

No. 10490

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

Loan Agreement—*Upper Pampanga Irrigation Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements). Signed at Washington on 18 August 1969

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 25 May 1970.

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

Contrat d'emprunt — *Projet relatif à l'irrigation dans le bassin supérieur du Pampanga* (avec, en annexe, le texte des Conditions générales applicables aux contrats d'emprunt et de garantie). Signé à Washington le 18 août 1969

Texte authentique: anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 25 mai 1970.

LOAN AGREEMENT ¹

AGREEMENT, dated August 18, 1969, between REPUBLIC OF THE PHILIPPINES (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969, ² with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "NIA" means the National Irrigation Administration, an agency of the Borrower, established under Republic Act No. 3601 of the Borrower.

(b) "domestic contractors" means any contractors who are citizens of the Borrower or corporations, partnerships, associations or firms duly organized and registered under the laws of the Borrower.

(c) "foreign contractors" means any contractors other than domestic contractors.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to thirty-four million dollars (\$34,000,000).

¹ Came into force on 10 October 1969, upon notification by the Bank to the Government of the Philippines.

² See p. 112 of this volume.

Section 2.02. (a) 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.

(b) 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, the Loan Agreement and in accordance with the allocation of the proceeds of the Loan set forth in Schedule I to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Bank.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Loan Agreement:

- (i) such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods or services included in Categories I and III of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement, other than goods referred to in subsection (ii) hereof;
- (ii) such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for such portion of the reasonable cost of goods included in Category I of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement and procured in the territories of the Borrower, representing the C.I.F. cost (Manila) of the imported materials, supplies or components for such goods;
- (iii) the equivalent of forty-seven per cent (47%) of such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods or services included in Category II (a) and (b) of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement and provided by domestic contractors;
- (iv) the equivalent of thirty per cent (30%) of such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods or services included in Category II (c) of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement and provided by NIA on force account; and

- (v) such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods or services included in Category II (a) and (b) of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement and provided by foreign contractors;

provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in Category II, the Bank may by notice to the Borrower adjust the stated percentages applicable to such Category as required in order that withdrawals of the amount of the Loan then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

(b) The Borrower shall also be entitled to withdraw from the Loan Account such amounts as shall be required to meet payments to be made during construction for interest and other charges on the Loan accrued on or before June 14, 1976, or such other date as may be agreed between the Bank and the Borrower, included in Category IV of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement.

Section 2.04. (a) It is hereby agreed, pursuant to Section 5.01 of the General Conditions:

- (i) that withdrawals from the Loan Account in accordance with paragraphs (ii), (iii) and (iv) of Section 2.03 (a) of this Agreement may be made on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower;
- (ii) that withdrawals from the Loan Account under Categories I, II and III of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement may be made on account of payments made prior to the date of this Agreement but after April 30, 1969.

(b) No withdrawals from the Loan Account shall be made on account of payments for taxes imposed by the Borrower or any of its political subdivisions on or in connection with the importation or supply of goods or services for the Project.

Section 2.05. The Borrower shall pay to the Bank a commitment charge

at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven per cent (7%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Loan Agreement to expenditures on the Projet, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Borrower and the Bank, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Bank.

Section 3.03. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Projet.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 4.02. The Secretary of Finance of the Borrower and such other person or persons as the Borrower shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project or cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, agricultural, engineering and financial policies and practices and shall provide promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) In the carrying out of the Project, the Borrower shall cause NIA to employ competent and experienced consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Borrower and the Bank:

- (i) to prepare the final engineering design for Pantabangan Dam and tender documents therefor, to supervise the construction for NIA and to certify the monthly expenditures under the Project;
- (ii) to review and to certify the technical adequacy of the final engineering design, and to review tender documents, for civil works other than Pantabangan Dam, prepared by NIA;
- (iii) to assist NIA in setting up a cost accounting system for the Project;
- (iv) to recommend a program for the improvement of NIA's operations, organizational structure and financial management;
- (v) to assist NIA in carrying out a land classification study of the area to be served by the Project; and
- (vi) to undertake with the assistance of the National Power Corporation of the Borrower, the feasibility study of power development at Pantabangan Dam.

(c) Upon the request of either party to this Agreement, the Borrower shall cause NIA to establish a review board consisting of three experts acceptable to the Borrower and the Bank, to review the basic design and criteria adopted by the consultants for Pantabangan Dam and to advise NIA thereon

and on questions relating to the technical soundness of the construction of the Pantabangan Dam.

(d) The works and facilities included in the Project shall be constructed to general design standards satisfactory to the Borrower and the Bank. Upon request from time to time by the Bank, the Borrower shall promptly cause NIA to furnish to the Bank the plans, specifications and work schedules for the Project, and any material modifications subsequently made therein, in such detail as the Bank shall request.

(e) The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services 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, to show the agricultural production achieved by irrigation of the land included in the Project, and to reflect in accordance with consistently maintained sound accounting practices the expenditures in respect of the works and facilities included in the Project, of NIA or of any department or agency of the Borrower responsible for the construction of such works and facilities or any part thereof and shall enable the Bank's representatives to inspect the Project, the operation of the works and facilities included therein, the goods and services, and any relevant records and documents.

Section 5.02. The Borrower shall cause the works and facilities included in the Project to be operated and maintained in accordance with sound agricultural, engineering and financial policies and practices, and make available sufficient funds to NIA for such purposes.

Section 5.03. (a) Except as the Bank shall otherwise agree, the Borrower shall carry out the Project or cause the Project to be carried out in accordance with the provisions of Republic Act No. 3601 and Republic Act No. 5499 as in force at the date of this Agreement and shall cause NIA to conduct its business in accordance with the said provisions.

(b) In carrying out and operating the Project, the Borrower shall cause its departments and agencies to carry out and coordinate their operations, conduct their affairs and plan the expansion of the water resources and agriculture in the area to be served by the Project, all in accordance with sound administrative, agricultural, engineering and financial policies and practices and under experienced and competent management.

(c) The Borrower shall grant all necessary water rights to NIA so as to permit NIA to carry out and operate the Project and shall take all necessary action to assure that no use, other than domestic use, will reduce the amounts of water available for purposes of the Project below the amounts needed therefor.

(d) The Borrower shall take all necessary action to assure that the land included in the Project and the water made available therefor are, to the maximum extent possible, fully, effectively and promptly utilized for agricultural purposes.

Section 5.04. (a) The Borrower and the Bank shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial conditions of NIA and any other agency of the Borrower responsible for the operation of any part of the Project and other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the Loan and the maintenance of the service thereof, the expenditure of the proceeds of the Loan, the goods and services financed out of such proceeds, the Project, and the administration, operations and financial condition of NIA and any other agency of the Borrower responsible for the operation of any part of the Project. Such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(c) 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, the maintenance of the service thereof, or the performance by the Borrower of its obligations under the Loan Agreement.

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

Section 5.05. It is the mutual intention of the Borrower 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 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 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; or (ii) 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 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.

Section 5.06. 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, and free from all restrictions, imposed under the laws of the Borrower 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 Borrower.

Section 5.07. The Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such 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.

Section 5.08. Except as the Borrower and the Bank shall otherwise agree, the Borrower undertakes to insure or cause to be insured the goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to

the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.09. (a) The Borrower shall cause NIA to establish and maintain separate accounts for the Project.

(b) The Borrower shall cause NIA to have its financial statements (balance sheet and related statement of income and expenditure) and the separate accounts established by it in respect of the Project audited annually by an independent accountant or accounting firm acceptable to the Borrower and the Bank and shall cause NIA, promptly after their preparation but not later than four months after the close of NIA's fiscal year, to transmit to the Bank certified copies of such statements and of such separate accounts and a signed copy of such accountant's or such firm's report.

Section 5.10. Except as the Bank shall otherwise agree, the Borrower shall take all necessary action to ensure that charges for the use of irrigation water are levied and collected from the users of the Project and that such charges will provide NIA with revenues sufficient to cover all operating and maintenance costs of the Project, and, in addition, provide for the recovery, within a period not less than 25 years, on reasonable terms and conditions satisfactory to the Bank, of the monies invested in the Project, without impairing the users' incentives and capacity to pay.

Section 5.11. Except as the Bank shall otherwise agree, the Borrower shall:

- (a) cause NIA to submit to the Bank, within nine months after the date of this Agreement, the program recommended by the consultants referred to in Section 5.01 (b) (iv) for review and agreement;
- (b) take or cause NIA to take all necessary actions to implement the program referred to in subsection (a) hereof within two years after the Bank and NIA shall have agreed on such program.

Section 5.12. Except as the Bank shall otherwise agree, the Borrower shall ensure that adequate extension services will be made available to the farmers in the area to be served by the Project and, to that end, shall increase the number of extension workers gradually to about 400 by the end of 1975.

Section 5.13. The Borrower shall maintain the special fund established for the Project, and shall adjust and replenish the amount of the special fund on October 31, 1969, and thereafter at monthly intervals, to a level at least equivalent to the estimated amount of payments to be made by NIA for goods and services required for the Project, less the estimated amount of payments to be made directly by the Bank to the suppliers, consultants or contractors for such goods and services, during the next three months' period.

Section 5.14. (a) The Borrower shall take all necessary action to ensure that the person appointed or designated to the position of Irrigation Administrator of NIA shall have the necessary qualifications and experience.

(b) During the disbursement period of the Loan five years thereafter, the Borrower shall inform the Bank of any proposed appointment or designation referred to in subsection *(a)* hereof, sufficiently in advance of such appointment or designation for the Bank to have adequate opportunity to express its views on the matter.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, together with the interest and other charges thereon, and upon any such declaration such principal, together with the interest and other charges thereon, shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

Article VII

TERMINATION; MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1976, or such later date as may be agreed between the Borrower and the Bank.

Section 7.02. The Secretary of Finance of the Borrower or such other official designated by the Borrower shall be the representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 7.03. The date of October 15, 1969 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Section 7.04. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

Secretary of Finance
Department of Finance
Manila, Philippines

Alternative address for cables:

Secfinance
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:

Intbafrad
Washington, D. C.

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 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 EDUARDO Z. ROMUALDEZ
Authorized Representative

International Bank for Reconstruction and Development:

By S. ALDEWERELD
Vice President

SCHEDULE I

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Maximum Amounts Expressed in U.S. Dollar Equivalent</i>
I. Equipment, materials and supplies required for force account works referred to in paragraph 1 of Schedule 4 to this Agreement and for operation and maintenance.	3,500,000
II. Civil works	19,100,000
(a) Pantabangan Dam	12,700,000
(b) Other civil works	4,600,000
(c) Force account works	1,800,000
III. Consulting services.	1,500,000
IV. Interest and other charges on the Loan during construction. . .	5,000,000
V. Unallocated.	4,900,000
	TOTAL: 34,000,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to IV shall decrease, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category V.

2. If the estimate of the cost of the items included in any of the Categories I to III shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan (or (i) in the case of Category II(a) and (b) an amount equal to 47% of such increase if goods or services are to be provided by domestic contractors, (ii) in the case of Category II(c), an amount equal to 30% of such increase if goods or services are to be provided by NIA on force account), will be allocated by the Bank, at the request of the Borrower, to such Category from Category V, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

SCHEDULE 2
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>
December 15, 1976	465,000	June 15, 1986	890,000
June 15, 1977	480,000	December 15, 1986	920,000
December 15, 1977	495,000	June 15, 1987	955,000
June 15, 1978	515,000	December 15, 1987	985,000
December 15, 1978	530,000	June 15, 1988	1,020,000
June 15, 1979	550,000	December 15, 1988	1,055,000
December 15, 1979	570,000	June 15, 1989	1,095,000
June 15, 1980	590,000	December 15, 1989	1,130,000
December 15, 1980	610,000	June 15, 1990	1,170,000
June 15, 1981	630,000	December 15, 1990	1,215,000
December 15, 1981	655,000	June 15, 1991	1,255,000
June 15, 1982	675,000	December 15, 1991	1,300,000
December 15, 1982	700,000	June 15, 1992	1,345,000
June 15, 1983	725,000	December 15, 1992	1,390,000
December 15, 1983	750,000	June 15, 1993	1,440,000
June 15, 1984	775,000	December 15, 1993	1,490,000
December 15, 1984	805,000	June 15, 1994	1,545,000
June 15, 1985	830,000	December 15, 1994	1,590,000
December 15, 1985	860,000		

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05(b) of the General Conditions, or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	$\frac{1}{2}$ %
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	2 $\frac{3}{4}$ %
More than eleven years but not more than sixteen years before maturity	4 $\frac{1}{4}$ %
More than sixteen years but not more than twenty-one years before maturity	5 $\frac{1}{2}$ %
More than twenty-one years but not more than twenty-three years before maturity	6 $\frac{1}{2}$ %
More than twenty-three years before maturity	7%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project is the agricultural development of the Upper Pampanga River Basin in Central Luzon. It will provide year-round irrigation for the cultivation of about 72,000 ha, and irrigation, during wet season only, for an additional area of about 5,000 ha, and flood protection.

The Project includes:

1. the construction and operation of an earth and rock fill dam at Pantabangan site, a new irrigation system serving about 31,000 ha and about 1,000 km of feeder roads;
2. the rehabilitation of existing irrigation systems serving about 46,000 ha;
3. the provision of equipment for the operation and maintenance of the irrigation works;
4. a feasibility study of the power development at Pantabangan Dam; and
5. the improvement of NIA's organization, operation and financial management.

The Project is expected to be completed by June 30, 1975.

SCHEDULE 4

PROCUREMENT

1. Civil works for: (a) the rehabilitation of the existing irrigation systems referred to in paragraph 2 of the Description of the Project; (b) farm ditches included in the Project; (c) the upgrading of the irrigation system serving about 12,000 ha included in paragraph 1 of the Description of the Project; and (d) the construction of access roads included in the Project, may be carried out by NIA on force account.

2. Any contract for the procurement of imported equipment, materials and supplies not exceeding the equivalent of \$10,000 is exempted from international competitive bidding, provided that the aggregate of all such contracts shall not exceed \$100,000 equivalent.

3. In respect of any contract for civil works involving less than \$100,000 equivalent or for the procurement of equipment, materials and supplies totalling less than \$50,000 equivalent, the Borrower shall cause NIA to submit to the Bank an analysis of bids received together with two conformed copies of such contract as soon as such contract is signed.

4. For all other contracts, the Borrower shall cause NIA to comply with the following procedures:

- (a) A copy of invitations to bid, draft forms of contract, specifications and related bidding documents, together with a description of the international advertising procedures to be used, will be submitted to the Bank for approval before invitations to bid are issued; and
- (b) After bids have been received and analyzed, a copy of the analysis of bids together with the recommendations of the consultants and the proposals for the award stating the reasons for such proposals will be submitted to the Bank for approval before a contract is awarded or a letter of intent is issued.

5. For purposes of comparison of bids for goods included in Category I of the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement and to be procured in accordance with paragraphs 3 and 4 hereof, the following procedures shall be followed:

- (a) For purposes of this paragraph 5, the term “ex-factory price” means the price at factory exclusive of national and local sales tax due on the sales to NIA, and bidders not entitled to preference under Republic Act No. 5499 will be classified into two categories:
 - (i) *Type A Bidders*: Those who will furnish goods offered in the bids entirely from abroad; and
 - (ii) *Type B Bidders*: Bidders other than Type A Bidders.
- (b) *Comparison of bids submitted by bidders not entitled to preference as provided under Republic Act No. 5499.* Bids under this subparagraph (b) shall be compared on the basis of the delivered price of goods at site of use in the Project after deducting from the bids submitted by Type A Bidders customs duties and any other taxes due on the imported goods (if such bids include such customs duties and taxes).
- (c) *Comparison of bids submitted by bidders entitled to preference and bidders not entitled to preference as provided under Republic Act No. 5499:*
 - (i) all customs duties and similar taxes due on the imported goods, if included in the bids submitted by Type A Bidders, shall first be deducted from the total of such bids. The portion of such bids submitted by Type A Bidders representing the C.I.F. (Manila) landed price of the goods shall be increased by 15% thereof. The resulting figures plus the portion of such bids representing

the inland freight, insurance and other costs of delivery of goods to the site of use in the Project shall be deemed to be the delivered price of goods at site offered by Type A Bidders.

- (ii) The portion of such bids submitted by Type B Bidders representing the ex-factory price of the goods shall be increased by 15% thereof. The resulting figures plus the portion of such bids representing inland freight, insurance and other costs of delivery of goods to the site of use in the Project shall be deemed to be the delivered price of the goods at site offered by Type B Bidders.
- (iii) If the ex-factory price of the goods included in a bid submitted by a bidder entitled to such preference plus the portion of such bid representing inland freight, insurance and other costs of delivery to the site of use in the Project is equal to or lower than the delivered prices of the goods at site arrived at under subparagraphs (i) and (ii) hereof, and other terms and conditions are satisfactory, then the bid submitted by the bidder entitled to such preference will be considered as the lowest evaluated bid.

6. As soon as a contract has been executed, the Borrower shall send two conformed copies thereof to the Bank.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*]
