Section 5.08. The Borrower shall from time to time make such adjustments in its water supply and sewerage rates for the Manila metropolitan systems as will, after January 1, 1967, provide revenues sufficient: (i) to cover operating expenses, including adequate maintenance and depreciation (based on a reasonable valuation of assets), taxes, if any, and interest relating to the Manila metropolitan systems; (ii) to cover expenditures for normal extensions and expansion of the Manila metropolitan systems; (iii) to meet repayments on long-term indebtedness the proceeds of which were used for the Manila metropolitan systems, but only to the extent that such repayments shall exceed provision for depreciation; and (iv) to leave a surplus for financing a reasonable portion of future major expansion of the Manila metropolitan systems.

Section 5.09. (a) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not (1) incur any indebtedness, the proceeds of which are to be used for the Manila metropolitan systems, other than short-term indebtedness for working capital purposes of the Manila metropolitan systems, or (2) extend any guarantee on any indebtedness, unless net revenues of the Manila metropolitan systems for any twelve consecutive months out of the fifteen months preceding the date of such incurrence of indebtedness or extension of guarantee shall have been at least 1.3 times the maximum annual debt service requirement for any succeeding fiscal year on (i) all indebtedness (including the indebtedness to be incurred) the proceeds of which were used for the Manila metropolitan systems and (ii) all indebtedness guaranteed by the Borrower.

(b) For the purposes of paragraph (a) of this Section:

- (1) The term "indebtedness" shall include any loan or credit contracted for but not yet drawn down.
- (2) The term "short-term indebtedness" shall mean indebtedness maturing by its terms not more than one year after the date on which it is originally incurred.

- (3) Indebtedness shall be deemed to be incurred on the date on which a loan or credit shall be approved by the Board of the Borrower.
- (4) The term "net revenues" shall mean cash revenues of the Manila metropolitan systems from water sales and sewerage services adjusted to take into account the reasonably estimated effect of any rate adjustment in effect at the time of incurrence of debt (though not in effect during the full base twelve-month period) less all operating, maintenance and administrative expenses for the Manila metropolitan systems including provision for taxes, if any, but before provision for depreciation and for interest and other charges on debt.
- (5) The term "debt service requirement" shall mean the aggregate amount of amortization (including sinking fund payments), interest and other charges on debt.
- (6) The equivalent in currency of the Guarantor of amounts of debt payable in any other currency shall be determined on the basis of the rate of exchange at which such other currency, at the time such valuation is made, is obtainable by the Borrower for the purposes of servicing such indebtedness, or if such other currency is not so obtainable, at the rate of exchange reasonably determined by the Bank.

(c) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any indebtedness, the proceeds of which are to be used for any of the outlying systems, unless the holder of such indebtedness explicitly agrees (i) to demand from the Borrower payments on account of amortization, interest and other charges on such indebtedness only if such payments can be made out of the revenues of the system or systems for which the proceeds of such indebtedness are to be used and (ii) to forego any rights he may then or in the future have to obtain satisfaction of such indebtedness from the assets (including revenues) of the Manila metropolitan systems or any of the outlying systems other than the system or systems for which the proceeds of such indebtedness are to be used.

Section 5.10. (a) The Borrower shall have its accounts audited annually in a manner satisfactory to the Bank and shall promptly after each audit submit copies of the audit report to the Bank.

(b) The Borrower shall separate the accounts of the water supply system serving the Manila metropolitan area from the accounts of the sewerage system serving the Manila metropolitan area.

Article VI

REMEDIES OF BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then

outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. For the purposes of Section 5.02 of the Loan Regulations, the following additional event is specified :

Republic Act No. 1383, as amended by Republic Act No. 3597, shall have been suspended, terminated or repealed, or amended so as to affect in any manner, in the reasonable opinion of the Bank, the ability of the Borrower to carry out the covenants and agreements set forth in the Loan Agreement, without the prior agreement of the Bank.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as additional condition to the effectiveness of the Loan Agreement within the meaning of Section 9.01 (c) of the Loan Regulations :

The Borrower shall, after May 1, 1964, have sold bonds issued by the Borrower in an aggregate principal amount of thirty million pesos (P30,000,000) and shall have received the full proceeds thereof in an account in the name of, and subject to disposition by, the Borrower.

Section 7.02. The following are specified as additional matters within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) That all necessary governmental validations, consents and approvals to authorize the carrying out of the Project have been given or obtained.

(b) That legal title to all assets relating to the Manila metropolitan systems which were transferred to the Borrower by Republic Act No. 1383, is validly vested in the Borrower.

Section 7.03. A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1967, or such other date as may from time to time be agreed between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

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

Alternative address for cables and radiograms :

Intbafrad
Washington, D.C.

For the Borrower :

National Waterworks and Sewerage Authority
176 Arroceros
Manila, Philippines

Alternative address for cables and radiograms :

NWSA
Manila

IN WITNESS WHEREOF, the parties hereto, acting through their representatives duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By G. M. WILSON
Vice President

National Waterworks and Sewerage Authority :

By J. C. PERLAS
Authorized Representative

SCHEDULE 1
AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
July 1, 1969	\$270,000	January 1, 1980	\$480,000
January 1, 1970	280,000	July 1, 1980	495,000
July 1, 1970	285,000	January 1, 1981	510,000
January 1, 1971	295,000	July 1, 1981	520,000
July 1, 1971	305,000	January 1, 1982	535,000
January 1, 1972	310,000	July 1, 1982	550,000
July 1, 1972	320,000	January 1, 1983	565,000
January 1, 1973	330,000	July 1, 1983	580,000
July 1, 1973	340,000	January 1, 1984	600,000
January 1, 1974	345,000	July 1, 1984	615,000
July 1, 1974	355,000	January 1, 1985	630,000
January 1, 1975	365,000	July 1, 1985	650,000
July 1, 1975	375,000	January 1, 1986	665,000
January 1, 1976	385,000	July 1, 1986	685,000
July 1, 1976	400,000	January 1, 1987	705,000
January 1, 1977	410,000	July 1, 1987	725,000
July 1, 1977	420,000	January 1, 1988	745,000
January 1, 1978	430,000	July 1, 1988	765,000
July 1, 1978	445,000	January 1, 1989	785,000
January 1, 1979	455,000	July 1, 1989	805,000
July 1, 1979	470,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on prepayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1½%
More than three years but not more than six years before maturity	1%
More than six years but not more than eleven years before maturity	1½%
More than eleven years but not more than sixteen years before maturity	2½%
More than sixteen years but not more than twenty-one years before maturity	3½%
More than twenty-one years but not more than twenty-three years before maturity	4½%
More than twenty-three years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is the expansion, extension and improvement of the water supply system serving the Manila metropolitan area and the improvement of operations and management of the Borrower. The Project includes the construction of intake works and a tunnel of about 6.5 kilometers in length at the Angat river; aqueducts and tunnels totalling about 22 kilometers in length to the Novaliches reservoir and from there to the treatment plant; additions to the treatment plant which include flocculation and sedimentation basins, filters, modifications and additions to chemical feed facilities; nine pumping stations and reservoirs situated on the distribution system; and additions to the transmission mains and distribution piping.

The completed works will increase present water production by about 750,000 cubic meters per day with facilities for complete treatment of all water discharged to the distribution system. The distribution system improvements will increase pressures and volumes of water throughout the Manila metropolitan area.

The Project is expected to be completed by the end of 1966.
