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**A Case Study of the Derailed China-funded Development Project  
During the Arroyo Administration – the NBN-ZTE Deal**

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## APPROVAL SHEET

In partial fulfillment of the course requirements for the degree Bachelor of Arts in Development Studies, this undergraduate thesis, entitled, “A Case Study of the Derailed China-funded Development Project During the Arroyo Administration – the NBN-ZTE Deal”, prepared and submitted by Anne Frances C. Nuestro, is hereby recommended for approval.

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This thesis is hereby accepted and approved as a partial fulfillment of the requirements for the degree Bachelor of Arts Major in Development Studies.

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## ABSTRACT

China is a growing super power infamous for giving out instant loans with relatively high interest rates to countries who can barely afford to pay them back, hereby making them a victim of China's strategic debt-trap diplomacy. However and unfortunately, the Philippines is one of the countries who depend on China for loans for the accomplishment of the current Duterte administration's ambitious "Build, Build, Build" Infrastructure Program. Even though our officials reassure us that we are far from the quicksand of China's debt trap diplomacy, we could not help but to be cautious and critical of the conditionalities of these loans since there are concrete examples from around the world of what could happen to a country's sovereignty if China keeps on providing us massive amount of money for projects we don't even need and we can't afford. And given the corruption patterns of the politicians running our government and the influx of aid entering the country for these projects, there is a very high probability that these large-scale projects will only be susceptible to graft and be stalled, making us deeply indebted to a foreign country for projects which in the first place are not needed by the country and are not beneficial to the citizenry. This study focuses on one of the most famous case of graft and corruption during the Arroyo Administration which is sponsored by China – the NBN-ZTE Project.

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CHAPTER I

# INTRODUCTION



## ***Background of the Study***

The dynamics of the Philippine-China relations have been fluctuating for over the past four decades and international politics has been the one greatly influencing these dramatic changes in the relationship of these two countries. But despite the political differences of both nations, it is beyond any doubt that the connection between the two countries are rooted deep within our history. Yet over and over, one of the main causes of the proliferation of the gap within the relationship of China and the Philippines is the dispute over the South China Sea or the West Philippine Sea. Since the Marcos era, the Philippines has been trying to establish diplomatic relations with China but the relationship deteriorated further across the different administrations of the Philippines due to the shifting in allegiance in international politics, until Gloria Macapagal Arroyo came along and settled strategic partnerships and landed bilateral agreements with the economic giant China (Hong, 2013). However after some time, another administration took over and chose a different path regarding the territorial disputes with China. The Aquino administration decided to put this issue before the International Tribunal for the Law of the Sea or International Court of Justice in The Hague to settle this once and for all. The Philippines gained a sweeping victory in the arbitration, declaring that China's claims of historic rights within the nine-dash line, which Beijing uses to demarcate its claims in the South China Sea, were without legal foundation (Graham, 2016).

Moving forward, Aquino's descendant Duterte, however, sets forth with rekindling efforts with China and sees it as an "important ingredient" for the funding of the "Build, Build, Build" Program he prioritizes. This ambitious program aims to modernize the country's infrastructures through 75 flagship projects and this program is deemed to be feasible through the funding from the government revenue flows from the newly enacted

TRAIN Law or the Tax Reform for Acceleration and Inclusion and from the Official Development Assistance (ODA) Loans and Grants from donor countries, particularly Japan and China. These infrastructure projects are intended to boost the country's economy, solve the country's infrastructure gaps, ensure energy stability, help bring down the costs of production, improve rural incomes, encourage countryside investments, make the movement of goods and people more efficient, and create more jobs (Heydarian, 2018). Though Duterte has his eyes set on China as the source of funding for the "Build, Build, Build" Program, throughout the economic history of the Philippines, China is not the only country that has been funding development and infrastructure programs in the Philippines.

**Indicative Total ODA (Loans and Grants) Ranking by Fund Source  
As of June 2018  
(in USDM)**

Fund Source**	Loan Amount*	Grant Amount***	Total ODA	% Share	Rank
Japan	5,962.62	141.33	6,103.94	40.26	1
WB	3,094.21	33.43	3,127.64	20.63	2
ADB	2,604.65	74.64	2,679.28	17.67	3
USA	-	806.76	806.76	5.32	4
Korea	480.74	77.96	558.70	3.68	5
Australia	-	467.72	467.72	3.08	6
UN System	112.12	254.77	366.89	2.42	7
France	306.52	9.27	315.79	2.08	8
AIIB	207.60	-	207.60	1.37	9
EU	-	167.39	167.39	1.10	10
China	62.09	62.28	124.37	0.82	11
Germany	-	76.04	76.04	0.50	12
OFID	51.61	-	51.61	0.34	13
Italy	31.23	5.44	36.68	0.24	14
Canada	-	30.31	30.31	0.20	15
Austria	24.44	-	24.44	0.16	16
Spain	-	9.30	9.30	0.06	17
New Zealand	-	7.97	7.97	0.05	18
<b>TOTAL</b>	<b>12,937.82</b>	<b>2,224.60</b>	<b>15,162.42</b>	<b>100.00</b>	

\*Loan amounts of non-USD denominated loans based on Q2 2018 average exchange rate  
\*\*Total Grant for Australia, Canada, China, France, Japan, New Zealand, Spain, UN System excluding IFAD, and WB) is still as of December 2017 pending official submission for updates  
\*\*\*Grants are updated on a semestral basis

NEDA-Monitoring and Evaluation Staff  
Generated on September 4, 2018

Table 1. Photo grabbed from NEDA website

As a matter of fact, as of June 2018, as seen in *Table 1*, China has only ranked 11 in the list of Indicative Total ODA (Loans and Grants) Ranking by Fund Source according to NEDA. Number one in the list is Japan, followed by the World Bank (WB), Asian Development Bank (ADB), United States of America (USA), Korea, Australia, United Nations (UN) System, France, Asian Infrastructure Investment Bank (AIIB), European Union, and then China.

Regardless of the higher interest rates China offers as compared to that of other countries' (refer to *Table 2* for the comparative matrix of the interest rates of all ODA donors to the Philippines), Duterte is serious about befriending China once more. However, these dealings are being scrutinized by experts as China is known for its debt-trap diplomacy, wherein they lend billions of dollars to poor countries worldwide, ostensibly, to help finance their infrastructure projects. When these countries are unable to pay, they are forced to give up their natural resources and strategic assets as a form of collateral, and the Philippines could be the next victim of this deviant scheme (Punongbayan, 2018). The latest victim of the Chinese debt-trap is Sri Lanka, a developing country, has relied on billions of dollars of loans from China to push through with a lot of its infrastructure projects (Quintos, 2018). According to reports, the influx of Chinese economic assistance to Sri Lanka has raised questions regarding the intentions behind the massive loans. Sri Lanka borrowed US\$301 million for the Hambantota port project from China with an interest rate of 6.3%, while the interest rates on soft loans from the World Bank and the Asian Development Bank are only at 0.25% to 3%. Sri Lanka is currently unable to pay off its debt to China because of its slow economic growth. To resolve its debt crisis, the Sri Lankan government has agreed to convert its debt into equity. But the Sri Lankan government decided to allow Chinese firms 80% of the total shares and a 99-year lease of

Hambantota port caused public outrage and violent protests in Sri Lanka (Var & Po, 2017). Critics said the lease could set a precedent for Sri Lanka and other countries that owe money to China to accept deals that involve the signing over of territory (Schultz, 2017) but the Chinese President Xi Jin Ping rebutted these claims that his initiative with the Philippines is not a "trap" and there is no "hidden agenda" or whatsoever.

<i>Bilateral Institutions and Multilateral Institutions</i>	<i>Interest Rates</i>
Kingdom of Denmark – Danish International Development Agency (DANIDA) Mixed Credit Facility	Free or low interest rate, tied to Danish supplier
Japan – Japanese International Coordination Agency (JICA)	General United Loan – 0.8 to 1.4% Preferential Terms (Untied Loan) – 0.15 to 0.30% Stand-by Emergency Credit for Urgent Recovery (SECURE) (Untied Loan) – 0.01% Special Term for Economic Partnership (STEP) (Tied Loan) – 0.10%
Federal Republic of Germany	Soft Loan – 0.75%
Italian Republic	Project Soft Loan (Tied Loan) – 0.15%
French Republic	Soft Loan – 0.4%
Kingdom of Spain	Mixed Credit – Soft loan component of 0.2%
Kingdom of Sweden – Swedish International Development Cooperation Agency	Concessionary Credit – 0%
Republic of Korea – Economic Development Cooperation Fund (EDCF)	Project Loan (Tied Loan) – 0.15% Compact Loan (Tied Loan) – 0.15%
United Kingdom	Buyer credit facility (Tied Loan) – Commercial rate agreed by the lending bank and the borrower. May be fixed or floating.
Republic of Finland	Concessional loan (Tied Loan) – 0% or clearly below market rates
Republic of Austria	Soft Loan Funding Facility (Pre-mixed credit) – 0 to 1.05%

People's Republic of China	Concessional Loan (Tied Loan) – 2% Preferential Buyer's Credit Loan (Tied Loan) – 3%
Asian Infrastructure Investment Bank (AIIB)	LIBOR + 0.75 to 1.40%
World Bank	Variable Spread: LIBOR + 0.46 to 0.96% Fixed Spread: LIBOR + 0.70 to 1.50%
Asian Development Bank	LIBOR/EURIBOR + 0.0 to 0.50% depends on the type of loan
OPEC Fund for International Development (OFID)	Untied Loans – 2 to 2.5%

*Table 2. For complete list of bilateral and multilateral institutions, see Appendices B and C respectively.*

Another country, Malaysia, has been cautious about receiving loans from China. Their current prime minister has dropped China's belt and road initiative flagship projects which includes the \$20 billion, 688-kilometer (430 miles) East Coast Rail Link and the \$27 billion high-speed railway to Singapore in June, with their Prime Minister Mahathir saying he was trying to stop his country from going bankrupt (Lahiri, 2018) and because they were too expensive or not in Malaysia's best interests (Sukumaran, 2019).

It is not news that the Philippines is in debt from the previous administrations starting with the Marcos regime as the most notorious debtor, which influenced the OFW phenomenon to save our economy from its debts and his Presidential Decree 1177 which aims to automatically appropriate a portion of our annual national budget to debt servicing. We have much to pay for a long time but here we are again taking in loans from countries with much higher interest rates than the others, like we do not have anything pre-existing debt to pay for. Just this last year, Chinese President Xi Jin Ping's visit to the Philippines, Duterte landed 29 deals for his "Build, Build, Build" program and pledges which amount to some \$24 billion worth of loans for projects, but most have yet to materialize (Rivas, 2018).

This ambitious project is not an exception to the risks of large-scale corruption and bidding anomalies affecting foreign, especially Chinese-led, projects (Heydarian, 2018). The vulnerability of these grandiose projects to chronic challenges of dishonesty was proven by the previous Arroyo Administration which was notorious for the scandals of large-scale corruption and bidding anomalies on Chinese-led projects, namely the NBN-ZTE deal and the Northrail Project. Besides these corruption issues, the conditionalities behind the fundings of these projects are subject to being invasive to our sovereignty.

Should we be forewarned that these scandalous large-scale corruption issues could happen once again now that China's sponsoring grand government projects?

### ***Objectives of the Study***

By the completion of this research, it is vital that these objectives are met by the researcher:

1. To evaluate and criticize the NBN – ZTE Project during the Arroyo Administration;
2. To probe on the documents submitted to the Senate regarding the derailed projects;
3. To expose what was scandalous with the NBN-ZTE deal;
4. To uncover the other potential factors as to why these projects failed; and
5. To add to the body of knowledge the risks of entering into lavish loan deals with a perceived international loan shark known for its debt-trap diplomacy

### ***Significance of the Study***

It is crucial to be informed most especially during these times when our country is yet again on the verge of being dependent economically and financially on a country

perceived to be a loan shark since its loan terms are sketchy, highly unpublicized, and kept private. Hence, this study shall be an effective and comprehensive primer for future researchers who wish to further investigate on the topic regarding what came down with our scandalous previous deals with China during the Arroyo administration; and for those who wish to understand the risks of foreign aid given the varying motives of donors and the existing corruption pattern in the Philippines.

### ***Definition of Terms***

**BAC** - Bids and Awards Committees

**CEP** - Cyber Education Project

**CICT** - Commission on Information and Communications Technology

**DepEd** - Department of Education

**DOTC** - Department of Transportation and Communications

**ECC** - Environmental Compliance Certificate

**GPPB** - Government Procurement Policy Board

**GRP** - Government of the Republic of the Philippines

**ICC** - Investment Coordination Committee

**ICT** - Information and Communications Technology

**NBN** - National Broadband Network

**NEDA** - National Economic Development Agency

**ODA** - Official Development Assistance

**OECD** - Organization for Economic Cooperation and Development

**PROC/PRC** - People's Republic of China

**RA** - Republic Act

**SC** - Supreme Court

**TRO** - Temporary Restraining Order

**TWG** - Technical Working Group

**ZTE** - Zhong Xing Telecommunications Equipment



**CHAPTER II**

**REVIEW OF  
RELATED  
LITERATURE**

### ***Official Development Assistance: History, definition, politics, and vulnerabilities***

The concept of development cooperation, as we know it today, emerged from over five decades ago against the backdrop of the Marshall Plan's success in rebuilding post-war Europe (Sagasti, 2005). Advanced by the US Secretary of State George Marshall during the post-World War II period, Marshall Plan was European self-help program to be financed by the United States since they feared that the aftermath of World War II – poverty, unemployment, and dislocation would reinforce the appeal of communist parties to the citizens of Western Europe. Aid was made available to almost all the European countries including those militarily occupied by the Soviet Union. A bureau that was specially created, the Economic Cooperation Administration, was tasked to distribute billions worth of economic aid to help restore industrial and agricultural production, establish financial stability, and expand trade. Vast majority of the grants were in form of direct grants and the remainder was in the form of loans. To ensure coordination among the European participants in the Marshall Plan, 16 countries, led by the United Kingdom and France, established the Committee of European Economic Cooperation. This organization was later replaced by the Organization for European Economic Co-operation or the OEEC (Ray, n.d.) to run the US-financed Marshall Plan for reconstruction of a continent ravaged by war. This paved the way for a new era of cooperation that was to change the face of Europe. Encouraged by its success and the prospect of carrying its work forward on a global stage, Canada and the US joined OEEC members in signing the new OECD Convention on 14 December 1960. The Organization for Economic Co-operation and Development or the OECD was officially born on the 30<sup>th</sup> of September, year 1961, when the Convention entered into force (OECD, 2019). The success of the Marshall Plan created considerable and perhaps excessive optimism about the prospects for helping

poorer countries in quite different circumstances through external assistance (Führer, 1996) since the prevailing view on development cooperation during those times was simple and optimistic, that development would come quickly to the poorer areas of the world through the provision by a few countries of capital, supplemented by the judicious provision of technical know-hows but reality proved far more complex than what they had expected (Sagasti, 2005). This enthusiasm on foreign aid led up to the establishment of the Development Assistance Committee (DAC) and Development Co-operation Directorate (DCD) of the OECD which were integral parts of the creation of a network of national and international aid agencies and programs and related institutions (Führer, 1996). Fifty years ago, a small handful of institutions comprised the organizational arrangements of the international development finance system. At present, it is composed of the IMF, the World Bank, more than 20 regional and sub-regional development banks, over 40 bilateral development agencies, the UN family of organizations and thousands of large and small NGOs, and private foundations (Sagasti, 2005).

But what exactly is a foreign aid or official development assistance? According to the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), foreign aid is defined as financial flows, technical assistance, and commodities that are: (1) designed to promote economic development and welfare as their main objective; and (2) are provided as either grants or subsidized loans. Foreign aid can take a number of forms. It could be economic, military, or emergency humanitarian form (Foreign Aid, n.d.). According to Sengupta (2002), there are two main characteristics of official development assistance (ODA) that distinguish it from other flows of financial resources from industrial to developing countries. First, ODA is provided directly or bilaterally to developing countries, or indirectly through multilateral agencies.

The official authorities of industrial countries provide aid at their discretion and are motivated by their own interests or objectives. Second, ODA is provided on highly concessional terms, almost 90 per cent as grants and at low interest for long periods if given as loans. Due to both these characteristics, ODA becomes particularly attractive to developing countries, and preferable to other sources of external finance. The difference between loans and grants is that grants do not generate long-term debt obligations. They can be more readily and easily provided, they do not necessarily require recipient country government commitments and they can be channeled to non-governmental organizations – all of which may be more appropriate for very poor countries. However, it is pointed out that soft loans contain a high ‘grant element’ and are provided in very easy terms, require commitments and discipline from borrowing country governments and public agencies, allow repayments to be used in other poor countries and are better ways of discharging the fiduciary responsibility of donors to their taxpayers (Sagasti, 2005).

Motivations for providing ODA have changed over time in line with the evolution of development ideas and the prevailing international concerns. Development assistance, particularly when channeled through bilateral agencies, is an instrument of foreign policy for donor countries and is usually aligned with their strategic objectives and interests. The mix of aid motivations varies from one donor country to another and also over time (Sagasti, 2005). Same as with the motivations for providing aid, politics of allocating aid to recipient countries is ever-dynamic. Prior to World War I, U.S. government-sponsored foreign aid was almost non-existent until the World War II when it began to provide aid abroad, largely through wartime aid and reconstruction efforts (Bandyopadhyay & Vermann, 2013). As mentioned beforehand, the political agenda behind this is that the Marshall Plan was a policy tool during the post-World War II era to influence the political

judgements of the citizens of Western Europe and deter them from swaying back to the ideologies of Communism. Development thinking and practice during those times were based on concepts such as the need for a ‘big push’ of investment to initiate self-sustaining economic growth, the priority of investments in human capital, the importance of fostering import-substitution industrialization and exploiting backward and forward linkages, and on the imperative of advancing through a well-established sequence of stages that would lead to a take-off into self-sustained growth (Sagasti, 2005). But nevertheless, giving aid to recipient countries is highly political and is highly influenced by the geopolitics of those times. For instance, during the Cold War era, though many donors were motivated by a genuine desire for promoting development in developing countries, a substantial part of foreign aid was given off for political factors and to buy and secure alliances (Sengupta, 2002). Soviet aid was extended primarily in the form of loans, not grants unlike that of the United States’ which was extended almost entirely in grant form. They labelled US aid as a bribe since it involved a more direct exchange of goods for loyalty ‘performing the function of a price paid for political services rendered or to be rendered’; whereas Soviet’s is a propaganda wherein they depended on ideological, as opposed to rational, appeals since it involved the attempt to create a ‘psychological’ relationship between donor and recipient that drew on the donor’s own aspirations for international recognition and prestige (Mawdsley, 2012).

During the post-World War II era, many economic social, political and technological tensions and instabilities had surfaced including oil shocks, debt crises, financial and trade imbalances, increasing inequalities, demographic transitions, geopolitical shifts, new technologies and these tensions characterized the turbulent post-Cold War decade of the 1990s. After the end of the Cold War, ODA began to decline but

at the same time was asked to respond to a more diverse and growing set of demands. These were related to environmental sustainability, disease prevention and control, post-war reconstruction, the needs of transition economies, humanitarian assistance and debt relief, among others – all of which went beyond the traditional remit of ODA in the social sectors, poverty reduction, infrastructure, rural development, agriculture and other production activities. Against the backdrop of a relentless process of economic globalization, a new orthodoxy – firmly skewed towards economic liberalization, deregulation, privatization and the free play of market forces, basically neoliberalism, emerged in the mid-1980s as the dominant mode of development thinking and practice. This new orthodoxy became known as the ‘Washington Consensus’ on economic development policies and this decade was also a period of intellectual ferment during which past experience was evaluated, basic assumptions questioned, complexity acknowledged and new approaches to development thinking and practice explored. The current formulation that has supplanted the Washington Consensus as the over-arching framework for development thinking and practices are the ‘Millennium Development Goals’ (MDGs). These combine with notions of nationally owned poverty reduction strategies, sensible macroeconomic policies, effective public expenditure management, and new forms of conditionality related to notions of good governance (Sagasti, 2005). A consensus emerged that aid would be most effective if donors forged better partnerships with recipient governments, and if those governments in turn had greater ‘ownership’ of policies. The new shared goals of development assistance were formally expressed as the Millennium Development Goals at a global summit on financing for development in Monterrey in 2002 governments pledged to conduct a worldwide battle to reduce poverty, disease, illiteracy and human insecurity (Woods, 2005). ODA practices have been heavily influenced by the development ideas

prevailing at a particular time. At present, the MDGs appear to provide the main organizing principle for ODA, even though international security considerations mostly linked to the 'war against terrorism', have intruded and are affecting ODA thinking and practice (Sagasti, 2005). Since the watershed event of the terrorist attacks on the United States in September 2001, aid has focused substantially on security concerns. Until then, development assistance which prioritizes the achievement of human development goals is at risk. The volume and structure of ODA for some key donors are influenced by global security and the war against terrorism and this pursuit of narrow geopolitical and security interests distorted the aid allocation patterns, reduces resources available for human development, and reinforces pernicious practices such as the provision of tied aid (Sagasti, 2005). Since a rapid increase in aid has been channeled to meet new security imperatives and new security concerns have rapidly come to dominate foreign policy and inevitably, they are spilling over into aid policy given that foreign aid has always been susceptible to donors' geostrategic interests (Woods, 2005). Geopolitical dynamics have evolved over time and, in turn, have affected the decision-making processes of donor nations and it shows that it may be in the interest of developed nations to provide foreign aid to developing nations to help alleviate terrorism-related threats. In their model, conditional aid is tied to the counterterrorism efforts of the aid-recipient nation. Such aid can help neutralize the capabilities of terrorist organizations at their source, leading to a global reduction in terrorism (Bandyopadhyay & Vermann, 2013). Due to this shift in the global political climate, significant proportion of additional allocations have been motivated by security considerations that privilege a few countries of geopolitical significance and is directed to projects of dubious development impact. Though the international security concerns of donors and the needs and priorities of developing countries do not usually

coincide, even though they could conceivably be more aligned, prospects of ODA will now depend on the way in which the motivations are linked to global security and the war on terrorism and how they will interact with those related to human development objectives. It may be possible for security concerns to fuel large increases in aid which could be channeled to developing countries in a more coherent manner to improve standards of living. It may be equally possible and perhaps more likely, that these concerns will displace human development considerations in ODA (Sagasti, 2005).

More than the strategic intentions of the developed nations in giving aid to its recipients for allegiance, other nations have similarly altered their donor behavior according to their own histories and evolving environments as they find that ties to former colonies or strategic factors are quite significant (Bandyopadhyay & Vermann, 2013) since former colonial powers usually have remaining political, economic, cultural and other interests in their former colonies (Isopi & Mattesini, 2008). As many poorer nations started on their path of development in the postcolonial period, former colonial powers tried to facilitate this process through provision of resources in the form of foreign aid. For example, a huge fraction of U.S. aid goes to Israel and Egypt, which are not among the poorer recipient nations whereas France's aid is concentrated on its former colonies, while geopolitical interests have led Japan to give aid to nations broadly supportive of Japanese interests in international forums to nations with comparable international political interests (Bandyopadhyay & Vermann, 2013). Since ODA is a public money of the donor countries, its costs should be reckoned in terms of opportunity costs, or what that money could get as benefits from alternative avenues of public expenditure. These benefits have to be evaluated by the donor countries' preferences or objectives. They may genuinely desire that the developing countries achieve a higher growth of per capita income of a visible fall



in their poverty or become a potential expanding market for their products (Sengupta, 2002). If aid to a recipient nation is used by a developing nation to buy donor nation exports, it can act as an export promotion strategy for the developed nation (Bandyopadhyay & Vermann, 2013). The relevant group of OECD nations was engaged in some form of competition for influence. Other OECD countries in Europe and Japan, foreign aid was also often seen as an instrument of foreign policy for expanding influence over other countries. It is the use of ODA and the value that is attached to it by the donors' governments that will determine the volume of ODA and any program for increasing ODA must take into account the nature of the activities that ODA would finance and in terms of their effects on what the donors regard as the objectives of their foreign aid policies (Sengupta, 2002). An evidence of this is that according to USAID, these dual goals - humanitarian and strategic - continue to exist in the agency's foreign aid goals to "[develop] the markets of the future...[and] partnerships with countries committed to enabling the private sector investment that is the basis of sustained economic growth to open new markets for American goods" (Bandyopadhyay & Vermann, 2013).

Given these motivations, it could be inferred that foreign aid or official development assistance is not foolproof. It is susceptible to different problems and challenges since aid is given by countries with varying economic and political motives and geopolitics and strategic interests are evolving over time, again and again. Concessionality of ODA makes it particularly valuable to low-income countries, as it allows them to use it for activities whose benefits are widely dispersed and cannot be captured to pay for its costs. They can do so without trying to borrow from the international capital markets entering into debts and accumulating liabilities that will have to be paid off over a number of years. Since multilateral aid obscures the identity of the donor as a collective practice to

effectively finance public expenditure and investment in the developing countries. This is thus a very good reason why ODA should be all given as grants and the multilateral agencies providing assistance to low-income countries should also be give them as grants, but this suggestion is not feasible since it has a cost to the donor countries and unless the ODA flows generate returns which are perceived by donors to be of higher value than the cost, they cannot be sustained (Sengupta, 2002). As resources for ODA come from public budgets, donor countries have to balance their development assistance efforts with other national objectives, particularly when facing fiscal constraints. Reasons for providing ODA will have to be clear and compelling to compensate the weight of other public spending priorities (Sagasti, 2005). Another trouble with ODA is that major donors are failing to coordinate aid through existing multilateral institutions, choosing instead to create their own new mechanisms and pursue their own priorities. The result is competition and clashes among priorities, creating aid chaos in many of the poorest recipient countries. At times of crises and situations that require immediate relief, donors sometimes act as quickly as they can to get food, peacekeepers and/or medical supplies, as required, directly to people on the ground. In so doing, they often bypass local institutions. The risk is that emergency relief efforts set in place a longer-term pattern of assistance which keeps local officials dependent on donors rather than fostering their own institutions (Woods, 2005) and instead of promoting growth-oriented policies, foreign aid only increased the aid dependency of these countries (Sengupta, 2002). Donors have long recognized that too often multiple countries and agencies will be found pursuing similar goals in a country where they trip over one another, producing duplication and waste, and overwhelming overstretched recipients with more red tape, more reporting requirements and more loan negotiations (Woods, 2005). Critics have charged that aid only discourages developing country

initiatives, supports bloated bureaucracies, keeps in power corrupt and authoritarian regimes, and enriches those in power. In addition, donor policies and practices are important, for tied technical assistance has less of an impact than untied technical assistance and other forms of aid, and different forms of conditionality influence country ownership and development outcomes (Sagasti, 2005). Adding to the mess, goals are often at odds. For example, fiscal rectitude for one agency being achieved at the expense of the poverty reduction sought by another; national security supported by one part of a donor government at odds with human rights and development by another. The lack of coherence in priorities is not the result of a lack of understanding or knowledge; what drives these seemingly perverse and counterproductive actions are competing objectives and incentives faced by each national and multilateral agency involved in disbursing aid. And more often than not, multiplicity of donors not only failing to strengthen governmental processes within countries, but probably even hindering their development (Woods, 2005). Low-income countries are highly in need of investment in physical infrastructures, through substantial, if not total, public funding. Even more than that, what will be needed most is investment in social development of human capital formation, education, health, housing, sanitation and water supply, slum clearance and rural development, food security and poverty reduction. But the catch is, increasing public expenditure or investment is that it will have to be financed by the governments, either by raising taxes or borrowing. Hence, the reliance on official development assistance programs. Nonetheless, giving aid in the form of loans to low-income countries which do not have the capacity to make repayments, even when their projects yield high social returns, will be pushing them into debt traps (Sengupta, 2002). Besides the aforementioned vulnerabilities of foreign aid, corruption is not out of the picture. In many cases, despite earlier optimistic expectations, aid has failed

to boost growth. A prevalent explanation seems to be that foreign aid is often misused and misappropriated. For instance, it can foster rent seeking and corruption in recipient countries and the main idea is that foreign aid transfers increase the size of the prize that interest groups fight over (Economides, Kalyvitis, & Philippopoulos, 2007). Corruption is a very serious problem, particularly widespread in developing countries. It aggravates poverty by having a significant and detrimental impact on the lives of the poor; it reduces their net income and wrecks the programs related to their basic needs. In societies where corrupt practices such as bribery, favors for favors, nepotism, and clientelism are pervasive, competition is severely distorted and, in the long run, corruption not only affects the distribution of resources, but also the process of economic growth, encouraging people to apply their skills and energies in non-productive ways. Last but not least, the phenomenon of corruption is also capable of frustrating the efforts of aid agencies in their fight against poverty and underdevelopment. And as a matter of fact, corruption and rent seeking in developing countries are usually the result of moral hazard, arising from the ability of corrupt bureaucrats to exploit their authority for private gains. (Isopi & Mattesini, 2008). As the most important drivers of development are internal to individual countries, it is legitimate to say that corrupt behavior of governments creates one of the most important obstacles to economic development (Schudel, 2008) (Sagasti, 2005). However, studies show that the effect of foreign aid could either be positive or negative depending on the transmission channel. For instance, foreign aid channeled through government consumption expenditure increases corruption whereas development assistance channeled via private investment and tax effort decreases corruption. It follows that foreign aid that is targeted towards reducing corruption should be channeled via private investment and tax effort, not through government expenditure (Asongu & Jellal, 2013). Governments in

industrialized donor states claim to use bilateral aid allocation to promote economic development in less wealthy countries. The existence of corruption in developing states undermines economic growth as corrupt governments are predominantly interested in private gains rather than in supporting the development of their countries as a whole. Rent seeking and corruption take place mainly through government activities, as corrupt government officials have some effective property rights over the aid transfers they are allocating and this results in the extraction of capital from the economy to the private sphere of government officials. Bilateral foreign aid is nothing more than an influx of capital in the economy of recipient states, and it often is fungible. However, allocating foreign aid through multilateral channels could be an effective way to do reduce corruption, because it would be harder to let private interests of individual governments influence the allocation process (Schudel, 2008) (Economides, Kalyvitis, & Philippopoulos, 2007). In both donor and recipient countries, that without countering corruption, aid is in danger of not achieving its goals, failing to reach the poor or just reaching them partially. Since, in this type of environment, donors could actually intervene through an appropriate contract design, an important question is whether aid is used as an instrument to provide the right incentives to local elites. For some cases, donors use the amount of aid as an incentive mechanism, such that they allow some corruption to compensate local elites for their effort and to induce them to work toward the success of development projects and some donors do not impose any incentive mechanism but are simply allowing local elites to capture a large part of the aid flows for strategic or economic reasons. Therefore, if donors prefer to favor local elites for geopolitical factors, then aid is increasing in the level of corruption (Isopi & Mattesini, 2008) and perhaps even more remarkable is that despite the fact that virtually all donor countries have introduced “good governance” criteria as guidelines for aid

allocation in recent years, many countries with a corrupt reputation still seem to attract considerable sums of aid (Schudel, 2008).

***Securitization and politicization of foreign aid: The main cause***

This portion of the review of related literature features excerpts from and focuses mainly on one article entitled “Critical Studies on Terrorism: Security, the War on Terror, and Official Development Assistance” by Kwesi Aning, published 2010.

The 11 September 2001 terrorist attacks in the United States or what has become known as 9/11 has had a phenomenal impact on the very concept of international security. The resultant declaration of a War on Terror (WOT) by the United States and its allies has also had global ramifications. It can be argued that the WOT has become the new global war of the 21st century, bringing with it transcending consequences in international politics and world order. This situation has affected the order of global priorities in many spheres and relegated several otherwise important global issues to second place. One major impact has been on the discourse of international development. Considerations such as (1) the geographical allocation of development assistance, (2) the use and conditionality of such assistance, and (3) the actual quantities disbursed have all been affected. Since 9/11, it has become increasingly obvious that there is a growing conceptual and operational shift in the official development assistance (ODA) discourse resulting in the routine subjection of ODA disbursements to the imperatives of the WOT. This is further compounded by the fact that the term ‘terrorism’ itself has been politicized, with state actors inappropriately applying the term to serve particular ends. The connection between ODA and terrorism is usually overlooked in public discourse. It is, however, critical in contemporary international relations to understand how the political use of terrorism can impact on the

disbursements of ODA, and vice versa. A critical analysis of the relationship between ODA and terrorism illustrates the new security-first paradigm, which determines who gets what, why, how much, and increasingly, what it should be used for. Based on this paradigm, it is the perceived or actual role of a recipient state in the WOT that progressively determines the type and actual size of aid disbursed. While the priority and share of a country's ODA in the immediate post-Second World War era was determined by the gravity of its reconstruction needs, in the post-9/11 period that priority is accorded frontline states in the WOT. In other words, the role played by a country in the WOT determines its share of ODA. This has introduced a paradigm shift in which the significance of a recipient in the WOT has become the determining variable. Development assistance to regions less strategic to the WOT has been marginalised by other seemingly more relevant geographical regions and priorities. Opponents and supporters of the WOT have either been chastised or rewarded respectively through the use of ODA allocations, with Afghanistan, Pakistan, and Iraq being the main recipients of the largesse of key actors in the WOT. The WOT has also impacted on defence budgets: governments around the world have increased their budgets to meet new demands for security. The WOT has, therefore, highlighted security concerns, created renewed interest in ODA, impacted on criteria for its disbursement, and led to its recognition as an indispensable instrument in the War, hereby skewing aid towards countries relevant to the WOT. This therefore indicates that the aid received by the top ten gainers comes from a shift of resources from the bottom ten countries. And although 9/11 boosted aid in many regions, most of the increases went to augment security sectors rather than purely for development. Though donor countries at the Millennium Summit in 2000 committed themselves to poverty-reduction goals, very little of the subsequent increases in

aid has been available for these goals and it could be argued that the allocation of about 37% of new aid resources between 2000 and 2004 to Afghanistan and Iraq partly explains this phenomenon.

The politicization of aid has also become rife. The United States provides the clearest example of this. As a hegemon, it wields the most powerful military, economic, political, and diplomatic leverage with which it is able to reward or chastise the positions of any individual country with respect to US interests. Following the declaration of the Coalition of the Willing to garner support for the WOT, there has been a politicization of aid synonymous to that which surrounded the Gulf War. US military and security-related aid to Africa has also increased, and countries that previously were of little importance to the United States have acquired new funding through the WOT. Djibouti, for example, obtained US\$31 million for allowing the United States to establish a permanent base. Another manifestation of the politicization of aid was when the votes of several poor countries on the UN Security Council were 'purchased' following 9/11 with new military aid and economic assistance, Yemen was the only Arab country on the Security Council that voted against the resolution authorising war in Iraq. In a punitive reaction to Yemen's stance, three days after the vote the US truncated its aid budget to Yemen, which amounted to US\$70 million. Whereas in Costa Rica, Costa Rica's UN Ambassador gave a statement opposing war in Iraq and favouring continued weapons inspections, he was ordered by his country's Foreign Minister to resign. The explanation given was that the Ambassador had not received authorisation for the speech and that his remarks conflicted with Costa Rica's official position. After the Ambassador rendered an apology and reversed his position, he was reinstated.



Despite the important role that development cooperation could play in the WOT, the global fight against poverty has been lowered in the prioritisation of many donor countries. Security-related terms such as ‘poverty reduction’, ‘conflict’, and ‘peace’ are increasingly blended together with notions of ‘terrorism’ and ‘security’ in the discourse of many donors. In the pursuit of peace and security, however, recent efforts have culminated in national and international counter- and anti-terrorism efforts primarily aimed at preserving the territorial integrity of the state from the subversive activities of terrorists. Generally referred to as the WOT, the pursuit of peace and security through counter-terrorism measures has led to a situation in which political opposition, media criticism, public demonstrations, and religious fundamentalism have all been lumped under the single rubric of terrorist activities in some countries. Together with the subjective definition of terrorism, this has led to a fluid definition of the WOT. Under the guise of counter-terrorism measures, therefore, repressive state entities mete out various forms of human rights abuses to political and sometimes religious opponents and implement domestic policies that were hitherto constrained.

To sum it all up, ODA is now intended to assist development and the alleviation of poverty on which security hinges. With the increasing securitisation of ODA after 9/11, allocations and disbursements of ODA have been critically subjected to the direct influence and imperatives of security realities, most important of which is terrorism. This has radically altered the ODA architecture and the rationales that underpinned this framework. The current ODA–security nexus has been further highlighted and given institutional entrenchment by the OECD/DAC’s redefinition and clarification of ODA to embrace critical security concerns. It is also being highlighted by the general trend of donor orientation towards the use of ODA as a lever in waging the WOT and, thus, the

securitization of aid. It is evident that aid programmes – not only from the United States, but also from other major donors – have shifted emphasis in the post-9/11 era and have been greatly influenced by the dynamics of the WOT. A major conclusion of this paper by Aning (2010) is that aid has become highly securitized and politicized as a weapon for the realization of the goals of that war. The result is that aid for political and security purposes has tended to counter support to development priorities. The rise of terrorism as a critical security concern after 9/11 culminating in the WOT has warped the development–security dichotomy and initiated a direct ODA–security nexus, as the Cold War before it did. As aid programmes increasingly gain usage as a weapon in the WOT, ODA has further been drawn into close proximity with security concerns rather than needs. Donors should not forget that they should consider development as a necessary underlying factor in the achievement of sustainable security, and security as an indispensable factor for sustainable development.

### ***China: The rising empire***

According to Aning (2010), the counterbalance of the traditional Official Development Assistance brought by the OECD/DAC, is China who has emerged as a significant new player affecting aid flows and geopolitical considerations. As it celebrates the 50th anniversary of official Sino-African relations, China is increasingly becoming a critical player in Africa as it redefines its relationship with the continent as a whole, but more importantly with strategic partners in terms of its search for oil, timber, and energy resources. It has engaged in an unparalleled series of diplomatic offensives ‘promising more trade, cheaper loans and no political interference’. China’s aggressive posturing in Africa is not new. Rather, what has changed in recent years is its emergence as a significant world player on the economic scene and its own need for oil and other natural resources.

China's return to Africa in the 21st century is characterized not only by a need for economic resources, but also, and more crucially, by its new financial and political muscle that enables it to play the game dramatically and competitively.

China's entry into Africa is characterized by a formula dependent on an aid-for-oil strategy. As a result, China is receiving increasing supplies of oil from African countries; at the same time, it is offering poor countries comprehensive and exploitative trade deals combined with aid. China's importance to Africa in terms of the aid discourse is exemplified by the fact that 'China is now the continent's third most important trading partner, behind the United States and France, and ahead of Britain'. China's Africa Policy and its subsequent White Paper shed further light on its energetic diplomatic and business activities. Here, the Chinese government outlines its plans to develop a partnership premised on consistent dialogue and diplomatic visits between Chinese and African leaders, increased trade and economic investment through preferential loans and buyer credits, more agricultural and financial cooperation, and improved efforts to encourage Chinese companies to build up Africa's infrastructure.

In terms of aid, however, it is concluded that 'the mix between concessional and non-concessional funding, and the difficulty of relating announcements of commitments to actual prospective disbursements make it difficult to reach a clear view of the likely scale of aid... in the near term'.

### ***China's Foreign Aid and Government-Sponsored Investment Activities (FAGIA)***

In the first decade of the 21st century, China greatly expanded the scope of its development-assistance and government investment programs. These programs now support initiatives in more than 90 nations around the world (Wolf, Wang, & Warner, 2013). China has rapidly expanded the amount of its 'foreign aid' and has already become

a major provider of aid as a result of its remarkable economic growth. The international development community has been eager to assess the magnitude of China's aid (Kitano & Harada, 2015). Rather than join the established aid regime under the framework of official development assistance (ODA), China has been promoting the integration of aid and investment, often through bilateral partnership agreements with its recipient countries (Zheng, 2016). Little is known about the size and direction of such programs since China's official aid program is non-transparent and poorly understood. A large reason for this lies in a lack of transparency by the Chinese government regarding their flows of official aid and other official finance (Bräutigam, 2011). Part of the explanation for these anomalies may lie in an historical legacy. China's earliest ventures in foreign development assistance occurred in the 1970s and 1980s when these programs were used to counter and to outbid Taiwan's efforts to obtain diplomatic recognition from several smaller nations around the world. Under these circumstances, Beijing was anxious to conceal the amounts of its offers of assistance in order to avoid inflating the ongoing bidding competition with Taiwan. Another part of the explanation may simply be the marked tendency of the Chinese government to limit information that is publicly available on many government activities by over-classifying it—behavior that is characteristic of other governments as well. Until recently, such programs have been found over the recent years, with emphasis on development of increased foreign supplies of energy resources, as well as supplies of ferrous and nonferrous minerals. Loans finance many of these programs and feature substantial subsidization, but are also accompanied by rigorous debt-servicing conditions that distinguish China's foreign aid from the grant financing that characterizes development aid provided by the United States and other nations of the Organization for Economic Co-operation and Development (Wolf, Wang, & Warner, 2013).

As we consider it, China's FAGIA is broader than development assistance programs conducted by the United States and other nations and the scale of China's FAGIA is many times larger than the separate, grant-aid development assistance programs conducted by the United States, Europe, Japan, and other donor countries. Official Chinese sources explicitly distinguish three categories of FAGIA: grants, interest-free loans, and concessional loans (Wolf, Wang, & Warner, 2013). Grants and interest-free loans come from central government expenditures, and concessional loans are provided by the Export-Import Bank of China (Kitano & Harada, 2015). Many of these programs fall below the grant element of at least 25 percent that characterizes foreign aid programs of other nations and also have requirements that goods purchased for them be at least 50 percent of Chinese origin (Wolf, Wang, & Warner, 2013). China's foreign aid grants and zero-interest loans that are managed by the Ministry of Commerce usually promote broad diplomacy objectives; whereas the concessional foreign aid loan program operated by China Eximbank mixes diplomacy, development and business objectives (Bräutigam, 2011).

As the future growth of the Chinese economy will depend on increasing the supplies of natural resources, especially energy-related resources, much of China's assistance has sought to help countries developing such resources (Wolf, Wang, & Warner, 2013). In 1994, China reorganized its state banking system, establishing two sources of official bank finance that could be used as tools of government policy and can be used to provide China's financial muscle. China Eximbank offers export buyer's credits, suppliers' credits that can be passed on to buyers by Chinese firms and special state loans. China Development Bank was originally set up to provide finance for China's own development but in recent years has begun to provide very large lines of credit overseas (Bräutigam, 2011). Several state-owned enterprises, including China's National Overseas Oil Company, the China National

Petroleum Corporation, and the China Petrochemical Company, provide technical and financial support (Wolf, Wang, & Warner, 2013).

Focus of FAGIA revolves particularly around natural resource development projects, consisting 42 percent of pledged FAGIA funds. Infrastructure projects were the purpose of 40 percent, and other projects, including debt forgiveness and humanitarian aid, comprised the remaining 18 percent (Wolf, Wang, & Warner, 2013). To provide empirical examples indicative of the differing purposes and priorities that underlie China's FAGIA programs, Wolf, Wang, & Warner (2013) gave us an assessment of FAGIA in the region of East Asia. This region ranked third among the six regions studied in this report in cumulative pledged assistance. The types of aid deployed to East Asia reflected a more balanced approach than other regions. The two primary categories of FAGIA to East Asia were infrastructure and "other," with natural resources comprising approximately 15 percent of pledged and delivered aid to the region. This contrasts with other regions, which are typically dominated by natural resource and infrastructure. Infrastructure projects were scattered across several countries and project types; four rail projects spread among Laos, Myanmar, and the Philippines. As for the natural-resource FAGIA to East Asia, projects included a \$5 billion investment to support biodiesel in Indonesia in 2008, a \$1.9 billion investment in an Indonesian coal mining company in 2009, and a \$1 billion investment for gold and copper exploration in the Philippines in 2009. East Asia was the second-largest destination for infrastructure, the fourth-largest destination for natural-resource funds, and the second largest destination for other forms of assistance. Pledged funds to this region had strong growth, with an annual increase of \$10 billion and especially large increases in 2008, 2010, and 2011. Long-term FAGIA-funded infrastructure projects were the primary drivers of this trend. Pledged assistance dominated Chinese engagement throughout East

Asia and this was due to large amounts of pledged aid for infrastructure projects and other development assistance between 2001 and 2011.

However, one key criticism against China's aid policy is its strong selfish motivation that puts its own political and economic interests ahead of recipients' priorities of economic development, and is thus characterized as "rogue aid" (Zheng, 2016). Some of these loans may also include collateralization of the property and other assets under development along with designation of revenues generated by exports to China of specific commodities produced by the corresponding assistance projects. The loan agreements typically establish escrow accounts held by the lending institutions, into which export revenues resulting from the assistance projects are deposited and from which the lending institutions withdraw interest and principal for debt servicing, fees, and other payments due to contractors (Wolf, Wang, & Warner, 2013). For instance, the case of Angola: The proceeds from oil exports were to be deposited into a special escrow account at the Eximbank. This account was then drawn upon to pay Chinese companies and through them, their Angolan subcontractors then the company submits invoices for project expenses or the export of goods or equipment to the Angolan government, which authorizes the payment. Angola required that three Chinese companies bid on each project and that 30 percent of the credit be subcontracted to Angolan firms. Although there was speculation that Angola gave a Chinese oil company preferential access to an exploration concession in return for the first credit, this has not been confirmed. The speculation was not repeated when the line of credit was expanded (Bräutigam, 2011).

### *Motives of Chinese Aid Policy*

The following are excerpts from a paper published by Yu Zheng last August 2016 entitled “China’s Aid and Investment in Africa: Viable Solution to International Development?” which focus on the motives of Chinese aid policy.

Like established donors, China also justifies its overseas economic activities with development objectives that it helps developing countries to promote sustainable economic development and poverty reduction, but such development objectives have often been subordinated to strategic, diplomatic, or commercial considerations. There are three major perspectives on the motives of China’s development cooperation strategy, two of which is going to be explained in the latter part.

First perspective maintains that the spike of China’s foreign aid has been driven primarily by Beijing’s desire to secure strategic resources—those most fundamental to national security—and secondarily for diplomatic reasons. As an emerging superpower, China will ultimately challenge the established international aid regime and subsequently build alternative aid model. China is more capable to leverage its economic power to realize political and strategic objectives, but the success of Chinese economic statecraft depends partly on the ability of the state to control the behavior of commercial actors. The establishment of the Asian Infrastructure Investment Bank (AIIB), the New Development Bank (NDB), and the ‘One Belt One Road’ (OBOR) initiative could be examples of this view.

Second perspective suggests that the Chinese aid policy has always maintained its distance from the established aid model under the guidance of the OECD Development Assistance Committee (DAC) and will not necessarily challenge the existing international aid regime. Through a careful examination of Chinese zone programs in Africa by



Brautigam and Tang, they find that China's overseas economic activities are driven by strategic consideration, but not as a means to boost China's resource security.

While these perspectives differ in their focuses on the objectives of China's development cooperation strategy, they all note a distinct feature of China's aid pattern: Chinese overseas economic activities often come as a package with a mixture of aid and investment. China's aid giving has been guided by the principle of "equality and mutual benefit", indicating that the interplay of aid and FDI in international development cooperation is a default arrangement.

Aid from China and the OECD countries are often programmed in similar ways, including project support, technical assistance, food aid, debt relief, humanitarian assistance and so on. The members of the DAC and the Chinese also both have sets of principles that are supposed to govern their aid. However they have very real differences, and they are quite large. A key difference is the practice among the DAC donors to develop country assistance strategies. These help donors programme their aid, but they may reflect the donors' goals more than those of the country they are assisting. The Chinese do not have country assistance strategies. They programme their aid through high level discussions that usually focus on infrastructure. The Chinese emphasis on local ownership can lead to 'prestige' projects that do not appear to be poverty-reducing since they (Chinese) themselves have built an economic development success with relatively little outside aid. As the Chinese ambassador to Malawi reportedly said in 2008, 'No country in the world can develop itself through foreign aid ... To develop your economy is your job. You have to do it yourselves' (Bräutigam, 2010).

CHAPTER III

**METHODOLOGY**

### ***Research Design***

Through the acquisition of files submitted to the Senate for investigation, the researcher will use the document analysis research method and the descriptive design to describe the current status of the variables in the study. Whereas, the researcher can also use the causal-comparative design to seek and establish a cause-effect relationship between the variables in the study. An interview with no other than the whistleblower himself, Engr. Rodolfo Noel “Jun” Lozada, Jr. was also conducted.

### ***Population of the Study and Sampling***

This study revolves around the examination of the existing documents on the derailed projects during the Arroyo administration, specifically the NBN-ZTE deal; and on the testaments provided by Engr. Lozada.

### ***Research Framework***

#### ***Theoretical Framework***

The Political Theory of Foreign Aid by Hans Morgenthau (1962) states that much of what goes by the name of foreign aid today is in the nature of bribes. The transfer of money and services from one government to another performs here the function of a price paid for political services rendered and to be rendered. And these bribes differ from the traditional ones exemplified above in two aspects: they are justified primarily in terms of foreign aid for economic development, and money and services are transferred through elaborate machinery fashioned for genuine economic aid. The pretense and elaborate machinery of foreign aid for economic development results from a climate of opinion which accepts as a universally valid the proposition that the highly developed industrial nations have an obligation to transfer money and services to underdeveloped nations for

the purpose of economic development. Also, the present climate of opinion embraces another assumption as universally valid: economic development can actually be promoted through such transfers of money and services. These assumptions imply that underdevelopment is at least primarily the result of lack of capital and technological know-how and that underdevelopment is regarded as a kind of accident or at worst as a kind of deficiency disease, which can be taken care of through subcutaneous injections of the missing ingredients.

The economic interests which tend to prevent foreign aid from being used for economic development are typically defined with the ruling groups in underdeveloped societies, which derive their political power in good measure from the economic status quo. The ownership and control of arable land, in particular, is in many of the underdeveloped societies the foundation of political power. Given this likely resistance from the ruling group to economic development, foreign aid requires drastic political change as a necessary condition for success. Foreign aid must go hand in hand with political change, either voluntarily induced from within or brought about through pressure from without. On the one hand, to give foreign aid for economic development without stipulating conditions that maximize the chances for success will surely maximize the chances for failure. While on the other hand, to give aid “with strings” arouses xenophobic suspicions and nationalist resentments. The success of foreign aid for economic development, then, depends in good measure not so much upon its soundness in strictly economic terms as upon intellectual, moral, and political preconditions, which are not susceptible to manipulation at all. Furthermore, the political results of successful foreign aid for economic development may be either unpredictable or counterproductive in terms of the political goals of the giving nation.

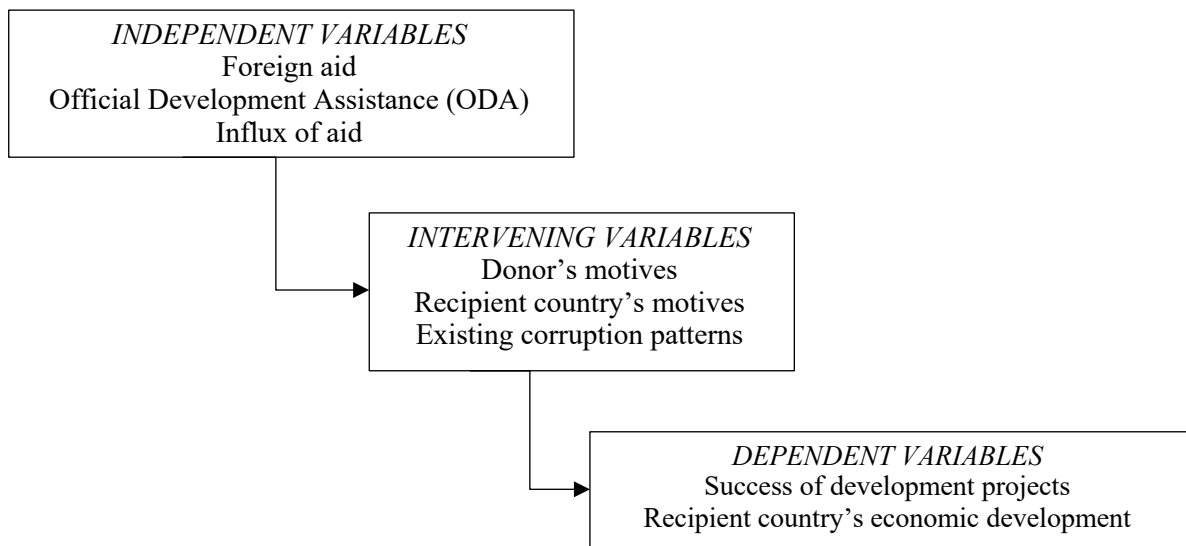
Whereas according to Abuzeid (2009), the “big push” theory of foreign aid argues that aid is a necessary catalyst for investment, that would in turn lead to growth and presumably initialize an upward path to economic development. However, understanding the potential implications of foreign aid for quality of governance and institutions are now recognized as a major determinant of economic performance. Evidence demonstrates that aid can and does directly strengthen existing corruption patterns in contexts where high levels of corruption are already rampant. Research has found no systematic evidence that bilateral or multilateral aid goes disproportionately to less corrupt governments. Whereas in fact, one study provides considerable evidence that patterns of aid allocation by bilateral donors are far more robustly dictated by the political and strategic interests of the donors than by concerns over good governance in the recipient nations. As such, the indiscriminate nature of foreign aid allocation is believed to have a direct impact on governance through its tendency to perpetuate existing corruption in recipient countries since foreign aid appears simply to increase the volume of funds at the disposal of already corrupt government officials and kleptocratic elites. As found in a study, an increase in aid influx is associated with a statistically significant increase in corruption, and vice versa.

Studies also show that ODA transfers in a corrupt setting ultimately end up funding wasteful government spending that is falsely labeled as “development expenditures.” While aid does increase government consumption, this does not typically benefit the poor because money is wasted on white elephant projects and other expenditures that provide ample opportunities for graft. The influx of foreign funding makes it possible for the recipient government to reduce its own allocation of resources in the sector that receives ODA, and to allocate these resources elsewhere. This fungibility is problematic insofar as it increases the scope of corruption and rent-seeking. The fungibility effect makes it easier

for corrupt officials to reallocate and conceal some of the surplus funding into wasteful expenditures and fraudulent or overinflated procurement costs that provide tool for graft because at the end of the day, the initial announced objectives of these government funds are met using the funds coming from foreign aid. As long as corrupt leaders have just enough results to show their donors, they are able to do as they please with the remainder of the funding.

Aid influx has also been shown to distort the domestic balance of power in recipient countries. It tends to accrue specific elite groups of people who are already in power. Specifically, aid tends to tip the balance of power in favor of the executive branch of the government. And this heightened power of the executive branch often leads to a “strong president, weak parliament”. High aid dependency tends to reinforce strong presidentialism in recipient states, with few checks and balances on the president’s decision-making power. Findings also suggest that an increase in government revenue in the presence of powerful and competing social groups leads to a lower provision of public goods because much of the influx is captured by powerful lobbyists.

***Conceptual Framework (Figure 1)***



In this model, we can see that the independent variable is the foreign aid the donor country gives to the recipient country. Since foreign aid as it is, ideally should be free from motives, it is within the intervening variables that it gains motives. It is the intervening variables that affects the outcome of the foreign aid given by foreign countries to a donor country which would in turn determine the success of the development projects and recipient country's economic development – which are the dependent variables in this study.

### ***Scope and Limitation of the Study***

This research only seeks to expose the factors of the derailment of one of the Chinese-funded development projects, particularly the NBN – ZTE Project during the Arroyo Administration, and relate it with the theories used in this study.

### ***Timeframe of the Study***

Three to four months will be allotted by the researcher to gather and analyze data for this study.

### ***Research Instruments***

In order for the researcher to investigate on the documents regarding the derailed project, the researcher must acquire documents from the Senate investigations about the NBN ZTE Deal, which are vital to the achievement of the objectives of the research, and interview with one of the prime characters of the deal.

### ***Data Analysis***

Since the case already has its indisputable facts investigated and discovered by the Senate, the researcher therefore shall start from there by repeating the narration of the case

in a much simpler manner, exposing the other senate investigation findings on the loopholes of the lavish contract and the hidden agenda behind this deal. Using these gathered data, the researcher will examine the facts from the data collected and triangulate them with the data gathered from the actual interview with the whistleblower and look into the relationship of these evidences to test it with the existing theoretical framework.



CHAPTER IV

**FINDINGS AND  
DISCUSSIONS**

## **FINDINGS**

To provide a background on the scandal, here is an excerpt from the NBN-ZTE executive summary from the Senate Committee on Accountability of Public Officers and Investigations or the Blue Ribbon Committee:

This is a story of how people in high places - the relatives of the most powerful men and women in the government took advantage of their relationships, either with their parent or spouse, to cajole the Executive into entering a national broadband contract that would obtain something our country did not need, and which is manifestly disadvantageous to the Filipino people. It is about the war of the most powerful, most influential, and most organized syndicates in the government, some members which are public officers who were at each other's throats because of an alleged double-cross. It is about the never-ending battle among the political elite for economic power, domination, and control.

The broadband project, which was the subject of the investigation that lasted two years, was doomed to fail since its inception. According to the Precis of the Capsulized Separate Concurring and Dissenting Opinion by the late Senator Joker Arroyo, this broadband network was the subsequent sin that originated from the original sin which is set as the precursor of this national broadband network project's fate.

The original sin he referred to in his opinion was the Government Telephone System, a project implemented before the imposition of martial law, which was intended to connect the government offices in the entire country. It became a colossal failure, yet the government maintained it for years after losing so much money. Despite this monumental blunder, then again as if the Congress had not learned anything from the previous mistake, enacted the Municipal Telephone Act of 1989. This act, as the bill stated, aimed to connect Municipal to International, Municipal to Metro Manila, Municipal to

Provincial Capital, and Municipal to Municipal. Then later on was expanded to connect to the Barangays, hence the naming of it as Telepono sa Barangay in the latter time.

The subsequent sin, as aforementioned, is this national broadband network. Despite the government's background on its failure to implement two simple telephone systems in the past, still they embarked on the sophisticated, lavish, and constantly changing technology of the broadband network.

The standard operating procedure for projects this size and proportion, its nature, its technology, and the financing aspect had to be pre-screened and approved by the NEDA and its cabinet-level screening committee. But what happened was that NEDA was purposely bypassed, with their consent, by them just skimming over the details of the project and giving it perfunctory review, then they allowed the DOTC to run the entire show.

Questions arose as to the nature of the funding, but answers from NEDA and DOJ led up to the project being a loan. A law entitled Government Procurement Act, or RA 9184 was enacted six years ago from that time being, precisely to prevent irregularities in awards and bidding of government projects. But, it was not applied to the ZTE contract on the grounds that the Government Procurement Act does not apply to loans.

### **Introduction to the National Broadband Network Project and ZTE**

Before discussing further, what exactly is the NBN or the National Broadband Network? According to the project's technical adviser himself, Engr. Rodolfo Noel "Jun" Lozada, Jr., the whole idea of the NBN was to provide a public digital highway for the entire country that should unleash the digital economy of the Philippines. To provide an analogy to better understand what does this mean, he compared what a digital highway is

to that of a public road. In roads, we see lots of vehicles and people moving, and these are all considered to be goods. These roads allow people, vehicles to move freely from one place to another since it is their purpose – they are built for that reason. So now, imagine if these roads were private, you'll pay every time you use them and the cost of the transfer of goods would be much more expensive. Today, our generation is dealing with digital goods (i.e. the use of social media, Spotify, Netflix, etc.) and these digital goods also need digital roads. And apparently, our current digital roads are private, hence we have to pay for the most expensive yet slowest internet in the region. Knowing that this will happen 15 years ago, Engr. Lozada had a vision that through the NBN Project that we'll have a government-owned network and all you have to do is pay for the technology that will connect you to the government network at a very cheap price, and from then on you will have a very fast and very cheap internet since in a broadband network, its speed is 100,000 times faster than what we have today since that's what broadbands do. The main point is that the digital economy will change everything, and the purpose of the NBN is to provide a public digital highway for all the digital goods for us to cope with the technological advancements in this digital age.

Whereas ZTE or the Zhongxing Telecommunications Equipment, is a Chinese multinational telecommunications equipment and systems company headquartered in Shenzhen, China. It is one of China's leading telecom equipment manufacturers and its ownership is classified as state-owned but its management is considered private.

### **The Memorandum of Understanding and the Loan Contract Agreement**

In *Figure 1*, an excerpt from the MOU, it is stated in the Memorandum of Understanding or MOU that the capital and operating costs for the development and

implementation of the investment projects, in the amount of US\$ 4 Billion, shall be funded and fully provided by ZTE and ZTE shall provide all the technical know-hows and specialized technologies for the development and implementation of the investment project. Note that this US\$ 4 Billion is not solely dedicated to the National Broadband Network Project since there are other investment activities in the MOU, but I am to focus only on the NBN.

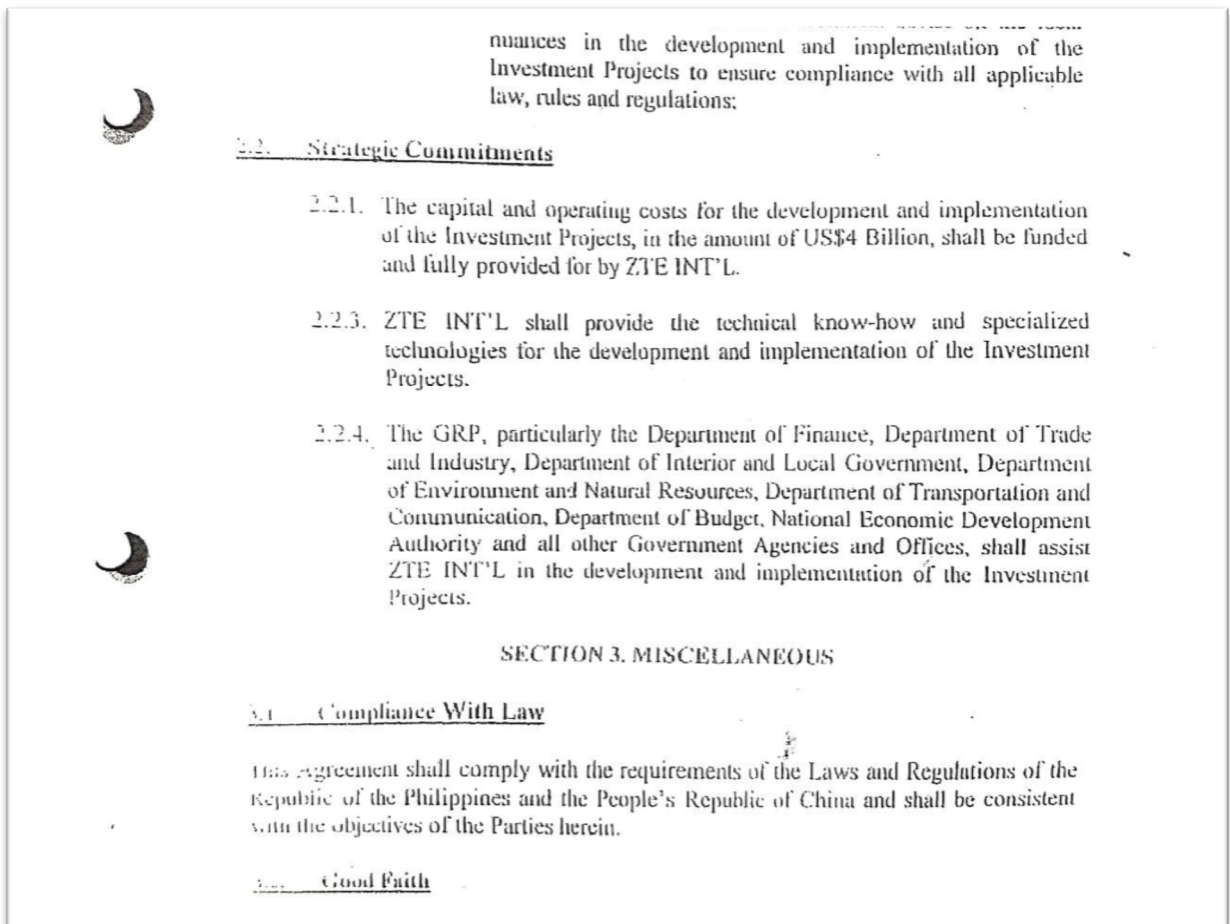
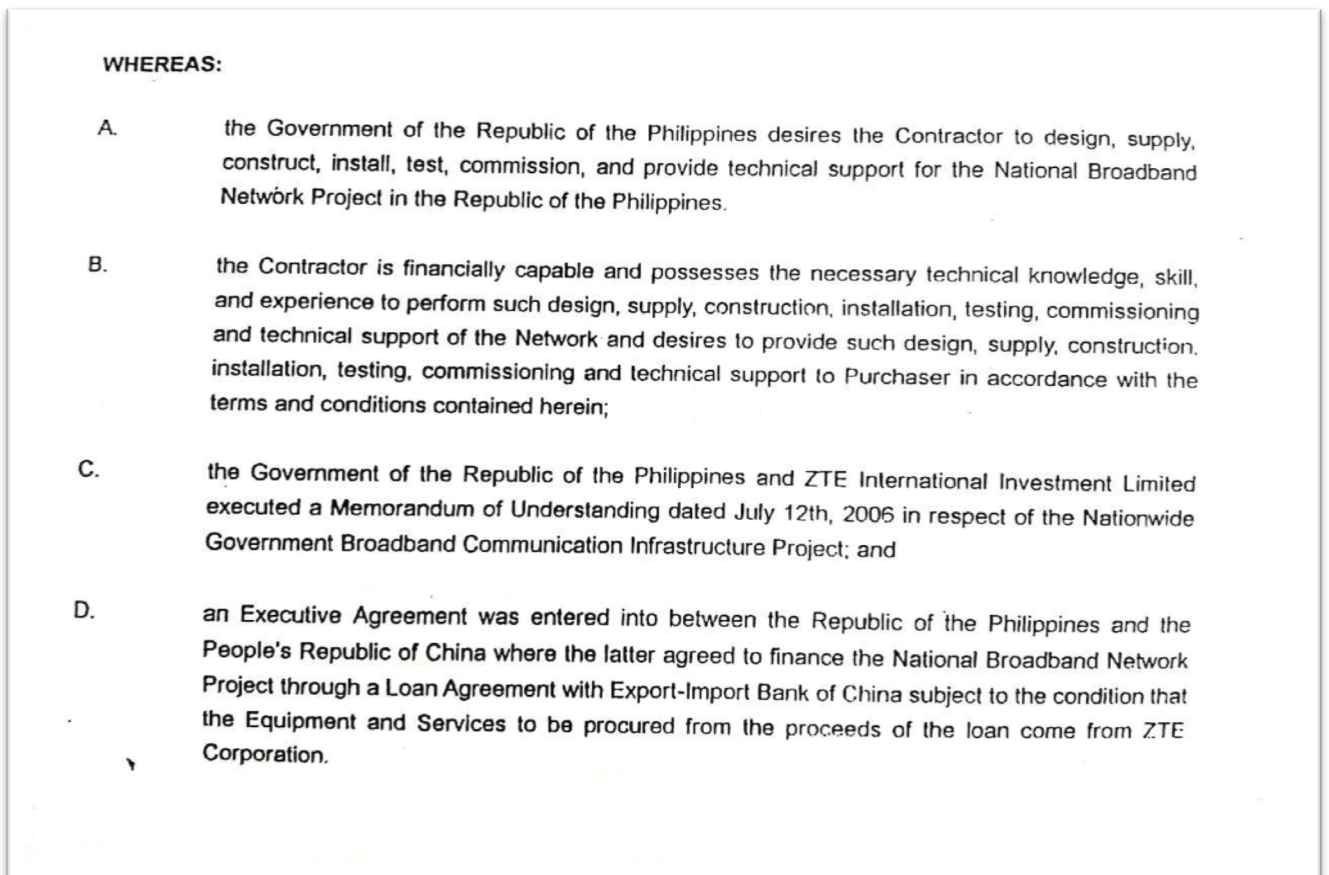


Figure 2

Meanwhile, here are excerpts from the loan contract itself. In *Figure 3.1* and *Figure 3.2*. If you are familiar with the conditionalities of Chinese aid, they are infamous for their conditionality that they will lend you money but you are only to spend this borrowed money on Chinese products and pay for Chinese labor. They will provide all the technical know-hows and the only obligations of the borrower are to pay for the loan itself and pay for the taxes and all other necessary fees in the country for importing products from China.



*Figure 3.1*

**ARTICLE 16: SCOPE OF WORK**

- 16.1 The Contractor shall be responsible for the supply, installation, testing, training of purchaser's personnel and commissioning of the Equipment with the cooperation of the Purchaser. The Purchaser shall provide the necessary conditions and facilities for the performance of the Work. The Scope of Work of the Parties is specified in Attachment C.
- 16.2 The Contractor shall prepare and complete the detailed Engineering Services, the plans, specifications and designs and submit the same for approval of the Purchaser.
- 16.3 As specified in the attachment in this Contract, the Contractor shall:
- (a) Prepare and complete the detailed engineering studies, plans, specifications, and designs for the project and submit the same for approval by the Purchaser;
  - (b) Supply the required equipment, parts, and materials;
  - (c) Install the Equipment and execute any required construction work in accordance with the approved plans, specifications, and designs;
  - (d) Implement agreed technical services; and
  - (e) Provide the required maintenance assistance for the duration agreed upon by the parties hereto.

*Figure 3.2*

In *Figure 4*, this is where the anomaly started. Here is the portion of the contract stating its total contract price of US\$ 329,481,290. But as we are all well aware of, US\$ 200,000,000 of this total price are bribes for our politicians – more than half of the cost of the project itself.

#### ARTICLE 7: PRICE OF THE CONTRACT

The total Contract Price is US\$ 329,481,290 (say, United States Dollars Three Hundred Twenty Nine Million, Four Hundred Eighty One Thousand, Two Hundred Ninety only), which consists of:

- 7.1 price of the Equipment as set out in **Attachment A** (Priced Bill of Quantities), which is US\$194,051,628 (say, United States Dollars One Hundred Ninety Four Million, Fifty One Thousand, Six Hundred Twenty Eight only) on the basis of CIP Manila for all deliveries of the Equipment (INCOTERMS 2000);
- 7.2 price of the Engineering Services, which is US\$118,605,650 (say, United States Dollars One Hundred Eighteen Million, Six Hundred Five Thousand, Six Hundred Fifty only) for all deliveries of the Engineering Services;
- 7.3 price of the Managed Services, which is US\$14,875,507 (say, United States Dollars Fourteen Million, Eight Hundred Seventy Five Thousand, Five Hundred Seven only) for all deliveries of the Managed Services; and
- 7.4 price of the Training, which is US\$ 1,948,505 (say, United States Dollars One Million, Nine Hundred Forty Eight Thousand, Five Hundred Five only) as set out in Attachment A.
- 7.5 All prices mentioned above are net prices, exclusive of all taxes.

*Figure 4*

#### **What provoked the investigation of this contract?**

The president herself, Gloria Macapagal Arroyo, flew to China to witness the signing of the loan agreement. But the thing is, the agreement was with ZTE, a Chinese government corporation, and not with the People's Republic of China. It triggered questions of propriety because the contract was not between the Republic of the Philippines and the People's Republic of China, hereby making it nothing but a commercial transaction.

An interested bidder, ARESKOM, was prejudiced by the awarding process adopted. Their complaint was sent through the US Ambassador Kristie Kenney, bypassing



protocolary channels by writing directly to NEDA Secretary Romulo Neri and DOTC Secretary Leandro Mendoza. This complaint helped provoked the investigation.

Meanwhile, Amsterdam Holdings headed by Jose de Venecia III was also an interested bidder pushing to capture the national broadband contract. He complained through media, later claimed that he was a whistleblower but however, there were many times in this scandal that he could have blown the whistle but he did not. He only started complaining when he did not get this way. From then on, things got out of hand when he spilled the beans.

**What has been said above is just a mere summary of the narrative of the NBN-ZTE deal. Let us look closely to the specifics of what went down with the deal, starting from the political climate during those days. Quoting the introduction of the final committee report by the office of Sen. Richard Gordon, it is stated that:**

The year is 2006 and China is a growing superpower. We want to be friends with her She has so much excess liquidity that she is willing to lend money at practically bargain basement rates. We seek her friendship, we seek her investments. This is not without reason: for she is our close neighbor and this is indeed going to be China's century.

It was also nearing the 2007 midterm elections. It was a good time to make money or to raise money for the campaign; it was also a period to make more money with very few people noticing. And for the corrupt, it was the best time to make big money from government transactions.

This was the prevailing atmosphere when the most powerful and influential in government decided to broker the National Broadband Network with the Philippine government. There are no saints here, and the whole scene is a stink fest.

**Who are the main proponents of this scandal? To enumerate, they are:**

Former COMELEC Chairman Benjamin S. Abalos;  
Mr. Jose “Joey” De Venecia III;  
First Gentleman: Atty. Jose Miguel Arroyo;  
Former Speaker Jose De Venecia, Jr.;  
Former NEDA Chairman/Former CHED Chairman Romulo Neri;  
Engineer Rodolfo Noel “Jun” Lozada, Jr.;  
President Gloria Macapagal Arroyo

Their roles on this scandal will be narrated later on on the latter part of this study.

**THE HISTORY AND TIMELINE OF THE SCANDAL**

Based on the evidences and testimonies submitted to the Senate, the following are the indisputable facts:

The history of the NBN-ZTE controversy traces back to the dinner in the home of then Speaker Jose De Venecia, Jr. Present in the dinner were the People’s Republic to China Ambassador Li Jinjun, DTI Sec. Peter Favila, NEDA Secretary Romulo Neri, DoF Secretary Margarito Teves, and DoE Secretary Raphael Lotilla. There in that dinner, a Framework of Cooperation between the Government of the Republic of the Philippines and the People’s Republic of China was conceived. Dinner attendees then wrote a letter, which was endorsed by the then Speaker De Venecia, to the Ambassador of People’s Republic of China thanking him for his presence and being open to discuss the said framework for economic cooperation. A Northrail project was mentioned during the meeting as one of its indicative projects but there was no mention of any Broadband deal.

Months after the said dinner, the Government of the Republic of the Philippines (GRP) entered into a Memorandum of Understanding with the People’s Republic of China (PROC) for the establishment of a Philippine-China Economic Partnership. Then NEDA

Secretary Neri and DTI Sec. Favila signed for the Philippines while Minister of Commerce Bo Xilai signed for China. The MOU came about when the Ministry of Commerce of China and the DTI of the Philippines hosted the China-Philippines Economic Partnership Forum held on June 5-6, 2006 in Manila.

The MOU comes with the following objectives:

Sec. 1 To promote the development of Chinese-Filipino trade and economic relations, the two sides agreed to make joint efforts toward a bilateral economic partnership.

Sec. 2 To enable the establishment of the economic partnership, the two signs agreed to sign the framework agreement of the two governments of PRC and RP on the establishment of the bilateral economic partnership on the basis of serious discussion.

Sec. 3 (a) Identifying the areas of cooperation, including but not limited to:

-Agriculture and fishery

-Housing construction

**-Public Works and Infrastructure**

- Tourism

-Mining

-Energy and Power

-Industrial Parks (Economic Zones)

-Rehabilitation and Investments in textile mills/garment factories

-Container inspection machines

**-ICT-based education**

(b) Establishing a functional working mechanism under the Joint Trade Committee to substantiate the cooperation.

(c) Making mutually acceptable financing arrangements to substantiate the cooperation.

It is noted that this MOU did not mention any Broadband network, but however in the following month of July in the same year of 2006, another Memorandum of Agreement was executed. And this would be the first time that Broadband appears in the said agreement. Unsurprisingly, the MOU was between the Philippines and the ZTE International Investment Limited.

Provided in the MOU between the Philippines and ZTE are its STRATEGIC COMMITMENTS:

The capital and operating costs for the development and implementation of the investment projects, in the amount of US\$4 Billion, shall be funded and fully provided by ZTE International.

ZTE shall provide the technical know-how and specialized technologies for the development and implementation of investment projects.

The GRP, particularly the DOF, DTI, DILG, DENR, DOTC, DBM, NEDA, and all other Government Agencies and Offices, shall assist ZTE International in the development and implementation of the investment projects.

“Investment projects” include the National Government Broadband Communication Infrastructure Project.

Days after the conception of the MOU between the Philippines and the ZTE, then President Gloria Arroyo delivered her State of the Nation Address (SONA) and there she mentioned a Cyber Corridor Initiative that shall boost telecommunications, technology, and education. It was allegedly because of this statement of the President that the Amsterdam Holdings, Inc. proponent Jose “Joey” de Venecia III came into picture and submitted an unsolicited proposal of Build-Own-Operate (BOO) project Orion Network to NEDA, rather than to DOTC which was the implementing agency. NEDA then passed on

the proposal to DOTC and DOTC Secretary Soneja told Mr. Joey De Venecia to submit the final version of proposal not later than Feb. 26, 2007.

On two different dates, the NBN Communications Infrastructure Project proposal of ZTE Corporation was endorsed to NEDA by CICT for further evaluations; then shortly after, the national broadband network was officially endorsed to NEDA by CICT as a government project, not as Build-Operate-Transport (BOT). However, the latter endorsement was denied by the former CICT Chairman Sales but Engr. Lozada alleged that it was not Sales who endorsed it but the Assistant Secretary Lorenzo Formoso of DOTC, the head of Telecommunications Office or TOLOF.

Shortly thereafter, on consequent dates, President Gloria Macapagal-Arroyo, First Gentleman Jose Miguel Arroyo, and Speaker Jose De Venecia went to Hong Kong. A day after, COMELEC Chairman Abalos followed them to Hong Kong. Travel documents also indicate that Engr. Lozada was also present in Hong Kong from October 29 to November 6, 2006. It was during one of those days that the iconic lunch and golf with the ZTE officials happened.

By November 21, during a meeting of a NEDA, President Arroyo supposedly laid down conditions regarding the NBN project. These conditions include that the NBN should be undertaken via a Build-Operate-Transfer (BOT) scheme but despite the President's insistence that the project be undertaken via BOT, the Presidential Chief of Staff on the same day writes to China's Minister of Commerce Bo Xilai if they are interested in providing a "financial facility and tech support for the NBN project." In two weeks time, China's Ambassador to the Philippines Li Jinjun informed the Philippine government, through the Chief of Staff Mike Defensor, that their government would provide a

Preferential Buyer's Credit financial support through China Exim Bank and China also designated ZTE Corporation as the prime contractor.

The rival bidder, Joey De Venecia, only knew the real score on the situation after the Presidential Chief of Staff sent the letter of appeal to the Chinese government to finance the project. Also some time in December, Joey De Venecia alleged that Benjamin Abalos offered him a technical partnership with ZTE in exchange for US\$ 10,000,000.00. Meanwhile on December 4, 2006, the managing director of AHI, Ernesto Garcia, wrote a letter addressed to Secretary Mendoza stating that: "The Speaker's Office had instructed me to forward the attached material to your office, ASAP.", and the aforesaid material was a draft letter to be signed by Secretary Mendoza endorsing the AHI-constructed NBN project to NEDA. Then on December 6, Joey De Venecia submitted his AHI proposal with the DOTC - which was two months after NEDA Sec. Neri endorsed the NBN project as a BOT. Shortly after two days, CICT informed NEDA of the AHI proposal and that NEDA cannot continue with its evaluation on the ZTE-NBN proposal anymore because it is incomplete.

On December 27, 2006, former COMELEC Chairman Abalos was accompanied by Joey De Venecia to Hong Kong wherein allegedly, Abalos demanded from ZTE the balance of his commission from the project as well as the share of the President and of the Speaker. The following week, NEDA requests DOTC to take the lead in the preparation and implementation of the cyber-corridor project. Also some time in January, Abalos told NEDA Sec. Neri: "Sec, may 200 ka dito." Secretary Neri said he mentioned such conversation to the President where the president told him not to accept the bribe.

In the latter part of January, year 2007, Comelec chairman Abalos berated and cursed Engr. Lozada over the phone and accused him of double-crossing Abalos with the

help of Joey De Venecia. Abalos then claimed that he is in possession of several wiretapped conversation between the two he's accusing. After the said conversation, Engr. Lozada allegedly distanced himself from the project. Meanwhile, some time in February at the height of the campaign for national elections, at a reconciliatory meeting at Wack Wack Golf and Club, the first gentleman Arroyo shouted at Joey De Venecia to "back off."

Not surprisingly, on February 13, the Office of the President issues an Executive Order 603 which orders the transferring of the Telecommunications Office (TELOF) and all other operating units directly supporting communications from the Communication on Information and Technology (CICT) to the direct supervision and control of the Department of Transportation and Communications (DOTC). The significance of which is that the implementing arm of the broadband project would be DOTC-TELOF.

A series of meetings with the concerned offices regarding the Cyber Education Project was held. They sorted out possible overlaps of the proposed cyber education project with existing and proposed projects of similar nature on communications infrastructure backbone network. Afterwards, the same concerned offices discussed the proposals of the DepEd, ZTE, and Orion Network for the National Broadband Network. The following day, NEDA requests DOTC to reconcile the Cyber Education Program of the DepEd with NBN project as financed by the People's Republic of China and the NBN project for Build-Operate-Own (Orion Network). Immediately the following day, the technical working group (TWG) - Information and communication technology (ICT) composed of the same concerned offices of TELOF, NTC, CICT, and DOTC reviewed the two project proposals. The TWG then determined that the DepEd's proposal for its own broadband network directly overlaps the IP-based National Broadband Network. Further, that the Orion proposal was unsolicited, which aims to service both private sector and government needs

through a Build-Operate-Transfer (BOT) scheme whilst the ZTE “will establish a telecommunications network to service a single platform for all ICT services which shall be financed through loans.”

February 27, 2007. NEDA again requests DOTC to submit a reconciled project proposal on Cyber Education Project - National Broadband Network projects. Then on the following day, February 28, the Technical Working Group issued a memorandum for the Bids and Awards Committee for ICT projects of the DOTC recommending the establishment of a single national broadband network to cater the needs of the government in VOIP, e-governance, e-government services, and e-learning services through the Department of Education. DOTC-TWG then still on the same day submitted its report on the evaluation it has conducted on the proposals of ZTE and AHI on the NBN project to DOTC-BAC. On the following day of March 1, ZTE submitted its revised proposal to DOTC then immediately on the same day, the Bids and Awards Committee reviewed and evaluated the revised proposal and presented the conditions to ZTE. Also, still on the same day of March 1, 2007, DOTC Secretary Mendoza and CICT Ramon Sales wrote a joint letter to NEDA recommending the establishment of a single broadband network and containing the following conditions that the BAC came up with:

- The project should satisfy the network requirements of the various government agencies for VOIP, e-government, and e-education;
- The system should be designed and implemented considering the demands in areas not covered by existing services. Corollarily, the system should take into account and utilize and integrate, if possible, existing private and public telecommunications infrastructure; and



- The funding should fully cover all requirements of the project including those for its initial operation and maintenance.

It is noteworthy that this March 1 letter of Sec. Mendoza and Sec. Sales to the NEDA Chair came 5 days advance of the BAC Resolution No. ICT 07-0002 dated March 6. This BAC resolution of the DOTC is the document which formally adopted the findings of the TWG and recommended that the findings be forwarded to NEDA. It was made obvious that something was happening under the table when the two secretaries attached the said BAC resolution to their March 1 letter to NEDA when the BAC for ICT only came out with its findings on March 6. Clearly, this shows that there is an unbelievably hyper-efficient government at work or fast, speedy express to ensure the commissions.

Fast forward to March 29. NEDA director Reynosa Jr. recommends the implementation of the project, provided that an Executive Order (EO) be issued directing government offices to utilize the NBN project and for DOTC to ensure and Environmental Compliance Certificate from DENR. Then, on the very same day, **NEDA approved the NBN-ZTE project.** NEDA-ICC and NEDA approved the NBN project on the basis of its technical and socio-economic merits and with DOTC as the implementing agency.

On April, 3, NEDA Director and Board Secretary issued a certification that NEDA approved the NBN-ZTE project on May 29, 2007. Then on April 10, BAC for Information and Communications Technology recommends that the procurement for the Supply and Equipment of the NBN project be undertaken through direct contracting. Thereafter, on April 16, DOTC requested the opinion of the Government Procurement Policy Board (GPPB) on whether the contract with ZTE Corporation was exempted from RA 9184 or the Philippine Procurement Law. GPPB opined that since the procurement was premised on Sec 4 of RA 9184, the favorable opinion of GPPB was not required. It suggested that

instead, the DOTC should get a DOJ opinion stating that the ZTE contract was an executive agreement and thus exempt from the requirements of RA 9184 or the Government Procurement Reform Act.

On the same day, the following were accomplished by the Technical Working Group of DOTC:

- The TWG for ICT conducted an evaluation of the ZTE proposal.
- The TWG recommends signing of contract.
- The TWG recommends that the DOTC legal review the contract.
- The TWG recommends that a DOJ opinion be sought on the mode of procurement used.
- The TWG recommends that a Special Authority be granted by the Office of the President allowing the latter to enter into a contract with ZTE Corp.

On April 20, 2007, the eve of the signing of the contract, President Arroyo granted Secretary Mendoza full powers to sign the NBN project contract with ZTE Corporation even without the aforesaid DOJ opinion.

On the same day of April 20, the following government agencies did the following:

- DOTC Legal Service issued a Memo to the Secretary stating that they have reviewed the ZTE contract and finds it in order.
- DOTC Legal Service opined that no public bidding is required on the NBN project based on the exchange of notes between GRP and PROC.
- NEDA sent a letter to Minister Bo Xilai and Chair Li Ruogu of China Exim Bank endorsing NBN project for loan financing of the PROC.

Still on April 20, then President Gloria Macapagal-Arroyo already knew that there was something wrong with the NBN-ZTE deal. (This was admitted by GMA on February 23, 2008 in her DZRH interview. She said that she first learned of the irregularities in the US\$ 329.48 million broadband contract with the ZTE Corporation on the eve of the signing of the Supply Contract in China on April 21, 2007.)

The following day of April 21, 2007, the DOTC, through Sec. Leandro Mendoza, and Zhong Xing Telecommunications Equipment (ZTE), through its Vice President Yu Yong, executed in Boao, China, a “Contract for the Supply of Equipment and Services for the National Broadband Network Project” worth US\$ 329,481,290 (approx. Php16 Billion). This signing was witnessed and attended by no less than the President herself, who took a time out from her multifarious duties and pressing family crisis as the first gentleman was in the hospital that time. The ZTE contract was to be financed through a loan that would be extended by the PRC through the Export-Import Bank of China.

This was the beginning of the end.

The original supply contract signed in Boao, China dated April 21, 2007 was lost on the same day by Phil. Commercial Attache Mr. Emmanuel Ang.

April 27, 2007, Philippine Star columnist Jarius Bondoc wrote in his column that an unnamed Comelec official had a hand in the approval of the NBN deal, which was supposedly overpriced.

On May 28, 2007, DOTC requests the Department of Finance to facilitate the loan from EximBank of China. However, it was only on July 26, 2007 or 3 months after the GRP has already entered into the Supply Contract, when the DOJ Opinion No. 26 (2007) was issued, stating that:

(a) The exchanges and correspondence between the Presidential Chief of Staff Defensor and Chinese Minister for Commerce Bo and Ambassador Li may be considered an Executive Agreement between the GRP and PROC;

(b) The designation of the ZTE Corporation as the project's prime contractor in the exchange of notes has to be observed pursuant to Sec 4 of RA No. 9184 and the principle of *pacta sunt servanda*; and

(c) The guidelines of China Exim Bank on procurement shall be followed, unless the loan agreement with the said institution is silent as to the governing guidelines, in which case, the IRR-A of RA No. 9184 may apply.

On the issue of procurement, DOJ Opinion No. 26, series of 2007 expressly mentioned the provision of Commonwealth Act. No. 138 which stated that:

*Any treaty or international or executive agreement affecting the subject matter of this Act to which the Philippine government is a signatory shall be observed.*

DOJ Opinion No. 46 also classifies the Supply Agreement signed by Sec. Mendoza as an Executive Agreement.

Iloilo Vice Governor Rolex Sulpicio then filed before the Supreme Court on August 1, 2007, a Petition with Application for a Temporary Restraining Order (TRO) and Writs of Permanent Injunction to stop the implementation of the NBN-ZTE deal. It alleged the awarding of the contract to ZTE Corporation lacked transparency, was manifestly disadvantageous for the government, and was overpriced and shrouded with kickbacks.

Days after, Secretary Neri, for reasons only known to him and GMA, was transferred from NEDA to the Commission on Higher Education (CHED).

August 29, 2007, Representative Carlos Padilla identified COMELEC Chairman Abalos as the official who brokered the project.

On September 3, ZTE Corporation issued a press statement that there had been a “complete transparency in the proposal, evaluation, and approval of ZTE’s application for the Philippines NBN contract.” But however, the Supreme Court, acting on the Sulpico petition, issued a TRO on September 11, 2007 restraining the GRP from proceeding with the NBN-ZTE project.

September 18, 2007 was the day that the Senate began its series of investigations, followed by hearings on September 20, 26, 27, October 25 and November 20 hearings. In 2008, the Senate conducted hearings on January 30, February 8, 11, 18, 26 and March 11. The final hearing of the Senate was on September 1, 2009. During these aforementioned dates, these are what went down:

- September 22, 2007, Arroyo suspends the NBN-ZTE contract.
- October 1, 2007, then Chairman Abalos resigned from COMELEC.
- October 2, 2007, while on a state visit to China, Arroyo cancelled the NBN deal with ZTE Corporation.
- January 30, 2008, Engr. Lozada and Sec. Neri snubbed the subpoenas to testify before the Senate. Lozada allegedly flies to London for a seminar.
- After snubbing the January 31, hearing, Senate ordered the arrests of Sec. Neri and Engr. Lozada.
- February 4, 2008, Speaker Jose de Venecia was ousted as the Speaker of the House of Representatives.
- February 5, 2008, the SC granted Sec. Neri’s request for the issuance of a TRO to prevent the implementation of the Senate arrest order. On that same day, Engr. Lozada arrived from Hong Kong but supposedly disappeared upon his arrival.

- February 7, Lozada resurfaced after evading the Senate warrant of arrest. In subsequent Senate hearings, he alleged that he was kidnapped by state agents to prevent him from testifying before the Senate. He linked COMELEC Chairman Abalos and First Gentleman Mike Arroyo to the NBN deal with the ZTE Corporation.
- February 26, the Senate takes custody of Dante Madriaga, testifying that he was a consultant of Mr. Leo San Miguel and that he received an email from Leo San Miguel detailing the “tongpats” made in the project.
- March 11, Mr. San Miguel testified before the Blue Ribbon Committee that he was just a consultant with ZTE and he did not know of any anomalies in the transaction. In previous testimonies, Mr. Jose de Venecia III and Mr. Madriaga alleged that Mr. San Miguel was part of the Abalos group.
- March 25, 2008, the SC voted 9-6 in favor of Romulo Neri’s petition where the President invoked executive privilege in relation to the three questions that the Senate required him to answer during the hearings on the NBN-ZTE. This judgement was later affirmed by the Supreme Court on September 4 after dismissing the Senate’s Motion for Reconsideration. This affirmation of the President’s claim of executive privilege became a major stumbling block in the Committee’s quest for truth.
- August 27, 2009 the Office of the Ombudsman ordered the filing of criminal charges against former COMELEC Chair Abalos and former NEDA Sec. Neri in connection with the controversial NBN-ZTE broadband deal.
- Finally, on Sept. 1, Sen. Richard Gordon conducts the 13th and final hearing of the NBN-ZTE controversy to tie up loose ends of the data gathered.

Based on the disputable facts narrated above, here are the findings of the Blue Ribbon Committee:

1. President Gloria Macapagal Arroyo allowed ZTE to win the NBN project, even if at the initial staged she spoke as if she wanted a private Build-Operate-Transfer, no sovereign guarantee, “pay-as-you-use” broadband. However, she definitely condoned the corruption. If not for the public uproar brought about by the NBN-ZTE investigations, she would not have cancelled the contract.
2. Former Comelec Chairman Benjamin Abalos shamelessly brokered the approval of the ZTE contract. His lobbying efforts were confirmed by Chairman Neri, Mr. de Venecia III, Engr. Lozada, Sec. Teves, Sec. Mendoza, and Mr. Leo San Miguel. While Chairman Abalos’ alleged attempt to bribe Chairman Neri may be, for some, a case of one’s word against the other, it is an established fact that Chairman Abalos was pulling all the strings in the government for ZTE to land the NBN contract.
3. Mr. Jose de Venecia III is bound by the prohibition in Section 5 of the RA No. 3019 prohibiting a relative of the Speaker of the House up to the 3rd civil degree from intervening directly or indirectly in any business, transaction, contract or application with the government. Moreover, Mr. de Venecia III spilled the beans regarding the NBN-ZTE scam, Chairman Abalos’ influence peddling, and First Gentleman’s improper intervention not because he was a patriot but her was vengeful. Mr. de Venecia III did not come to the Senate with clean hands. The only reasonable answer for him spilling the beans was that he was part of the stinking deal, he only

spoke out because he was not happy with his share or that he had lost his share.

4. First Gentleman Arroyo intervened-improperly when he allegedly told Mr. de Venecia III to back off from the NBN project. First Gentleman Mike Arroyo, as the President's spouse, is prohibited by Section 5 of Republic Act No. 3019 from intervening directly or indirectly in any business, transaction, contract or application with the Government. By attending that meeting at the Wack Wack Golf and Country Club and telling Mr. de Venecia III to back off, he actively intervened in a government contract in violation of this prohibition.
5. There are badges of irregularity in the acts of Secretary Mendoza as well as in the acts of his two Assistant Secretaries, Soneja and Formoso. DOTC Secretary Mendoza's signature can be found in a document that endorsed the project to NEDA. This signature in that same document pre-dates the receipt of his office of the memo being quoted and adverted to. Also, Secretary Mendoza also talked with Mr. Jose de Venecia III in the Speaker's house about the NBN project. This is at the very least improper considering he knows his department is primarily responsible for the NBN. However, it also indicates that he was in it too. Finally, he was in the reconciliatory meeting at Wack Wack showing that he has an interest in the contract. It suggests that he was acting as a mediator which should not really be his job. It seemed like all the most important characters in this controversy were in Wack Wack at that time. Assistant Secretary Soneja as head of the BAC



bears responsibility too. He was in many meetings; he endorsed the Memo and was part of the overzealous process of the BAC.

6. It should be noted that Engineer Lozada knew a lot regarding the transaction of the NBN-ZTE contract because from the start, he was part of the grand scheme to defraud the government. He is not innocent; in fact, he was conspiring with Secretary Neri and the group of Mr. Jose de Venecia III and then Comelec Chairman Benjamin Abalos on how to protect their "tong-pats". Therefore, he should be investigated and or charged together with then Chairman Romulo Neri as principal by indispensable cooperation with whatever charges that then Chairman Neri are charged with. Engineer Lozada is no saint. He was a co-conspirator from the start who chose to confess and tell what he knows when things got too hot to handle.
7. Secretary Neri was lobbying for the BOT of Mr. Jose de Venecia III and instead of stopping the project as a responsible public officer would have done, Secretary Neri instructed Engineer Jun Lozada to "moderate the greed" or "alagaan mo yang mga yan kasi may political sponsors."
8. Secretary Atienza and then Deputy Executive Secretary Gaitanillo conspired with Engineer Jun Lozada to prevent the latter from testifying in the Senate. Deputy Executive Secretary Gaitanillo even generously gave P500,000 of his alleged "personal" money so that Mr. Lozada will have something to spend in Hong Kong.
9. RA 9184 is regularly circumvented in cases of foreign loans. In this particular instance, not only did the Philippine government allow the Chinese government indicate a single supplier, this supplier also dictated a

price that was overpriced by US\$130 Million compared to the unsolicited proposals of other suppliers. As the Official Development Assistance (ODA) Act of 1996 expressly states that the President of the Philippines may, when necessary, agree to waive or modify the application of any provision of law granting preferences in connection with, or imposing restrictions on, the procurement of goods or services. Thus, it can make anything that deals with foreign loans beyond the ambit of RA 9184. Moreover, as shown by the NBN-ZTE scandal, even foreign funded projects are not free from corruption. Some high ranking officials are able to manipulate government contracts and make a fortune, if not a golden parachute out of it.

10. The NBN Project is not exempt from competitive bidding required by Section 4 of RA 9184 even if the Supply Contract is classified as an Executive Agreement. The Government Procurement Reform Act requires public bidding in **all procurement** of infrastructure, goods and services. Section 10, Article IV of the Government Procurement Reform Act provides: "Section 10. Competitive Bidding - **All procurement shall be done through Competitive Bidding**, except as provided for in Article XVI of this Act." In addition, Section 4 of the Government Procurement Reform Act provides that the Act applies to government procurement "regardless of source of funds, whether local or foreign." Hence, the requirement of public bidding applies to foreign-funded contracts like the ZTE Supply Contract. The DOJ Opinion No. 46 is erroneous as an executive agreement is an agreement between governments. The Executive branch has defined an

"international agreement," which includes an executive agreement, to refer to a contract or an understanding "entered into between the Philippines and another government." That the Chinese Government "designated" the ZTE Corporation to supply the goods and services to, the Philippine Government does not make the ZTE Supply Contract an executive agreement. ZTE Corporation is not a government or even a government agency performing governmental or developmental functions like the Export-Import Bank of China or the Japan Bank for International Cooperation, or a multilateral lending agency organized, by governments like the World Bank, ZTE Corporation is a business enterprise performing purely commercial functions. ZTE Corporation is publicly listed in the Hong Kong and Shenzhen stock exchanges, with individual and juridical stockholders that receive dividends from the corporation. Moreover, an executive agreement is governed by international law. However, the ZTE Supply Contract expressly provides that it shall be governed by Philippine law. Thus, the ZTE Supply Contract is not an executive agreement but simply a commercial contract, which must comply with public bidding as mandated by the governing law, which is Philippine law.

11. The NEDA served as a mere rubber stamp to the wishes of the President. Since the NEDA is chaired by the President and its board members are the President's men, the NEDA's economic planning functions can easily be manipulated and subverted to serve other, oftentimes corrupt, considerations - as the NBN-ZTE deal demonstrated.

## **DISCUSSIONS**

According to Engr. Lozada, most probably, the proponents of the NBN themselves do not even know and understand the real purpose of a national broadband network which was supposed to cater the digital needs of the future generations since the whole idea of a digital economy during those times was just a mere abstract. A project this big was only seen as an avenue for graft.

In contrary what was stated in the Concurring and Dissenting Opinion of the late Sen. Joker Arroyo, according to Engr. Lozada, the whole idea of a National Broadband Network was beneficial for the entire country given that his vision for it was for the future generations so that we may have a faster and cheaper internet that is government-owned. Up until today, he considers it as his unfinished advocacy which is terribly needed by the entire country now that we're at a fast moving digital age. However, the downside is that, because it is going to be a popular project, people in power would like to make money out of it. The proponents of this project never really cared about the national interest when pushing for this deal, neither did they bother to understand what a national broadband network is in the first place, they only cared for their personal gains and only wanted to make their families even filthier and richer. The proposal of the project started off with just US\$ 129 Million, and then reached US\$ 329 Million due to the bribes our politicians put on top of it, namely the Abaloses and the Arroyos.

As mentioned a while back, the prominent conditionality of Chinese loans is that the loans should buy Chinese products and you should buy them from Chinese companies – and that aid having conditionalities was an accepted practice in the developmental world. There's no such thing as a free gift when it comes to aid. It always comes with conditionalities that will inevitably cater the donor country's motives since it is their

citizen's money being lent when giving out loans. As a matter of fact, in this case and in contrary to what was stated in the Blue Ribbon Committee findings: "not only did the Philippine government allow the Chinese government indicate a single supplier, this supplier also dictated a price that was overpriced by US\$130 Million compared to the unsolicited proposals of other suppliers.", it was the Filipino proponents of this deal, the ones who brokered the project, were the ones who tailored some of the conditionalities to ensure they would have something to pocket. It was the Filipino party involved in the deal who arranged with the Chinese embassy to relay to the China Exim Bank that funding was needed, it was a Filipino who brokered for ZTE to be the contractor. It was all our politicians' fault, and that China conspiring with this deal was just an externality of how our politicians consider this deal as a business transaction and an avenue for graft and corruption.

The means as to how this project was approved, through what avenue was used, is a one huge riot. Laws and standard operating procedures were circumvented, there was a confusion whether if this was an ODA, or a concessional loan, or an executive agreement. Its investigation lasted for two years. But nonetheless, this project was derailed and the anomalies were exposed. We are saved from paying back a debt that would be of no use to us since the corrupt politician proponents of this project did not even intend to leave one bit to keep the project running at the very least.

CHAPTER V

**CONCLUSION AND  
RECOMMENDATIONS**

## CONCLUSION

I can therefore conclude that the conceptual framework used in this study was affirmed, for in this case, the foreign aid handed over by China was in itself just them doing their business as a loan provider and they extended aid because we were the ones who asked them to do so. The sole reason as to why this deal failed is that because our politicians smothered it with so much bribes and made it highly obvious that it was overpriced. And since they could not moderate their greed, it gave the others the chance to stink away the anomalies of the deal.

The entire concept of foreign aid and official development assistance, when driven by clean motivations and pure intentions, might really work out. But given the nature of geopolitics, having pure intentions is just impossible; and given the existing corruption patterns in our country, the success of huge development projects such as this one may seem impossible, especially if the proponents do not even plan on making the actual project work and only consider it as a mean to generate money for their private gain. Take this case of NBN-ZTE deal as a clear example. What we initially know is that the ZTE came into picture because someone brokered for it to land the NBN project, that the China Exim Bank designated the ZTE Corporation as the prime contractor for the national broadband network project. But the reason behind why the Chinese government was willing to lend us such a lucrative amount was only to be discovered afterwards, and this was that the Chinese was just a mere externality of the business transaction the proponents put into action. Our politicians were very much willing to sacrifice the interest of the Filipino people over huge amount of bribes. And that they were only willing to stop this anomaly, this corruption, only when things got in their way from getting their commissions.

However, when talking about conditionalities of loans, loans and grants are never free. It always has strings attached no matter how many times they promise that they do not have. It is inevitable, as aforementioned, to cater the donor country's needs since it is their money being lent out to begin with. And yes, the Chinese loans are disreputable since if you ask money from them, they will give it to you readily without even examining where are you going to use the money for and without assessing whether you can actually pay the loan back or not. Proof of this is evident from all over the world that Chinese loans and government assistance always have underlying motives and will surely put you into debt trap, will force you into giving up portions of your territory, and will harm your sovereignty. But however sketchy it may be, it somehow always matches with the greed of our politicians - Chinese loans feed their greed. This not only applies to Chinese loans, for as long as the ruling class of recipient countries only prioritizes their interests over the needs of the Filipino people, foreign aid, ODA's, funding for development whatever the source may be, is futile since all of it will only come to their pockets at the expense of the well-being of the citizens.

## RECOMMENDATIONS

The recommendations portion shall be subdivided into the following portions: For the future researchers who wish to further study the subject matter, for the government, and for my fellow citizens of this country.

### **For the future researchers who wish to further study the subject matter:**

Perhaps it would be better if to follow up on the current scenario of our country nowadays at this year of 2019 to see if there is any pattern that exists and if it is somehow identical to what has happened in circa 2007 during the Arroyo Administration. Since I



have done this to try to serve as a comprehensive primer for the case of the NBN-ZTE deal, this thesis would serve its purpose if it has contributed to your knowledge and will be used to further the cause of this study regarding the underlying motives of foreign aid and official development assistance and its interaction with the existing corruption patterns in the country. My thesis has its lapses when it comes to scope since it is only a case study of one of the most scandalous deal limited only during the time of the Arroyo administration. I hereby recommend the future researchers to: 1) Look into the anomalous deals of the other administrations (previous or current), not only those who made it to the spotlight such as the NBN-ZTE deal; 2) Add theories on the human behavior and its relationship with greed, corruption, putting others at risk for their own benefit. Perhaps in that way we may “understand” the behavior of these politicians and be aware of the patterns of what makes someone greedy; 3) Add more details on your expounded study. Put in deeper case studies of the same situations from all over the world, which my thesis may have lacked; 5) Make sure that your study is easily understandable by the masses or by those who do not have access to education. Do not use hifalutin words, and always try to make it for them since they are the most affected by the blunders of the government, for them to be enlightened and be well-aware of what the government has denied them so that they may fight for what is right; last but not least is 4) Always, do it, everything, for the people.

**For the government:**

It is already stated in the Final Report the recommendations of the Blue Ribbon Committee for those who are involved in this controversy. For those who do not have access to it, here’s a glimpse of the recommendations:

1. The Ombudsman is wrong in merely dismissing the case against the President on the mere pretext of presidential immunity from suit. It is the duty of the Ombudsman to investigate "impeachable" officers. No exemption is provided in Section 22. What the Office should have done was to investigate and make findings for transmittal to the House, if an impeachment would have been warranted, rather than a blanket statement or exculpation because of supposed immunity. It is not for the Ombudsman to make a ruling as to immunity, but for the House to decide what to do once it receives the transmittal. Neither was it for the Ombudsman to say that there is no more impeachment process to be had because of the one-year bar. It is: for the House to make that ruling. Private persons such as the First Gentleman could have been covered in this provision, as well.

Also, Article VII, Section 17 of the Constitution provides that: "The President shall have control of all the executive departments, bureaus, and offices. He shall ensure that the laws be faithfully executed." Her acts in this case reveal that her performance of presidential duty has been wanting.

2. For the FORMER COMELEC CHAIRMAN BENJAMIN S. ABALOS he shall be guilty of violation of Section 3 (a) and (h) of Republic Act 3019 otherwise known as ANTI-GRAFT AND CORRUPT PRACTICES ACT and Violation of Article 212 of the Revised Penal Code otherwise known as Corruption of Public Officials.

3. To Mr. Joey De Venecia: Violation of Section 5 of Republic Act No. 3019, otherwise known as the ANTI-GRAFT AND CORRUPT PRACTICES ACT which is the prohibition of certain relatives of the highest officials of the land to intervene directly and indirectly in any business transaction, contract, or application with the government.

4. To the first gentleman, be guilty of violation of Sections 4 (a) and 5 of Republic Act No. 3019, otherwise known as the ANTI-GRAFT AND CORRUPT PRACTICES

ACT, as the law specifically provides the prohibition on private individuals as it shall be unlawful for any person having family or close personal relation with any public official to capitalize or exploit or take advantage of such family or close personal relation by directly or indirectly requesting or receiving any present, gift or material or pecuniary advantage from any other person having some business. transaction, application. request or contract with the government, in which such public official has to intervene.

Basically, recommendations of the Blue Ribbon Committee are technical recommendations on what criminal cases are to be filed to those involved in the deal. But as a researcher, my recommendations for the government are as follows: 1) Scrutinize every single deal we enter with other countries, may it be bilaterally or multilaterally. Be as objective as possible; 2) Publicize documents and expose the conditionalities of deals we enter. The major stakeholders are the people and you should not be hiding such things from the people when it is their well-being that's affected the most; 3) Give those who are involved in this scandal the sanction they rightfully deserve, to serve as a warning to those who'll dare do the same; 4) Give the public access to documents such as these documents used in this case study. If it weren't for my contact inside the Senate, I wouldn't have accessed these information. This kind of document shall be made public since, I repeat, it is their well-being, it is the people's money that was made at risk by entering into these deals; To adopt the recommendation of Engr. Lozada: 5) No government transaction of any kind shall be exempted from the Government Procurement Reform Act. All government transaction should be placed under scrutiny and should undergo bidding process to ensure competitiveness and transparency; 6) We should realize that we are the ones who should be imposing the conditionalities on the loans we enter into since it should be a borrower's market. And if we could not prevent conditionalities being imposed on us,

we must watch out for the conditions that are invasive in all aspects. We do not want another foreign invasion and it is up to us if we allow ourselves to be screwed up once more by foreigners; 7) Develop national industries. Given the skills of the Filipino scientists and engineers, our very own NBN project is feasible. The only problem is that our engineers and scientists lack support from the government. Our highly foreign-dependent government is the main problem here; 8) For once and for all, serve the people.

**For my fellow citizens:**

Let us be vigilant and critical. Now that the current Duterte administration is entering once again into lavish loans and deals with the People's Republic of China, we should be warned that what happened before may repeat itself given that Gloria Macapagal-Arroyo is at power once again, Duterte is on the leash of the Chinese. It would be easy for them to manipulate the officials into entering onerous deals at the expense, once again, of the Filipino people. Assert that those at fault be punished. Assert for our rights and sovereignty and remind those in the government that it should be us who should they be serving. Lastly, let us elect better politicians who won't mortgage our future, just like what these old politicians did.

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# **ANNEXES AND APPENDICES**

**Annex A – Memorandum  
of Understanding on the  
Establishment of  
Philippines-China  
Economic Partnership**

## Memorandum of Understanding on the Establishment of Philippines-China Economic Partnership

The Ministry of Commerce of the People's Republic of China (PRC) and the Department of Trade and Industry of the Republic of the Philippines (RP) jointly hosted the China-Philippines Economic Partnership Forum on June 5-6, 2006 in Manila. During the Forum in attendance were Minister Bo Xilai and Speaker of the Philippine House of Representatives Jose de Venecia, Jr., Secretary of Trade and Industry Peter B. Favila, Secretary of Environment and Natural Resources Angelo Reyes, and Secretary of Socio-Economic Planning Romulo L. Neri. The two sides reached the following consensus on working toward a bilateral economic partnership.

1. To promote the development of Chinese-Filipino trade and economic relations, the two sides agreed to make joint efforts toward a bilateral economic partnership.
2. To enable the establishment of the above-mentioned economic partnership, the two sides agreed to sign the framework agreement of the two governments of PRC and RP on the establishment of the bilateral economic partnership on the basis of serious discussion.

3. The proposed framework will cover the following:

(a) Identifying areas of cooperation, including but not limited to:

Agriculture and fishery,

Housing construction,

Public works and infrastructure,

Tourism,

Mining,

Energy and power,

Industrial parks (Economic zones)

Rehabilitation and investments in textile mills/garments factories

Container inspection machines

ICT-based education

(b) Establishing a functional working mechanism under the Joint Trade Committee (JTC) to substantiate the above-mentioned cooperation.

(c) Making mutually acceptable financing arrangements to substantiate the above-mentioned cooperation.

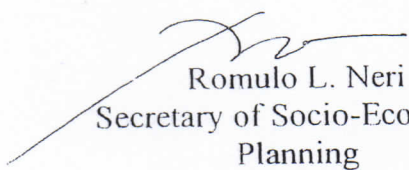
4. The two sides agreed to start immediately consultations on the text of the framework agreement at the working level with a view to finding a common ground at an early date.

5. The two sides agreed to sign the framework agreement before the end of 2006 after completing their domestic legal procedures.

6. In view of the expansion and growth of the bilateral trade and economic cooperation, the two sides agreed to rename the China-Philippines Joint Trade Committee (JTC) as the China-Philippines Joint Economic and Trade Commission (JETC), which will be confirmed in the framework agreement.

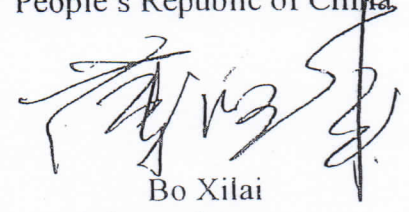
This Memorandum of Understanding is signed on June 5, 2006 in Manila in duplicate in both Chinese and English, both being equally authentic.

Republic of the Philippines

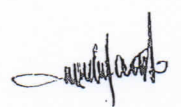


Romulo L. Neri  
Secretary of Socio-Economic  
Planning

People's Republic of China



Bo Xilai  
Minister of Commerce



Peter B. Favila  
Secretary of Trade and Industry

**Annex B – Memorandum  
of Agreement Between the  
Government of the  
Republic of the  
Philippines and ZTE  
International Investment  
Limited**

**KNOW ALL MEN BY THESE PRESENTS:**

This Agreement or "MOU" made and executed this \_\_\_\_\_ day of \_\_\_\_\_ 2006 at \_\_\_\_\_, between:

The **GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES**, through the **Department of Trade and Industry**, with address at DTI Building, Sen. Gil J. Puyat Avenue, Makati City, Metro Manila, represented herein by the **Honorable Secretary of Trade and Industry, Peter J. Favila**, (herein after referred to as the "GRP");

- and -

**ZTE INTERNATIONAL INVESTMENT LIMITED**, a corporation duly organized and existing under and by virtue of the laws of the People's Republic of China, with principal address at ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, People's Republic of China, represented herein by its President, **Yu Yong**, (hereinafter referred to as "ZTE INT'L").

The GRP and ZTE INT'L may be individually referred to herein as "Party" or collectively referred to herein as "Parties".

**WITNESSETH: That**

WHEREAS, ZTE INT'L is a sister company of ZTE Corporation, the largest listed Hi-Tech company in China. The company is listed in both the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. It has achieved excellent milestones of progress and achievements all over the world, by having a presence in more than 120 countries. Being a state-owned company, ZTE Corporation, including ZTE INT'L, have accomplished major achievements and have the full financial backing of the Chinese Government and major Chinese financial institutions for its projects in different countries all over the world.

WHEREAS, The GRP, through the Department of Trade and Industry, has various priority investment projects that require foreign capital and specialized technology for proper and effective implementation.

WHEREAS, the Parties hereto recognize the critical role that telecommunications play in the development of the economy and the Parties intend to develop and upgrade the telecommunications backbone of the country.

WHEREAS, the Parties hereto also recognize the vast investment potential of Mindanao and wishes to promote Mindanao as one of the top investment destinations in the Philippines by initiating the development of certain areas for various economic activities.

WHEREAS, ZTE INT'L, with the support of the GRP, desires to develop, manage, and operate various investment activities in the Philippines, specifically in Mindanao by making use of each of the Parties resources, capabilities and expertise in order to optimize the abundant natural resources and to achieve the full investment potential of Mindanao.

to various investment activities in the Philippines.

AREAS, ZTE INT'L, a sister company of ZTE Corporation which takes charge of the overseas investment and finance business of the ZTF Group of Companies, shall provide, and make available, all the required funds, financial support, know-how in the development and operations of various investment activities and specialized technologies for these investment activities.

## SECTION 1. PURPOSE OF THE AGREEMENT

The purpose of this MOU is to express in writing the cooperative agreement of the Parties herein to work together and to cooperate in the development and implementation of various investment activities in the Philippines. These investment activities include the following:

- Nationwide Government Broadband Communication Infrastructure Project;
- Establishment of Information Technology School and Training Center;
- Exploration, Development and Operation of Mining Areas in North Davao;
- Exploration, Development and Operation of Mining Areas in Diwalwal;
- Establishment of a Special Economic Zone in the Davao area.

The Parties herein state their desire and consent to collaborate on the development and implementation of the above projects in the Philippines (referred to as the "Investment Projects").

## SECTION 2. TERMS OF THE AGREEMENT

For the above-mentioned purpose, the GRP and ZTE INT'L hereby stipulate and agree, as follows:

### 2.1. Specific Roles of the Parties

The Parties' contribution shall be as follows:

#### 2.1.1. ZTE INT'L

2.1.1.1. ZTE INT'L shall be the Parties' Financial and Technical Services Provider for the Investment Projects. This role includes:

- i. the preparation and implementation of a sound financial and budgetary plans for the projects;
- ii. providing and making available, all the required funds and financial support for the full development and implementation of the Investment Projects in the amount of US\$4 Billion; and,
- iii. the provision of technical know-how and competence in the development and implementation of the Investment Projects;



for the: i.) financial, operational and marketing requirements of the Investment Projects; and, ii.) development and implementation of "best practices" in the projects.

#### 2.1.2. GRP

2.1.2.1. The GRP, particularly the Department of Finance, Department of Trade and Industry, Department of Interior and Local Government, Department of Environment and Natural Resources, Department of Transportation and Communication, Department of Budget, National Economic Development Authority and all other Government Agencies and Offices, shall provide all necessary assistance for the development and implementation of the Investment Projects; and,

2.1.2.3. The GRP shall make available technical advise on the local nuances in the development and implementation of the Investment Projects to ensure compliance with all applicable law, rules and regulations:

#### 2.2. Strategic Commitments

2.2.1. The capital and operating costs for the development and implementation of the Investment Projects, in the amount of US\$4 Billion, shall be funded and fully provided for by ZTE INT'L.

2.2.3. ZTE INT'L shall provide the technical know-how and specialized technologies for the development and implementation of the Investment Projects.

2.2.4. The GRP, particularly the Department of Finance, Department of Trade and Industry, Department of Interior and Local Government, Department of Environment and Natural Resources, Department of Transportation and Communication, Department of Budget, National Economic Development Authority and all other Government Agencies and Offices, shall assist ZTE INT'L in the development and implementation of the Investment Projects.

### SECTION 3. MISCELLANEOUS

#### 3.1. Compliance With Law

This Agreement shall comply with the requirements of the Laws and Regulations of the Republic of the Philippines and the People's Republic of China and shall be consistent with the objectives of the Parties herein.

#### 3.2. Good Faith

The Parties hereto recognize that it is impossible to elaborate in advance on the operating details of this Agreement. In discharging their respective duties and obligations hereunder, a Party shall apply the standards of good faith, taking into consideration that the main purpose of this Agreement is to ensure the utmost cooperation among the Parties and the success of the undertakings hereunder contemplated. The Parties agree to perform all such acts and to execute and deliver such other documents or instruments as may be necessary in order to give effect to the intent underlying this Agreement or fully

Announcements

Unless otherwise required by law, regulation or an order of a court or any appropriate government agency, a Party hereto shall not reveal the contents of this Agreement, or issue any press release or make any other public announcement pertaining to the projects contemplated herein without the prior written approval of all the Parties to this Agreement.

3.4. Date Effective

This Agreement shall immediately become effective upon the signature of all representatives of the Parties herein.

3.5. Governing Law & Language

This Agreement shall be governed in all respects, including validity, construction, performance and effect, by the laws of the Philippines. This Agreement shall be executed in both Chinese and English languages, each of which shall be binding upon both parties. In case of conflict, the English text shall prevail. ZTE INT'L hereby agrees and obliges itself to comply with the provisions of all applicable Philippine laws, rules and regulations.

IN WITNESS WHEREOF, the duly authorized representatives of the parties have signed this Memorandum of Understanding on the day and year first above written.

ZTE INTERNATIONAL  
INVESTMENT LIMITED

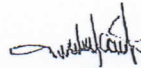
by:



Yu Yong  
President

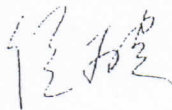
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OF THE PHILIPPINES

by:

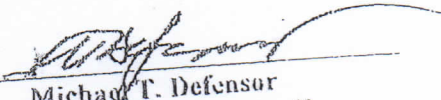


Peter J. Favila  
Secretary of Trade & Industry

SIGNED IN THE PRESENCE OF



Hou Weigui  
Chairman  
ZTE Corporation



Michael T. Defensor  
Presidential Chief of Staff

ACKNOWLEDGMENT

Republic of the Philippines)  
), S.S.

BEFORE ME, a Notary Public in and for City of \_\_\_\_\_, Philippines,  
this \_\_\_\_\_<sup>th</sup> day of \_\_\_\_\_, 2006 personally appeared:

Name	CFC/Passport No.	Date & Place Issued
Government of the Republic of the Philippines represented by Peter J. Favila		
ZTE International Investment Limited represented by Yu Yong	GT17377879	14/MAR/2006 Guangdong, China

all known to me and to me known to be the same persons who executed the foregoing Agreement and they acknowledge to me that the same is their free and voluntary act and deed and that of the corporations or entities they represent.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above written.

NOTARY PUBLIC  
Until December 31, 20\_\_

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2006.

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MALACAÑANG  
MANILA  
SPECIAL AUTHORITY

GLORIA MACAPAGAL-ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution and laws of the Philippines, hereby designate and authorize:

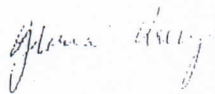
**HON. PETER J. FAVILA**  
Secretary of Trade and Industry

to execute and sign, for and on behalf of the Republic of the Philippines, the memorandum of Understanding (MOU) between the Philippine Government and the ZTE International Investment Limited (ZTE IIL), a water company of the ZTE Corporation which is the largest hi-tech company in its field, of the People's Republic of China, concerning cooperation in investment projects; and to make, execute and deliver any deed and instrument whatsoever kind and nature which may be necessary for the carrying out or implementing of these presents; Provided, that all necessary clearances under existing laws are secured in relation to such

Secretary Favila is further granted full powers and authority to do and execute any and thing which may be requisite and necessary to be done for the fulfillment of the special authority herein granted, as fully to all intents and purposes as if the President of the Republic of the Philippines, might or could be present and acting personally, and hereby ratifying and confirming all that he has done in the cause to be done by virtue of these presents.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the seal of the Republic of the Philippines to be affixed.

in the City of Manila, Philippines, this 12<sup>th</sup> day of July in the year of our Lord one thousand and six.



EDUARDO R. ERMITA  
Secretary



PLATE PHOTOGRAPH # 36193

**Annex C – Contract for the  
Supply of Equipment and  
Services for the National  
Broadband Network  
Project Between the GRP  
through the DOTC and  
ZTE Corporation**

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**CONTRACT  
FOR THE SUPPLY OF EQUIPMENT AND SERVICES FOR THE  
NATIONAL BROADBAND NETWORK PROJECT**

**BETWEEN**

**THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES  
THROUGH THE  
DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS**

**AND**

**ZTE CORPORATION**

April 21, 2007

Handwritten marks and signatures on the right side of the page, including a vertical line of dots, a signature, and other scribbles.

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The Contract is made and entered into on this            day of April, 2007,

**BETWEEN**

**The Government of the Republic of the Philippines** through the Department of Transportation and Communications (DOTC), with address at The Columbia Tower, Ortigas Avenue, Mandaluyong City, represented herein by its Secretary, **HON. LEANDRO R. MENDOZA** (hereinafter referred to as "**Purchaser**").

**AND**

**ZTE CORPORATION**, a company incorporated under the laws of the People's Republic of China having its registered office at ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, P. R. China, represented herein by its **Vice President, YU YONG** (hereinafter referred to as "**Contractor**").

**WHEREAS:**

- A. the Government of the Republic of the Philippines desires the Contractor to design, supply, construct, install, test, commission, and provide technical support for the National Broadband Network Project in the Republic of the Philippines.
- B. the Contractor is financially capable and possesses the necessary technical knowledge, skill, and experience to perform such design, supply, construction, installation, testing, commissioning and technical support of the Network and desires to provide such design, supply, construction, installation, testing, commissioning and technical support to Purchaser in accordance with the terms and conditions contained herein;
- C. the Government of the Republic of the Philippines and ZTE International Investment Limited executed a Memorandum of Understanding dated July 12th, 2006 in respect of the Nationwide Government Broadband Communication Infrastructure Project; and
- D. an Executive Agreement was entered into between the Republic of the Philippines and the People's Republic of China where the latter agreed to finance the National Broadband Network Project through a Loan Agreement with Export-Import Bank of China subject to the condition that the Equipment and Services to be procured from the proceeds of the loan come from ZTE Corporation.

**NOW THEREFORE**, in consideration of the premises and mutual covenants contained herein, and other valuable consideration, the Parties agree as follows:

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## ARTICLE 1: DEFINITION

In construing terms and conditions under the said Contract, the following words shall have the meanings herein assigned to them unless there is something in the subject matter or context inconsistent with such construction:

- 1.1 "Affiliates" means, in respect of a Party, any person or entity which directly or indirectly Controls, is Controlled by or is under common Control with that Party; "Control" or "Controlled" means in relation to a company, that a company will be treated as "controlled" by another if that other company appoints, or is able to appoint, or removes, whether directly or indirectly and whether by ownership of share capital, possession of voting power, contract or otherwise, the majority of the members of the governing body of that company or otherwise controls or has the power to control the affairs and policies of that company;
- 1.2 "Business Day" means:
- 1.2.1 in respect of any action to be taken in the P. R. China, any day on which the companies in the P. R. China are generally open for business in the P. R. China; and
- 1.2.2 in respect of any action to be taken in the Republic of the Philippines, any day on which the companies in the Republic of the Philippines are generally open for business in the Republic of the Philippines;
- 1.3 "Change Order" means a Change Order entered into pursuant to Article 25;
- 1.4 "Contract" means this Contract concluded between the Purchaser and the Contractor and any attachments thereto, and a reference to this Contract includes any variation or replacement of any part of it;
- 1.5 "Contractor's Personnel" means the employees of the Contractor or its sub-contractors employed in connection with performance of this Contract;
- 1.6 "Contract Price" means the total sum payable to the Contractor by the Purchaser for the Equipment and Services under this Contract;
- 1.7 "Effective Date" means the date on which this Contract shall enter into force as set out in Article 41.11;
- 1.8 "Engineering Services" means the installation and the like of the Equipment undertaken by the Contractor as set out in Attachment C (Scope of Work);
- 1.9 "Equipment" means the physical items and their corresponding Software to be provided by the Contractor to the Purchaser under the Contract as required for the satisfactory implementation of the Network under the Contract or as specifically provided for in the Contract;
- 1.10 "Final Acceptance" means the acceptance by the Purchaser after completion of the delivery of

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- Equipment and Services specified in the Contract including completion of warranty services;
- 1.11 "Final Acceptance Certificate" means final acceptance certificate to be issued by the Purchaser upon satisfactory completion of the project in accordance with the Contract;
- 1.12 "Implementation Schedule" means the implementation schedule set out in Attachment D;
- 1.13 "Loan Agreement" has the meaning set out in the preamble of this Contract;
- 1.14 "Managed Services" means all operation, maintenance, and repair services necessary or advisable to safely, dependably, and efficiently operate, maintain, and repair the Network on a commercial basis as set out in Attachment H (Scope of Work for Managed Services);
- 1.15 "Managed Services Fees" means the price set out in the Priced Bill of Quantities in respect of the Managed Services for the Network;
- 1.16 "Network" means the totality of the Equipment, Software and Services for the operation of the national government network in the Republic of the Philippines contemplated under this Contract to be supplied to the Purchaser;
- 1.17 "Notice to Proceed" has the meaning set out in Article 41.11.2 of this Contract;
- 1.18 "Party" means either the Purchaser or the Contractor, or collectively, "Parties";
- 1.19 "Priced Bill of Quantities", "Bill of Quantities" or "BOQ" means the priced bill of quantities specified in Attachment A to the Contract;
- 1.20 "Provisional Acceptance" in respect of any Equipment, means the acceptance by the Purchaser of such Equipment after satisfactory installation and commissioning thereof, as referred to and in accordance with Article 26;
- 1.21 "Provisional Acceptance Certificate" means the provisional acceptance certificate to be issued by the Purchaser to the Contractor upon satisfactory installation and commissioning of the Equipment in accordance with Attachment E (Testing Items of Provisional Acceptance Test);
- 1.22 "Provisional Acceptance Test" means the provisional acceptance testing to be carried out for the Equipment at the end of installation of said Equipment in accordance with the provisions of the Contract;
- 1.23 "Scope of Work" or "SOW" means the scope of works set out in Attachment C as amended from time to time pursuant to the written agreement between the Parties;
- 1.24 "Services" means services ancillary to the supply of equipment such as transportation and insurance and any other incidental services such as design, supply, installation, testing, training, commissioning into service, technical support, Warranty Period maintenance, repair and replacement and other services as provided in the Contract;

- 1.25 "Site" means any land or other place on, under, in or through which the Equipment is to be delivered or the Works are to be performed by the Contractor. Site shall be classified as new Site or existing site; new Site shall be acquired through the Project; existing Site shall mean existing stations operated by the Purchaser;
- 1.26 "Software" means the software bundled with, embedded, or supplied with the Equipment which is described in the Specifications, or any improvements thereof and/or enhancements thereto;
- 1.27 "Technical Specification" or "Specification(s)" means the technical specifications and performance standards of the Equipment, as set forth in Attachment B;
- 1.28 "Testing Items" means testing items of Provisional Acceptance Test specified in Attachment E, the requirements in which the Provisional Acceptance Test shall satisfy and which shall be conformed and signed by Parties to become one part of this Contract;
- 1.29 "Training" means the training to be provided by the Contractor to the Purchaser's staff, as set forth in this Contract;
- 1.30 "Training Plan" means the training proposal and schedule agreed by both Parties and as detailed in Attachment F;
- 1.31 "Warranty Period" means twelve (12) months commencing from the date the relevant Provisional Acceptance Certificate has been issued or shall be deemed to have been issued, or a period commencing from the date the relevant Provisional Acceptance Certificate has been issued or shall be deemed to have been issued and ending at the target date for the completion of the supply and installation of the Equipment and completion of the network as set out in Article 17 herein, not to exceed thirty six (36) months after the issuance of the first Provisional Acceptance Certificate, whichever is longer.
- 1.32 "Work" means all necessary work required to be performed by the Contractor to satisfy its obligations under this Contract, including design work, Installation, Services, and any other work required under this Contract.

## ARTICLE 2: INTERPRETATION

In the interpretation of this Contract, unless the context otherwise requires:

- 2.1 References to the plural include the singular and references to the singular include the plural.
- 2.2 References to Articles and Attachments are, unless otherwise stated, references to the articles of and attachments to this Contract.
- 2.3 The words "hereof," "herein," "hereunder," and words of similar import when used in this Contract shall refer to this Contract as a whole and not to any particular provision of this Contract.

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2.4 Reference to any statute or statutory provision is a reference to that statute or provision as amended, modified, consolidated or re-enacted.

2.5 The table of contents and the headings of the several Articles and Attachments of this Contract are intended for convenience only and shall not in any way affect the meaning or construction of any provision therein.

2.6 References to the words "include" or "including" shall be deemed to be followed by "without limitation" or "but not limited to", whether or not they are followed by such phrases or words of similar import.

2.7 References to a number of days, months, and years shall refer to calendar days, months, and years respectively.

### ARTICLE 3: SCOPE OF CONTRACT

3.1 The Contractor's obligations are:

- (a) to design, supply, construct, install, test, commission, and deliver the Network in accordance with this Contract and provide Services as further elaborated in Attachment C (Scope of Work); and
- (b) to ensure that the Network is capable of providing services in accordance with the terms and conditions of this Contract.

3.2 The Purchaser's obligations in connection this Contract are:

- (a) payment in accordance with Article 8;
- (b) such other obligations as are assumed by the Purchaser in this Contract.

3.3 No obligations shall be implied on either of the Parties.

### ARTICLE 4: TECHNICAL SPECIFICATIONS

Equipment supplied under the Contract shall conform to the standards in Attachment B (Technical Specification), and when no applicable standard is mentioned, to the authoritative standard appropriate to the Equipment's country of origin, such standards being the latest issued by the concerned institution. In this regard, the Contractor shall endeavor to update all necessary systems if necessary to make the Equipment operational prior to Provisional Acceptance without additional cost except any cost specified in a Change Order.

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**ARTICLE 5: BILL OF QUANTITIES (BOQ)**

The Priced Bill of Quantities specified in Attachment A and signed by both Parties shall be deemed to form and be read and construed as part of this Contract and shall be of the same effect as this Contract. The Priced Bill of Quantities shall be revised in accordance with the actual requirement of the project to be determined and approved by the Purchaser and the Contractor during the detailed engineering stage. The Contractor shall supply and deliver the quantity of equipment and provide Services as specified in the BOQ determined and approved by the Purchaser and the Contractor during the detailed engineering unless a Change Order has been approved by the Parties.

**ARTICLE 6: MANAGED SERVICES**

- 6.1 The Contractor shall provide the Managed Services to the Purchaser in respect of the Network for a period of one year and a half ("Term of the Managed Services") commencing from the issuance of the Provisional Acceptance Certificate, provided that the Contractor has received the advance payment as set out in Article 8.4.1 herein.
- 6.2 The Contractor shall supply the Managed Services to the Purchaser so as to ensure that the provision of the Managed Services meets the Service Levels and KPI as set out in Attachment I;
- 6.3 Contractor's Obligations in respect of Managed Services
  - 6.3.1 The Contractor shall keep a record of all the Purchaser's calls together with the launched escalation procedures and all relevant information on the appropriate actions taken under this Contract.
  - 6.3.2 The Contractor warrants that the Managed Services will be carried out in accordance with Attachment H: Scope of Work for Managed Services and Attachment J (Responsibility Matrix for Managed Services), provided that the Contractor shall be allowed to use all tools and documentation available on Site.
  - 6.3.3 Problem severity will be decided upon mutual agreement between the Purchaser and the Contractor in accordance with the definitions and examples specified in this Contract.
  - 6.3.4 The Contractor commits to keep the highest level of protection on the Purchaser's data.
- 6.4 In order for the Contractor to be able to supply the Managed Services according to the provisions of this Contract, the Purchaser shall fulfill the following obligations in addition to those set out in Attachment J (Responsibility Matrix for Managed Services).
- 6.5 Following the issuance of the Provisional Acceptance Certificate,
  - 6.5.1 the Purchaser shall be responsible for spare part management and asset management;

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6.5.2 The maintenance of certain Equipment will be transferred to the Purchaser from the Contractor after first half year of the Term of the Managed Services; and the Contractor will not be responsible for the Service Level Agreement result in relation to the Equipment and Services that are not provided and transferred to the Contractor pursuant to Attachment K (Part Services Maintenance and Some Products Maintenance Transfer).

#### ARTICLE 7: PRICE OF THE CONTRACT

The total Contract Price is US\$ 329,481,290 (say, United States Dollars Three Hundred Twenty Nine Million, Four Hundred Eighty One Thousand, Two Hundred Ninety only), which consists of:

- 7.1 price of the Equipment as set out in Attachment A (Priced Bill of Quantities), which is US\$194,051,628 (say, United States Dollars One Hundred Ninety Four Million, Fifty One Thousand, Six Hundred Twenty Eight only) on the basis of CIP Manila for all deliveries of the Equipment (INCOTERMS 2000);
- 7.2 price of the Engineering Services, which is US\$118,605,650 (say, United States Dollars One Hundred Eighteen Million, Six Hundred Five Thousand, Six Hundred Fifty only) for all deliveries of the Engineering Services;
- 7.3 price of the Managed Services, which is US\$14,875,507 (say, United States Dollars Fourteen Million, Eight Hundred Seventy Five Thousand, Five Hundred Seven only) for all deliveries of the Managed Services; and
- 7.4 price of the Training, which is US\$ 1,948,505 (say, United States Dollars One Million, Nine Hundred Forty Eight Thousand, Five Hundred Five only) as set out in Attachment A.
- 7.5 All prices mentioned above are net prices, exclusive of all taxes.

#### ARTICLE 8: TERMS OF PAYMENT

The Purchaser shall pay the Contractor the Contract Price on the following terms:

##### 8.1 General Terms of Payment

###### 8.1.1 Currency of Payment

All payment to be made by the Purchaser to the Contractor under this Contract shall be in United States Dollars.

###### 8.1.2 The Contractor's Bank Account

All payments to be made by the Purchaser to the Contractor under this Contract shall be paid by telegraphic transfer (T/T) to accounts designated by the Contractor, as follows:

*[Handwritten initials and signatures]*

Beneficiary: ZTE CORPORATION  
Beneficiary's Bank: THE EXPORT-IMPORT BANK OF CHINA SHENZHEN BRANCH  
Account Number: 221030002062 (USD)

**8.2 Payment for the Equipment**

Payment for the Equipment shall be made pursuant to the following terms:

**8.2.1 Advance Payment**

8.2.1.1 Unless otherwise specified in the Loan Agreement, fifteen percent (15%) of the contract price of all the Equipment as set forth in Article 7.1, shall be paid as advance payment by the Purchaser within ten (10) Business Days after the following conditions have been met:

8.2.1.1.1 The Loan Agreement between the Export-Import Bank of China and the Department of Finance of the Government of the Republic of the Philippines has come into effect; and

8.2.1.1.2 Receipt by the Purchaser of commercial invoice of the Contractor in one (1) original and four (4) copies covering this advance payment to the Purchaser; and

8.2.1.1.3 Issuance of the Notice to Proceed by DOTC.

**8.2.2 Delivery Payment**

8.2.2.1 Fifty percent (50%) of the value of relevant shipment shall be paid by the Purchaser within ten (10) Business Days after the Purchaser has completely received the following documents provided by the Contractor:

8.2.2.1.1 In the case of the Equipment imported into the Republic of the Philippines:

8.2.2.1.1.1 One (1) original and four (4) copies of Bill of Lading or Airway Bill;

8.2.2.1.1.2 Commercial invoice covering the delivery payment in one (1) original and four (4) copies;

8.2.2.1.1.3 One (1) original and four (4) copies of Certificate of Quality/Quantity issued by the Contractor;

8.2.2.1.1.4 Packing list in five (5) copies issued by the Contractor; and

8.2.2.1.1.5 One (1) copy of insurance certificate specifying the risk type as all risk covering one hundred and ten percent (110%) of the invoice amount.

8.2.2.1.1.6 Factory test certificate to be issued by the Contractor witnessed by or, if not witnessed, duly notified to the Purchaser.

8.2.2.1.2 In the case of the Equipment purchased in the Republic of the Philippines:

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8.2.2.1.2.1 Commercial Invoice covering fifty percent (50%) of value of relevant shipment in one (1) original and four (4) copies; and

8.2.2.1.2.2 Certificate of Delivery issued by the Purchaser one (1) original and four (4) copies.

**8.2.3 Payment on Provisional Acceptance**

For each Provisional Acceptance Certificate, thirty five percent (35%) of the price of the Equipment which has been issued Provisional Acceptance shall be paid by the Purchaser within ten (10) Business Days after the Purchaser has completely received the following documents from the Contractor:

8.2.3.1 One (1) copy of the Provisional Acceptance Certificate; and

8.2.3.2 Commercial invoice covering this provisional acceptance payment in one (1) original and four (4) copies.

**8.3 Payment for the Engineering Services**

Payment for the Engineering Services shall be made pursuant to the following terms:

**8.3.1 Advance Payment**

Unless otherwise specified in the Loan Agreement, fifteen percent (15%) of the price of the Engineering Services, shall be paid by the Purchaser as advance payment within ten (10) Business Days after all the following conditions have been met:

8.3.1.1 The Loan Agreement between the Export-Import Bank of China and the Department of Finance of the Government of the Republic of the Philippines has come into effect; and

8.3.1.2 Receipt by the Purchaser of commercial invoice of the Contractor in one (1) original and four (4) copies covering this advance payment to the Purchaser.

**8.3.2 Payment upon Completion of Site Survey and Engineering Design**

8.3.2.1 Fifteen percent (15%) of the price of the Engineering Services shall be paid by the Purchaser within ten (10) Business Days after the site survey and engineering design covering the upgrading portion set out in Attachment D have been completed by the Contractor and approved by the purchaser. If the Purchaser fails to respond within ten (10) Business Days after submission of the site survey and engineering design report, such report shall be deemed approved.

8.3.2.2 Fifteen percent (15%) of the price of the Engineering Services shall be paid by the Purchaser within ten (10) Business Days after the site survey and engineering design covering the extension portion set out in Attachment D have been completed by the Contractor and approved

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by the purchaser. If the Purchaser fails to respond within ten (10) Business Days after submission of the site survey and engineering design report, such report shall be deemed approved.

### **8.3.3**

#### **Payment upon Provisional Acceptance**

For each Provisional Acceptance Certificate, fifty five percent (55%) of the price of the Engineering Services which have achieved Provisional Acceptance shall be paid by the Purchaser within ten (10) Business Days after the Purchaser has received all of the following documents from the Contractor:

- 8.3.3.1 One (1) copy of the Provisional Acceptance Certificate; and
- 8.3.3.2 Commercial invoice covering this provisional acceptance payment in One (1) original and four (4) copies.

### **8.4**

#### **Payment for the Managed Services**

#### **8.4.1** Advance Payment

Unless otherwise specified in the Loan Agreement, fifteen percent (15%) of the price of the Managed Services shall be paid as advance payment by the Purchaser to the Contractor within ten (10) days of Effective Date of this Contract.

#### **8.4.2** Balance of Payment

8.4.2.1 The balance of the payment, i.e. eighty five percent (85%) of the price of the Managed Services shall be paid in eighteen (18) equal and consecutive monthly installments each of which equals to one eighteenth (1/18) of eighty five percent (85%) of the price of the Managed Services.

8.4.2.2 All the eighteen (18) installments shall be paid respectively within one week from the first date of each month during the Term of the Managed Services as set out in Article 6.1.

### **8.5**

#### **Payment for Training**

Unless otherwise specified in the Loan Agreement, fifteen percent (15%) of the price of Training as set forth in Article 7.4 shall be paid by the Purchaser as advance payment to the Contractor and eighty five percent (85%) balance of the payment for each training course upon completion of such relevant training course within ten (10) Business Days after the following conditions have been met:

8.5.1 The Loan Agreement between the Export-Import Bank of China and the Department of Finance of the Government of the Republic of the Philippines has come into effect; and

8.5.2 Receipt by the Purchaser of commercial invoice of the Contractor in one (1) original and four (4) covering this advance payment to the Purchaser.

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**8.6 Warranty Bond & Performance Security**

The Contractor shall provide, within fifteen (15) Business Days after the issuance of relevant Provisional Acceptance Certificate, a warranty bond in the form of a bank guarantee or stand-by letter of credit ("Warranty Bond"). The Warranty Bond shall be at an amount equivalent to ten percent (10%) of the price of the relevant Equipment, Services and/or Works which have achieved Provisional Acceptance. The Warranty Bond shall be valid for a period twelve (12) months commencing from the date of issuance of such Warranty Bond. The Purchaser shall return the Warranty Bond to the Contractor within fourteen (14) days after the expiry of such Warranty Period provided that any defect found during the relevant Warranty Period has been rectified by the Contractor.

The Contractor shall likewise, within thirty (30) Business Days from the effectivity of this Contract, post a Performance Security in the form of a Bank Guarantee equivalent to five percent (5%) of the total contract price, callable on demand, to guarantee the faithful performance of its obligations to supply, deliver, install, commission, and complete the network in accordance with the agreed timelines/schedule and the terms and conditions of the contract.

The Performance Security shall be released in proportion to the price of Equipment and Services which have achieved Provisional Acceptance and was issued with corresponding Warranty Bond. The Performance Security to be furnished by the contractor shall cover the project implementation duration until the last Provisional Acceptance. The Purchaser may likewise require the Contractor to extend the validity of its performance security/ies to cover approved time extensions.

**8.7 Bank Charges**

Bank charges and costs shall be for the Purchaser's account.

**8.8 Approval of the Terms of Payment**

Notwithstanding the forgoing, the terms of payment set out in this Article 8 shall be subject to the provisions of the Loan Agreement. The Purchaser and the Contractor agree to make relevant any changes or amendments to such terms of payment as required by the Loan Agreement.

**ARTICLE 9: TAXES**

**9.1 The Purchaser's Liability**

All taxes, import or customs duties and other taxes and duties, including without limitation VAT and income tax, in connection with or in respect of the performance of this Contract levied by the relevant authority in the Republic of the Philippines, shall be borne and paid by the Purchaser.

**9.2 The Contractor's Liability**

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All the taxes in connection with, and in the performance of the Contract to be levied on the Contractor by the relevant tax authority outside the Republic of the Philippines, in accordance with the applicable tax laws then in effect, shall be paid by the Contractor and the Contractor shall not demand reimbursement from the purchaser for payments made.

**ARTICLE 10: DELIVERY**

- 10.1 All the Equipments furnished under this Contract are to be delivered by the Contractor to the destination(s)/site(s) under CIP Manila (INCOTERMS 2000).
- 10.2 Partial shipments and transshipments shall be allowed.
- 10.3 The risk of accidental loss and/or damage to the Equipment shall transfer according to the trade term as specified in Article 10.1.

**ARTICLE 11: LIQUIDATED DAMAGES**

**11.1 Liquidated Damages**

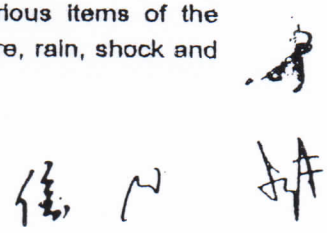
Except for delay in the delivery due to Force Majeure and/or due to fault attributable to the Purchaser, any delay in delivery of the Equipment shall entitle the Purchaser to claim liquidated damages in an amount equal to one tenth (1/10) of one percent of the price of those Equipment involved in delay for each day of delay, up to a maximum of five per cent (5%) of the price of the Equipments delayed. In no case shall the total sum of liquidated damages exceed fifteen percent (15%) of the total contract price, in which event the Purchaser may, upon fifteen (15) days prior written notice, terminate the contract and impose appropriate sanctions over and above the liquidated damages to be paid.

**11.2 Payment of Liquidated Damages**

The amount of liquidated damages accruing under this Article 11 shall be deducted from money due or which may become due to the Contractor, or collect the same from any securities or warranties posted by the Contractor whichever is convenient to the Purchaser. The said deductions shall only be made upon prior notice to the Contractor and will be effective within ten(10) days from receipt of such notice.

**ARTICLE 12: PACKING**

- 12.1 All of the Equipment to be delivered by the Contractor shall be packed in a manner suitable to protect it against repeated handlings and numerous loadings and unloadings. Protective measures consistent with the characteristics and requirements of the various items of the Equipment shall be taken to prevent the Equipment from damage by moisture, rain, shock and



corrosion.

- 12.2 The Contractor shall mark the following on the sides of each package of the goods in conspicuous printed English words:
- (a) Consignee
  - (b) Place of Destination; and
  - (c) Package number.

#### ARTICLE 13: INSURANCE

- 13.1 The Contractor shall obtain marine insurance policy in an amount equal to 110% of the invoice value of the Equipment from port of shipment up to port of destination according to the trade terms specified in Article 7.
- 13.2 The Contractor shall take out and/or maintain Employer's Liability Insurance until issuance of the Provisional Acceptance Certificate.
- 13.3 If the Contractor fails to take out and/or maintain any such insurance policies, the Purchaser may do so and recover the premiums paid from the Contractor as a debt.

#### ARTICLE 14: CUSTOMS CLEARANCE AND INLAND TRANSPORTATION

- 14.1 The Purchaser shall be responsible for carrying out customs clearance within one (1) week after each arrival of the Equipment under CIP Manila (INCOTERMS 2000). The Contractor shall provide the Purchaser with any necessary documentation for the customs clearance.
- 14.2 The Purchaser shall pay any duties, taxes, fees, or deposits, including any surcharge, interest, and penalty thereon, that the authority of the Republic of the Philippines may claim for the Equipment shipped to Philippines.
- 14.3 The Contractor shall provide sufficient shipping documentation to the Purchaser necessary for exemptions from customs duties, import taxes and VAT of all Equipment imported into the Republic of the Philippines. All shipments of Equipment shall be consigned to and be in the name of the Purchaser.
- 14.4 The Contractor shall be responsible for inland transportation and warehousing in the Republic of the Philippines up to the Sites. The charges incurred thereof shall be borne by the Contractor. The Purchaser shall provide all assistance reasonably required by the Contractor to enable the Contractor to perform its obligations under this Article 14.4.

**ARTICLE 15: QUALITY/QUANTITY DISCREPANCY**

- 15.1 The Purchaser shall file with the Contractor:
  - 15.1.1 claims regarding quality discrepancies, within thirty (30) days after arrival of the Equipment at the port of destination; and
  - 15.1.2 claims regarding quantity discrepancies, within fifteen (15) days after arrival of the Equipment at the port of destination.
- 15.2 Any claim filed by the Purchaser with the Contractor shall be supported by an inspection certificate issued by an inspection organization designated by the Parties.

**ARTICLE 16: SCOPE OF WORK**

- 16.1 The Contractor shall be responsible for the supply, installation, testing, training of purchaser's personnel and commissioning of the Equipment with the cooperation of the Purchaser. The Purchaser shall provide the necessary conditions and facilities for the performance of the Work. The Scope of Work of the Parties is specified in Attachment C.
- 16.2 The Contractor shall prepare and complete the detailed Engineering Services, the plans, specifications and designs and submit the same for approval of the Purchaser.
- 16.3 As specified in the attachment in this Contract, the Contractor shall:
  - (a) Prepare and complete the detailed engineering studies, plans, specifications, and designs for the project and submit the same for approval by the Purchaser;
  - (b) Supply the required equipment, parts, and materials;
  - (c) Install the Equipment and execute any required construction work in accordance with the approved plans, specifications, and designs;
  - (d) Implement agreed technical services; and
  - (e) Provide the required maintenance assistance for the duration agreed upon by the parties hereto.

**ARTICLE 17: TARGET DATE OF COMPLETION**

The Contractor shall supply all the Equipment and complete installation, testing and commissioning thereof within thirty six (36) months from the Effective Date of the Contract, except as otherwise provided in the Contract. The target date for the completion of the supply and installation of the Equipment shall be deemed to have been met when the following conditions have all been complied with:

- (a) all the Equipment and its component parts therein have been constructed and functioning;
- (b) such Equipment is demonstrated to the Purchaser or its representatives as functioning; and
- (c) the Purchaser has issued an Provisional Acceptance Certificate in accordance with Article 26.

**ARTICLE 18: IMPLEMENTATION SCHEDULE**

- 18.1 The Parties shall comply with the Implementation Schedule as set out in Attachment D, which prescribes the time schedule of each milestones of the Work, including but not limited to the expected date of beginning and completion of installation and testing on the Sites, and the expected dates of readiness for Provisional Acceptance Test.
- 18.2 During the implementation of the Work, the Contractor shall prepare and deliver to the Purchaser a detailed monthly status report, in the form reasonably specified by the Purchaser, on the current status of the project as compared to the Implementation Schedule.
- 18.3 The Purchaser shall appoint a project manager with whom the Contractor's project manager shall maintain the closest possible cooperation at all time. The project managers of the Parties shall have sufficient delegated authority to participate productively at meetings and to take operational decisions independently and without delay, and shall be fully conversant with the Scope of Work.

**ARTICLE 19: MEETING**

- 19.1 At the beginning of the Work, a meeting shall be held to coordinate the works of the various entities involved in the Work. Representatives of the Contractor and the Purchaser shall have sufficient delegated authority to participate in this meeting and shall be fully conversant with all background of the Work.
- 19.2 A technical review shall be held during this meeting to examine the finalized design proposed by the Contractor after the site survey conducted by it.

**ARTICLE 20: THE CONTRACTOR'S PERSONNEL**

- 20.1 The Contractor shall ensure that the Contractor's Personnel have appropriate skill, expertise, experience and competence to perform the Work.
- 20.2 If the Purchaser notifies the Contractor that any employee of the Contractor or any sub-contractor engaged by the Contractor in the Work is, in the Purchaser's reasonable opinion and after mutual agreement, is incompetent or unsuitable in a manner which is disruptive of the Work, the Contractor shall terminate the said employee if the Contractor and Purchaser consider that such termination is necessary to protect the interest of the Government. Contractor shall

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bear all expenses necessary for such termination and shall provide replacement of equal capability.

- 20.3 The Contactor shall, whenever possible, utilize Filipino Personnel in the execution of the project. Nothing contained in this Contract shall be construed as creating an agency or employment relationship between the Purchaser and the Contractor's personnel or employees.

#### ARTICLE 21: PROVISION OF FACILITIES AND SERVICES BY THE PURCHASER

- 21.1 The Purchaser, upon request of the Contractor, shall assist in obtaining from the relevant authorities in the Republic of the Philippines any and all permits in respect of performance of the Contractor's obligations hereunder, including, without limitation, any work and/or access permits, authorizations, licenses, and visas for personnel employed or temporarily engaged by the Contractor, which may be necessary to perform the Contractor's obligations hereunder.
- 21.2 The Purchaser shall ensure the accuracy and timely provision of any data reasonably requested by the Contractor for the purpose of performing its obligations under this Contract. The Purchaser shall assist the Contractor in its efforts to obtain all necessary drawings, maps, plans and information in respect of the Purchaser's existing network and Sites.

#### ARTICLE 22: ACCESS TO SITE

The Purchaser shall provide, at all reasonable times, access to the Contractor to each Site, premises, storage, deposit areas, facilities and offices, sources of materials, and to any other places or areas used in connection with the Work or Services.

#### ARTICLE 23: INSTALLATION AND COMMISSIONING

- 23.1 The Contractor shall be responsible for performing all the installation and commissioning of the Equipment in accordance with the terms and conditions of this Contract. The Contractor shall provide all materials, labor, and tools required for such installation and commissioning.
- 23.2 The Contractor shall be responsible for all installation means, methods, techniques, sequences, procedures, work coordination, supervision, and directions, all of which shall be performed in accordance with the standards set forth in this Contract and according to good engineering and safety practice.

#### ARTICLE 24: EXCUSED DELAY

- 24.1 Any delay resulting from any of the following factors shall be deemed excused:
- (a) any work required by the Purchaser other than those expressly assumed by the Contractor in

this Contract;

- (b) suspension of Work without any default or negligence on the part of the Contractor;
- (c) any default on the part of the Purchaser;
- (d) any Force Majeure Event;
- (e) any default of any other contractor of the Purchaser working on the Site.

24.2 Without limiting the generality of the foregoing, the failure or delay on the part of the Purchaser to fulfill any of its obligations as set out in **Articles 21 and 22** herein, which cause delay in the performance of the obligations of the Contractor shall be deemed to be an excused delay under **Article 24.1(c)** hereof.

24.3 In the event of an excused delay, the Contractor shall be allowed without penalty such extension of time for completion as may be deemed appropriate for the fulfillment of the Work.

24.4 Each Party shall bear, at its own cost, any loss or expenses that it incurred as a result of any delay or postponement due to a force majeure event.

#### **ARTICLE 25: CHANGES**

##### **25.1 Requests for Change Order**

25.1.1 The Purchaser may, from time to time and at any time, request changes in the Work ("**Purchaser Requested Change**"). Changes requested by the Purchaser may include (but need not be limited to) adding, deleting, or modifying relevant portions of this Contract, the Work, the Equipment, the Implementation Plan, or the method of performing the Work. Any Purchaser Requested Change shall be in writing and shall be sufficiently definite and detailed to give the Contractor an adequate basis on which to prepare a preliminary Change Order pursuant to **Article 25.2**.

25.1.2 The Contractor may from time to time and at any time suggest a change in the Work ("**Contractor Requested Change**") to the Purchaser. Any such suggestion shall include the reason for the request and such associated information and data as may reasonably be required to support the suggested change. The Purchaser shall within seven (7) business days of receipt of such Contractor Requested Change: (a) request Contractor to prepare a preliminary Change Order in accordance with **Article 25.2**, or (b) deny the Contractor Requested Change. Under no circumstances shall Contractor proceed to commence work under any change order unless the



same has been approved by the Purchaser. But the Contractor Requested Change shall be considered accepted by the Purchaser if the Purchaser fails to make appropriate action within the said seven (7) business day period.

**25.2 Preliminary Change Orders**

Upon receipt of a Purchaser Requested Change, the Contractor shall prepare a preliminary Change Order and furnish it to the Purchaser within fifteen (15) Business Days following receipt of the Purchaser's request unless the Contractor requests additional time and provides a reasonable justification therefore in writing. If the Contractor contends that the Purchaser's request for a change lacks sufficient information, the Contractor shall within ten (10) Business Days after receiving the Purchaser's request inform the Purchaser in writing of the specific information that the Contractor requires. Each preliminary Change Order proposal submitted by the Contractor to Purchaser pursuant to this Article shall be in writing and be accompanied by such information and data as will be reasonably required by the Purchaser to evaluate properly the proposed execution of the work in question and the estimated effect, if any, on the Work, the Project Implementation Plan, the Contractor's standards of performance, the other undertakings by the Contractor, and the Contract Price.

**25.3 Minor Changes**

The Contractor may also suggest minor changes in the Work that do not affect the Contract Price, any required performance standards, or performance or operational efficiency of the Network. Such changes are effective only upon written approval by the Purchaser that is clearly designated "Approval of Minor Change". The Purchaser shall not unreasonably withhold or delay its approval of such minor changes.

**25.4 Change Orders**

**25.4.1** Notwithstanding anything to the contrary contained in this Contract, before either Party acts on a preliminary Change Order, the Parties shall execute a written Change Order (which may be the preliminary Change Order signed by both Parties) incorporating the changes in question and providing for any change in the Implementation Schedule, any increase or reduction of the Contract Price, any change in the Work, or other provisions of this Contract.

**25.4.2** A Party's signature on the Change Order shall indicate such Party's full, final, and unconditional agreement with the matters prescribed in such Change Order.

**ARTICLE 26: PROVISIONAL ACCEPTANCE AND FINAL ACCEPTANCE**

**26.1** The Purchaser will conduct the Provisional Acceptance Test in the presence of the Contractor in accordance with the test procedures and testing items specified in Attachment E, in order to ensure the Equipment meet the Technical Specification, when all the installation of the Equipment have been completed at the Sites.

**26.2** Provisional Acceptance Test shall be conducted,

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- (a) in the case of integrated data centre (IDC), on an IDC basis (for example, testing an IDC by itself to verify that such IDC work in accordance with the applicable provisions of this Contract);
- (b) In the case of terminal product, on a five-hundred (500) terminal products basis (for example, testing each five-hundred (500) terminal products to verify that such terminal products work together in accordance with the applicable provisions of this Contract, odd terminal product less than five hundred (500) terminal products shall be counted as five hundred (500) terminal products for the purpose of Provisional Acceptance Test); and
- (c) in all other cases, on a Site basis (for example, testing a Site by itself to verify that all Equipment at such Site work together in accordance with the applicable provisions of this Contract).
- 26.3 Provisional Acceptance Test shall satisfy all the requirements stated in the Testing Items. If the Equipment, components, materials and system performance fail to meet the requirements in the Testing Items, due to the fault of the Contractor, the Contractor shall rectify or replace the defective items so as to conform to the Technical Specification. Such rectification and replacement shall be made as soon as practicable after determination of the cause at the expense of the Contractor. The Purchaser shall assist the Contractor in providing instruments, equipment and consumable items necessary for the test and inspection.
- 26.4 The Contractor shall give the Purchaser fifteen (15) days prior written notice of the date after which the Contractor shall be ready to execute the Provisional Acceptance Test and shall provide the pre-test result to the Purchaser therewith. Unless otherwise agreed upon between the Parties, the Provisional Acceptance Test shall take place within fifteen (15) days from the said date, and the Purchaser shall notify in writing the Contractor of such day or days. If the Purchaser does not execute the test within the said time, the Contractor shall deem that the Purchaser has accepted the system and shall have the right to request the Purchaser to issue the Provisional Acceptance Certificate within the time specified in Article 26.6 hereof.
- 26.5 In the event the system completed fails to satisfy the requirement specified in the Testing Items, the Contractor shall correct the failures as soon as possible and the Provisional Acceptance Test shall be repeated. The procedure will be in accordance with Article 26.4 hereof.
- 26.6 The Purchaser shall issue the Provisional Acceptance Certificate to the Contractor within ten (10) Business Days after completion of the Provisional Acceptance Test, thereafter the Equipment may be put into operation if the Purchaser desires.
- 26.7 If the Provisional Acceptance Test demonstrates that the Equipment meets the requirements as set out in the Testing Items except for minor non-service affecting deficiencies i.e physical defects, then such Equipment shall be deemed to have achieved Acceptance and be ready to be placed into service, and the Purchaser shall issue the Provisional Acceptance Certificate despite of such deficiencies. Notwithstanding the foregoing, the Contractor shall continue to perform its obligation to rectify any and all such non-service affecting deficiencies within twenty (20)

business days from the issuance of the provisional acceptance certificate.

- 26.8 If the Purchaser places any Equipment into service or uses such Equipment for any purpose other than testing, or in case the Purchaser has not issued the Provisional Acceptance Certificate to the Contractor within the aforesaid period without valid reasons, such Equipment shall conclusively be deemed to have achieved Provisional Acceptance.
- 26.9 After the Contractor has performed all the necessary and required conditions, requirements and warranties, the purchaser will initiate the process for final acceptance upon receipt of a formal request and final accomplishment report from the Contractor stating that they have fully and satisfactorily complied with all requirements of the Contract.
- 26.10 The Purchaser shall after completion of the process for final acceptance shall issue the corresponding Final Acceptance Certificate to the Contractor.

#### ARTICLE 27: TRAINING

- 27.1 The Contractor shall provide training as per Attachment A (BOQ) and Attachment F (Training Plan) to such persons as may be nominated by the Purchaser, in order to facilitate a smooth implementation and taking over of the Equipment. Any amendment of Training Plan shall be decided one (1) month prior to the commencement of training unless otherwise agreed by both Parties.
- 27.2 The Contractor shall design courses for such training and submit the same for the approval of the Purchaser. The Contractor shall provide one set of training documentation for each course one month prior to the commencement of training.
- 27.3 Training shall be held in English language at such times as detailed in the BOQ on Business Days and during working hours.
- 27.4 Prior to the commencement of Training, the Contractor may check, by means of interviews and tests, that the nominees proposed by the Purchaser for such Training meet the required language and technical standards. The Contractor shall have the right to reject any candidate who, in its reasonable opinion, does not meet the above stated standards.
- 27.5 The Purchaser may, at its own expense, delegate a substitute trainee to replace a candidate or trainee repatriated.
- 27.6 The Purchaser on whose premises the courses are held shall place at the instructor's disposal all equipment, tools and classrooms necessary for the performance of Training.
- 27.7 The allocation of costs and expenses relating to Training between the Contractor and the Purchaser shall be as follows:
- 27.7.1 The cost of travel to and from the Purchaser's country and the designated place of training shall

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be borne by the Contractor.

- 27.7.2 ~~The~~ cost of boarding, lodging and travel outside the Purchaser's country shall be borne by the Contractor who shall pay a per diem to each trainee to meet such and other costs outside the Purchaser's country.
- 27.7.3 The cost of travel and boarding, lodging of the Purchaser's employees within the Purchaser's country shall be borne by the Purchaser.
- 27.8 At the end of each Training course, the Contractor may issue a training certificate in respect of each trainee having completed the courses, but shall not incur any liability as to the performance of their tasks after having been trained.

#### ARTICLE 28: WARRANTY

- 28.1 The Contractor warrants that:
- (a) Upon delivery the Equipments to be supplied by the Contractor shall be new and unused;
  - (b) The Equipments and update during implementation provided by the Contractor to the Purchaser hereunder will be free from defects in workmanship and materials and conform to the Specifications under normal use and service; and
  - (c) Spare parts in sufficient number and appropriate quality shall be made available for at least ten (10) years from the expiry of the Warranty Period.
- 28.2 If it appears that any Equipment, or part thereof, contains a defect in materials or workmanship, or otherwise fails to conform to the Specifications, during the Warranty Period, the Contractor shall at its expense correct any such defect by repairing such defective Equipments or part or, at the Contractor's option, by delivering to the Purchaser an equivalent equipment or part replacing such defective Equipments or part in accordance with the equipments as set out in Attachment G (Service Level Agreement) as soon as practicable. Any further right or remedy of the Purchaser against the Contractor and its employees or agents in connection with or based on defects in materials or workmanship are hereby excluded.
- 28.3 The Contractor shall be notified in writing of any defect in the Equipment without delay upon discovery by the Purchaser. The Purchaser shall allow the Contractor a reasonable period to rectify such defect.
- 28.4 The Contractor shall not be liable under this warranty if its testing and examination discloses that the alleged defect in the Equipment does not exist or was caused by:
- (a) use of the Equipment by the Purchaser in a manner inconsistent with the maintenance manual or for a purpose not contemplated by the Contractor and/or by this Contract;

- (b) modification of the Equipment by the Purchaser where such modification is not authorized by the Contractor;
- (c) the Purchaser or its end user's misuse, neglect, improper installation or testing;
- (d) accident, fire, lightning or other hazard; or
- (e) any other reason not attributable to the Contractor.

28.5 The warranty is voided by removal or alteration of identification labels on the Equipments.

28.6 Disclaimer of Warranties

To the extent permitted by applicable law, the foregoing warranties are exclusive and are in lieu of all other warranties, express or implied, either in fact or by operation of law, statutory or otherwise, including but not limited to non-infringement, warranties of merchantability or fitness for a particular purpose. Products are not designed or intended to be used for the design, construction, operation, or maintenance of any nuclear facility. Products are not designed or intended to be used for military applications. The contractor disclaims any express or implied warranty or condition of fitness for such uses.

28.7 To the extent permitted by applicable law, the foregoing shall constitute the purchaser's sole and exclusive remedy for all situations involving non-conforming equipment.

**ARTICLE 29: POST WARRANTY SERVICE**

The Contractor may, upon payment of mutually agreed prices, provide maintenance and technical support to the Purchaser in respect of all the Equipment and Services for at least three (3) years after the expiry of the relevant Warranty Period. The said post warranty services may include repair of faulty boards, PC boards and other components, modifications of the Software, supply of spare parts, and any other maintenance and operation support required by the Purchaser.

**ARTICLE 30: SUBCONTRACTORS**

30.1 The Contractor may engage or sub-contract to any sub-contractor or agent in respect of the performance of any of its obligations under this Contract subject to the written consent of the Purchaser but the latter shall not unreasonably withhold its consent.

30.2 Where the Contractor engages or sub-contracts to a sub-contractor, the Contractor shall:

- (a) remain liable to the Purchaser for the performance, acts, omissions, default or negligence of each such sub-contractor and their employees, as if they were acts, omissions, default or negligence of the Contractor;

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- (b) be solely responsible for ensuring the suitability, and the performance, of all sub-contractors that it has engaged; and
- (c) not be relieved of any of its liabilities or obligations under this Contract by entering into any such arrangement.

**ARTICLE 31: FORCE MAJEURE**

31.1 A Party shall not be responsible for any loss, damage, delay or failure of performance resulting directly or indirectly from any of the following events to the extent that such events are beyond its reasonable control (a "Force Majeure Event"):

- (a) explosion, fire, lightning, tempest, natural disaster, earthquake, flood, or other acts of God;
- (b) outbreak of disease, plague or other epidemic, war, warlike conditions, hostilities, riot, civil disturbance, strike, acts of terrorism;
- (c) failure of telecommunications lines, critical shortage on petroleum products, fuel or energy sources or other raw materials that has an adverse and material impact on the affected Party's ability to perform the obligations hereunder;
- (d) acts of any government that have an adverse and material impact on the affected Party's ability to perform the obligations hereunder; or
- (e) any other causes beyond the affected Party's reasonable control and which could not reasonably be planned for or avoided, which renders the performance of the material obligation hereunder by the affected Party impossible;

31.2 If a Party is prevented from performing any of its material obligations under this Contract, (in whole or in part) by reason of a Force Majeure Event (the "Affected Party"), it shall immediately notify the other (the "Unaffected Party") in writing of the circumstances constituting the Force Majeure Event and shall furnish within fifteen (15) days thereafter sufficient proof of the occurrence and duration of such Force Majeure. The Affected Party shall also keep the Unaffected Party regularly informed of the progress in resolving the Force Majeure Event.

31.3 The Affected Party shall take all reasonable steps to minimize the adverse effects of the Force Majeure Event on the performance of its obligations under this Contract.

31.4 Subject to Articles 31.2 and 31.3, neither the Affected Party nor the Unaffected Party shall be treated as being in breach of this Contract (but only to the extent it is prevented from performing any of its obligations due to the Affected Party's failure to perform as a result of the Force Majeure Event), or otherwise liable to the other Party, by reason of any delay in performance, or non-performance of any of its obligations due to a Force Majeure Event.

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31.5 If a Force Majeure Event continues for longer than sixty (60) days ("Affected Period"), then the Unaffected Party may at the expiry of such period, provided the Force Majeure Event is still subsisting, give notice in writing to the Affected Party terminating this Contract or cancel that portion of this Contract or SOW which is delayed and adjust the Contract Price accordingly.

## ARTICLE 32: TERMINATION

### 32.1 Termination for Cause

Either Party ("Notifying Party") may terminate this Contract by giving prior written notice to the other Party for a period of fifteen (15) days before the actual date of termination in case the other Party materially breaches this Contract and such breach is not capable of being remedied. In the case where such breach is capable of being remedied, failure of the offending Party to remedy that breach within forty-five (45) days after being notified by the Notifying Party shall entitle the Notifying Party to terminate this Contract subject to a prior five (5) days notice before actual date of termination.

### 32.2 Termination for Cause by the Purchaser

The Purchaser may terminate this Contract with immediate effect by giving written notice to the Contractor if the Contractor ceases to conduct business, becomes or is declared insolvent or bankrupt, makes an assignment for the benefit of its creditors, or is the subject of any proceeding in bankruptcy or similar proceeding relating to its liquidation, reorganization or insolvency which, if involuntary, is not dismissed within sixty (60) days after being filed.

### 32.3 Termination for Extended Force Majeure

Either Party ("Notifying Party") may terminate this Contract through written notice to the other Party, if the conditions or consequences of Force Majeure which have a material adverse effect on the other Party's ability to perform continue for a period in excess of sixty (60) days and the Parties have been unable to find an equitable solution.

### 32.4 Effect of Termination

In the event of termination of the Contract under this Article 32,

- (a) payment and indemnification obligations arising prior to termination will remain in force; and
- (b) neither Party will be liable for damages of any kind as a result of exercising its right to terminate this Contract under this Article and termination will not affect any other right or remedy of either Party arising from any antecedent breach of this Contract.

### 32.5 Survival of Provisions

The provisions of Articles 32 (Termination), 33 (Governing Law and Arbitration), 35

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(Indemnifications), 36 (Limitations of Liability), 39 (Confidentiality), and any other provision of this Contract, which expressly or by implication is intended to come into or remain in force on or after expiry or termination of this Contract, shall continue in full force and effect notwithstanding any such expiry or termination.

### ARTICLE 33: GOVERNING LAW AND RESOLUTION OF DISPUTES

- 33.1 The Contract shall be governed by and construed in accordance with the laws of the Republic of the Philippines.
- 33.2 In the event of any dispute, claim or difference of opinion, the parties hereto shall do their best to settle the same amicably by negotiation. In the event settlement by negotiation is not achieved, such dispute shall, at the request of either party hereto, be first arbitrated without recourse to court action in accordance with the UNCITRAL Arbitration Rules as at present in force.
- 33.3 Arbitration shall be initiated by one party by hereto giving forty-five (45) calendar days notice in writing to the other party, of the desired commencement of arbitration proceedings. The place of Arbitration shall be Singapore and the language of the arbitral proceedings shall be English. Thereupon, a panel of three (3) arbitrators shall be appointed, one of whom shall be chosen by the Purchaser, one by the Contractor, and a third by agreement of the two arbitrators, hereafter referred to as the Third Arbitrator. If the two arbitrators cannot agree on a Third Arbitrator, the appointing authority shall be the International Court of Arbitration of the International Chamber of Commerce.
- 33.4 The decision by a majority of the Panel of Arbitrators shall be final and binding upon the parties hereto, who shall be fully liable therefore. Execution of such decisions may be applied for in the proper courts of Metro Manila, Philippines, should resort thereto become necessary, the cost thereof to be borne by the losing party.
- 33.5 The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (also known as "the New York Convention") shall apply to this Article hereof and to any arbitral award or order resulting from any arbitration conducted hereunder and the recognition and enforcement thereof. Judgment upon the award rendered by the arbitrators may be entered in any court of record of competent jurisdiction in Metro Manila, Philippines, or application may be made to such court for judicial acceptance of the award and an order of enforcement, as the law of such jurisdiction may require or allow.
- 33.6 The Parties irrevocably and unconditionally waives, any immunity to which it may at any time be or become entitled, whether characterized as sovereign immunity or otherwise, from any suit, judgment, service of process upon it, execution on judgment or set-off to which it may be entitled in any legal action or proceedings with respect to this Contract or any of the transactions contemplated hereby or hereunder.
- 33.7 Except where the Dispute renders it impossible to do so, the Parties shall continue to perform their obligations under this Contract while the Dispute is being resolved.



**ARTICLE 34: INTELLECTUAL PROPERTY RIGHTS**

- 34.1 All patents, trade and service marks, design rights, copyrights, know-how, trade secrets and other intellectual and industrial property interests or rights (collectively, "Intellectual Property Rights") in and to the Equipments, any Services and resulting work product, and all associated materials in any form, shall remain the property of the Contractor and its third party suppliers, as appropriate. Nothing contained in this Contract shall be construed as a transfer of such rights.
- 34.2 The Contractor hereby grants the Purchaser a personal, non-exclusive, non-transferable right to use the Software only in connection with the Equipment on the terms set out in this Article 34 (such right being the "Software License").
- 34.3 The Purchaser shall not:
- (a) use the Software (i) for any purpose other than Purchaser's own internal business purposes and (ii) other than as expressly provided by the terms of this Software License;
  - (b) allow anyone other than Purchaser's employees, agents and/or representatives with a "need to know" to have access to the Software;
  - (c) make any copies of the Software except such limited number of object code copies as may be reasonably necessary for execution or archival purposes only;
  - (d) make any changes to the Software, other than those arising from Purchaser's normal use of the Software as explained in the associated documentation; or
  - (e) reverse engineer or in any other manner decode Software, in order to derive the source code form or for any other reason.

**ARTICLE 35: INDEMNIFICATIONS**

**35.1 Indemnification by the Contractor**

The Contractor shall at its own cost fully defend, indemnify, and hold harmless the Purchaser, its officers, agents, employees and Affiliates, from and against any and all liabilities, damages, losses, claims, demands, actions, causes of action, and costs (including reasonable attorneys' fees and expenses) to the extent caused by the negligent or wrongful acts, errors, or omissions of the Contractor or any of its agents, provided that the Purchaser: (i) provides the Contractor prompt written notice of the claim; (ii) provides the Contractor authority, assistance and information to perform its obligations under this Article; (iii) grants the Contractor sole control of the defense and all related settlement negotiations; and (iv) has not compromised or prejudiced the Contractor's position on the claim. The Purchaser shall have the right to retain separate counsel and participate in the defense of the claim at its own expense. Any further right or

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remedy of the Purchaser against the Contractor and its employees and agents in connection or based on the liability, damages, losses or claims caused by the negligent or wrongful acts, errors, or omissions of the Contractor or any of its personnel or agents are hereby excluded.

**35.2 Indemnification by the Purchaser**

The Purchaser shall at its own cost fully defend, indemnify, and hold harmless the Contractor, its officers, agents, employees, sub-contractors and Affiliates, from and against any and all liabilities, damages, losses, claims, demands, actions, causes of action, and costs (including reasonable attorneys' fees and expenses) to the extent caused by the negligent or wrongful acts, errors, or omissions of the Purchaser or any of its agents, provided that the Contractor: (i) provides the Purchaser prompt written notice of the claim; (ii) provides the Purchaser authority, assistance and information to perform its obligations under this Article; (iii) grants the Purchaser sole control of the defense and all related settlement negotiations; and (iv) has not compromised or prejudiced the Purchaser's position on the claim. The Contractor shall have the right to retain separate counsel and participate in the defense of the claim at its own expense.

**35.3 Miscellaneous**

In the event claims, losses, damages, or expenses are caused by the joint or concurrent negligence or fault of the Contractor and the Purchaser, each Party shall bear such claims, losses, damages, or expenses in proportion to its own negligence or fault.

**ARTICLE 36: LIMITATIONS OF LIABILITY**

36.1 Notwithstanding any other provision of this Contract, the Contractor shall not be liable to the Purchaser for damages for loss of revenues or profits, loss of goodwill, loss of or damage to third party property or any incidental, consequential, indirect, punitive or special damages in connection with the performance or non-performance of this Contract, whether or not the Contractor was advised of the possibility of such damage.

36.2 The aggregate liability of the Contractor for all claims for any loss, damage or indemnity whatsoever resulting from its performance or non-performance of this Contract shall in no case exceed the payment actually received by it under this Contract. These limitations shall apply notwithstanding the failure of the essential purpose of any limited remedy.

**ARTICLE 37: EXPORT CONTROLS**

37.1 The Purchaser represents and warrants that it shall not use any Equipments and/or technical information relating thereto provided by the Contractor for the purposes or activities to disturb international peace and security, including the design, development, production, stockpile or any use of weapons of mass destruction such as nuclear, chemical or biological weapons or missiles to deliver any such weapons, nor any use supporting these weapons activities.

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37.2 The Purchaser also represents and warrants that it shall not sell, dispose of, license, rent, transfer, disclose or otherwise provide the Equipments to any party intending or likely to apply or to have a third party use the Equipments for the purposes or activities set forth above. Furthermore, The Purchaser shall not directly or indirectly, export, re-export or transship the Equipments in violation of any applicable export control laws and regulations promulgated and administered by the governments of the countries claiming jurisdiction over the Parties or the transactions contemplated under this Contract.

#### ARTICLE 38: RETENTION OF TITLE

##### 38.1 Property in the Equipments

38.1.1 Notwithstanding delivery and the passing of risk in the Equipments, or any other provision of this Contract, the property in and legal title to the Equipments shall not pass to the Purchaser until the Contractor has received the Contract Price in full.

38.1.2 in the event that the Purchaser does not pay the amount due, the agents of the Contractor may, until full payment is effected, take the equipment out of service, repossess and remove such equipment after thirty (30) days from receipt of a formal written notice by the Purchaser.

38.1.3 As long as the legal title to the Equipment remains with the Contractor and the Equipment have not been paid for, any technical intervention in relation to the Equipment shall be undertaken only by an authorized agent of the Contractor.

#### ARTICLE 39: CONFIDENTIALITY

39.1 As used in this Contract, "Confidential Information" means all non-public information disclosed by or relating to a Party ("Disclosing Party") that is designated as confidential or that, given the nature of the information or the circumstances surrounding its disclosure, reasonably should be considered as confidential. Confidential Information does not include any information which:

- (a) is publicly available or becomes publicly available through no fault of the Party who receives Confidential Information from the other Party ("Receiving Party");
- (b) is already in the lawful possession of the Receiving Party without confidentiality obligation prior to disclosure to the Receiving Party;
- (c) is legitimately obtained by the Receiving Party without confidentiality obligation from a source other than the other Party; or
- (d) is at any time developed independently by the Receiving Party.

39.2 Without limiting any other provision of this Contract, neither Party shall use Confidential Information received from the other Party, nor reproduce such Confidential Information, in whole

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or in part in any form except as may be permitted under this Contract. Each Party shall keep secret and confidential all Confidential Information, and shall not disclose the same (except to its employees, consultants, permitted subcontractors or agents, professional advisers or Affiliates who have a need to know the information (the "Authorized Recipient")), save with the prior written consent of the person whose Confidential Information is being disclosed. Disclosure to any Authorized Recipient shall be subject to the Authorized Recipient agreeing to be bound by obligations equivalent to those set out in this Article. The Receiving Party shall procure that such Authorized Recipient complies with such obligations and shall take such necessary actions to procure the performance of such obligations as the Disclosing Party reasonably requires in respect of any violation of such obligations.

39.3 The obligations of confidentiality in this Article shall not prevent either the Purchaser or the Contractor from disclosing such Confidential Information, where it is required to do so under any applicable law, or by order of a court or governmental body or authority of competent jurisdiction, or by any mandatory requirement of a regulatory authority or by the rules of any recognized stock exchange, provided that the Receiving Party:

- (a) gives the Disclosing Party prior written notice sufficient to allow the Disclosing Party to seek a protective order or other appropriate remedy,
- (b) discloses only such information as is required by the governmental entity, and
- (c) uses commercially reasonable efforts to obtain confidential treatment for any Confidential Information so disclosed.

39.4 The Receiving Party shall return or destroy all Confidential Information, in any form and including, without limitation, all summaries, copies and excerpts of Confidential Information, promptly following the Disclosing Party's request.

39.5 The Receiving Party acknowledges that unauthorized disclosure or use of Confidential Information in violation of this Contract could cause irreparable harm to the Disclosing Party for which monetary damages may be difficult to ascertain or an inadequate remedy. The Receiving Party therefore agrees that the Disclosing Party will have the right, in addition to its other rights and remedies, to seek injunctive relief for any unauthorized disclosure or use of the Confidential Information.

#### ARTICLE 40: REPRESENTATIONS AND WARRANTIES

40.1 The Purchaser hereby represents and warrants for the benefit of the Contractor that:

40.1.1 **Authorization** The Purchaser has full power and authority to enter into this Contract, to purchase the Equipment and Services hereunder and to perform and observe its obligations hereunder. The Purchaser has taken and completed all necessary and legal action or procedures necessary to authorize the Purchaser to execute, deliver and perform this Contract. This Contract has been duly signed, executed, and delivered by the authorized signatory and

*J*  
*J.F*

representative of the Purchaser;

- 40.1.2 **Government Consents and Actions** All authorizations, approvals and consents of the Purchaser's country which are required for (i) the execution, delivery or performance of this Contract or the validity and enforceability hereof, or (ii) the purchase of the Equipment and Services, or (iii) the payment by the Purchaser hereunder, have been duly effected, completed and obtained and are in full force and effect;
- 40.1.3 **Binding Effect** This Contract has been duly executed and delivered by the Purchaser and constitutes legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms and conditions;
- 40.1.4 **No Contravention** The execution, delivery and performance of this Contract by the Purchaser do not and will not contravene, violate or constitute a default under (a) any provisions of any agreements or other instruments to which the Purchaser is a party or by which the Purchaser or any of its assets is or may be bound; or (b) any treaty, law, regulation, judgment or order applicable to the Purchaser;
- 40.1.5 **Commercial Activity** The execution and delivery of this Contract by the Purchaser constitutes the Purchaser's performance of and compliance with its obligations under this Contract and will constitute private and commercial acts done and performed for commercial purposes under the laws of Philippines;
- 40.1.6 **Documents Provided** The Purchaser has disclosed to the Contractor all documents issued by any governmental department of Philippines that may have a material adverse effect on its ability to fully perform its obligations under this Contract, and the documents previously provided by it to the Contractor do not contain any misstatements or omissions of material facts.
- 40.2 The Contractor hereby represents and warrants that:
- 40.2.1 **Status of the Contractor** The Contractor is an independent legal person duly organized, validly existing in good standing under the laws of the place of its establishment or incorporation;
- 40.2.2 **Authorization** The Contractor has full authority to enter into this Contract and to perform its obligations hereunder. This Contract has been duly signed, executed, and delivered by the authorized signatory of the Contractor;
- 40.2.3 **Binding Effect** This Contract has been duly executed and delivered by the Contractor and constitutes legal, valid and binding obligation of the Contractor enforceable against the Contractor in accordance with its terms and conditions;
- 40.2.4 **No Contravention** The Contractor's execution of this Contract and its performance of its obligations hereunder: (i) will not violate any provision of its business license, articles of incorporation, articles of association or similar organizational documents; and (ii) will not violate or result in a default under any contract to which it is a party or to which it is subject; and

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40.2.5 **No Litigation** There are no actions, suits, or proceedings pending, or to Contractor's best knowledge, threatened, against or affecting Contractor before any court or administrative body or arbitral tribunal that could reasonably be expected to materially adversely affect the ability of the Contractor to meet and carry out its obligations under this Contract.

40.3 If any of the above representations and warranties of a Party are not accurate in all material respects, then such Party shall be in material breach of this Contract.

#### ARTICLE 41: GENERAL PROVISIONS

##### 41.1 Independent Contractor Relationship

The Parties are only establishing an independent contractor relationship with each other by entering into this Contract. Nothing in this Contract shall be construed or implied as:

- (a) establishing between the Parties hereto any partnership or any other form of relationship entailing joint liability;
- (b) constituting either of the Parties hereto as the agent of the other Party;
- (c) creating an employer-employee relationship between the Parties; or
- (d) authorizing either Party to incur any expenses or any other form of obligation on behalf of the other Party (except with the other Party's prior written consent).

##### 41.2 Notices

Any notice required or permitted to be given by either Party to the other under this Contract shall be in writing and shall be served by leaving it at or sending it by telex, facsimile, prepaid recorded delivery, special delivery or registered post to that other Party. Any notice so served by telex, facsimile or post shall be deemed to have been received:

- (a) in the case of telex or facsimile, twelve (12) hours after the date of dispatch; and
- (b) in the case of recorded delivery, special delivery or registered post, forty eight (48) hours from the date of posting.

**In the case of the Purchaser:**

The Columbia Tower, Ortigas Avenue, Mandaluyong City, the Republic of the Philippines

Tel: 0063-2-7277958

Fax: 0063-2-7277948

Attention: Assistant Secretary Elmer A. Soneja

**In the case of the Contractor:**

25/F Pacific Star Bldg., Sen. Gil Puyat Avenue cor. Makati Avenue, Makati City 1200, the

*[Handwritten signatures and initials]*

Republic of the Philippines  
Tel: 0063-2-8106627; 0063-2-8911808  
Fax: 0063-2-8640467  
Attention: Zhang Yu

**41.3 Entire Agreement**

This Contract and the Attachments hereto constitute the entire agreement between the Parties hereto with respect to the subject matter of this Contract and supersede all prior discussions, negotiations and agreements between them.

**41.4 No Waiver**

41.4.1 The failure of any Party to insist upon a strict performance of any of the terms, conditions, stipulations and covenants hereof shall not be deemed a relinquishment or waiver of any right or remedy that such Party may have nor shall the waiver of any breach of any provision of this Contract shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.

41.4.2 A waiver of any default by any Party of any of the terms and conditions of this Contract shall not be construed to be continuing waiver or a waiver of any other provisions of this Contract but shall apply solely to the instances which such waiver is granted.

**41.5 Severability**

41.5.1 Should any provision of this Contract, by action of law or for any other reason, be held to be prohibited, invalid, unenforceable or illegal, the remaining provisions of this Contract shall, provided that the contractual state of equilibrium between the Parties is not materially distorted as a result of such prohibition invalidity, unenforceability or illegality, remain in full force and effect.

41.5.2 Should the contractual state of equilibrium between the Parties not be materially distorted as a result of a prohibition, invalidity unenforceability or illegality of any provision of this Agreement, the Parties shall promptly agree upon an alternative provision having an effect as similar as possible to the effect of the prohibited, invalid unenforceable or illegal provision.

41.5.3 Should the contractual state of equilibrium between the Parties be materially distorted as a result of the prohibition, invalidity unenforceability or illegality of any provision of this Contract, the Party not favored by such prohibition, invalidity unenforceability or illegality shall have the right to terminate this Contract with immediate effect provided that prior written notice of said termination is given to the Party favored by such prohibition, invalidity, unenforceability, or illegality.

**41.6 Attachment of the Contract**

The Attachments hereto are made an integral part of this Contract and are equally binding with

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the main body of the Contract:

- (a) Attachment A: Priced Bill of Quantities
- (b) Attachment B: Technical Specification
- (c) Attachment C: Scope of Work
- (d) Attachment D: Implementation Schedule
- (e) Attachment E: Testing Items of Provisional Acceptance Test
- (f) Attachment F: Training Plan
- (g) Attachment G: Service Level Agreement
- (h) Attachment H: Scope of Work for Managed Services
- (i) Attachment I: SLA & KPI for Managed Services
- (j) Attachment J: Responsibility Matrix for Managed Services
- (k) Attachment K: Part Services Maintenance and Some Products Maintenance Transfer

Should there be any ambiguity, discrepancy or inconsistency between this Contract and any other documents constituting the Contract, the Parties shall endeavor to harmonize the inconsistency or ambiguity, failing which such ambiguity or inconsistency shall be resolved in the following order of priority, except as otherwise specifically provided to the contrary:

- (a) This Contract;
- (b) Any Attachments;
- (c) Any other document forming part of the Contract.

**41.7 Amendments**

This Contract shall not be amended or modified except in writing signed by the Parties hereto.

**41.8 Assignment**

- (a) This Contract may not be assigned in whole or in part by either Party, except that the Contractor may solely upon written notice to the Purchaser assign the Contractor's rights to receive payments and other benefits of this Contract to one or more financial institutions for purposes of arranging debt financing or similar financial arrangements, but in such event the Contractor shall remain fully liable for the performance of its obligations under this Contract.

*[Handwritten initials and signatures]*



- (b) Notwithstanding the foregoing, the Purchaser agrees that the Contractor shall have the right to assign all its right, title, and interest in and to, and delegate all its obligations to its Affiliates in the Republic of the Philippines in respect of the provision of: (i) the Engineering Services; (ii) the Manages Services; (iii) the warranty services; (iv) Training; and/or (v) any other Works undertaken by the Contractor under the Contract to the extent that such Works are to be performed by the Contractor in the Republic of the Philippines pursuant to the Contract.

**41.9 Language**

This Contract is executed in the English language which shall be the sole and controlling language used in interpreting or construing its meaning. All documents, notices, waivers, and all other communications written or otherwise between the Purchaser and the Contractor in connection with this Contract, shall be in the English language, except as otherwise specifically provided to the contrary.

**41.10 Counterparts**

This Contract may be executed in any number of counterparts and by the Parties to it on separate counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

**41.11 Effectiveness of Contract**

41.11.1 This Contract shall become effective and the Parties shall become bound by all terms and conditions of this Contract on the date ("Effective Date") when the conditions set forth below have been fully satisfied or waived by Purchaser:

- (a) This Contract has been duly authorized, executed, and delivered by the Parties;
- (b) All authorizations necessary for the execution, delivery, performance of this Contract and the transactions contemplated hereby have been obtained and are in full force and effect; and
- (c) The Loan Agreement has come into effective.

41.11.2 The Purchaser shall advise the Contractor of the Effective Date after its occurrence by sending to the Contractor a notice ("Notice to Proceed"). The Notice to Proceed may be issued at any time after the occurrence of the Effective Date, but in any case no later than ten (10) calendar days, or such later date as mutually agreed between the Purchaser and Contractor.

**41.12 Conditions Precedent for the Effectivity of the Contract**

The Effectivity of this Contract shall be subject to the fulfillment of the following conditions precedent:

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- 41.12.1 Issuance of a Forward Obligation Authority (FOA) by the Department of Budget and Management (DBM) of the Government of the Republic of the Philippines;
- 41.12.2 Conclusion of the Loan Agreement between Export-Import Bank of China and the Department of Finance (DOF) of the Government of the Republic of the Philippines;
- 41.12.3 Legal opinion on the procurement process by the Department of Justice of the Government of the Republic of the Philippines.
- 41.12.4 The ratification by the Government of the Republic of the Philippines and the People's Republic of China of the Executive Agreement evidenced by the letter dated 02 December 2006 of Chinese Ambassador Li Jinjun to Presidential Chief of Staff Michael T. Defensor relating to the NBN Project and the letter of NEDA Secretary dated 20 April 2007 addressed to Honorable Minister Bo Xilai, Ministry of Commerce and Honorable LI Ruogu, Chairman and President, of the Export-Import Bank of China, People's Republic of China nominating the NBN Project.
- 41.13 Representative of the Purchaser and Evidence of Authority**
- 41.13.1 The Department of Transportation and Communications (DOTC) is designated as representative of the Purchaser. For the purpose of this Article 41.13.1, DOTC will, on behalf of the Purchaser, take any action or execute any documents required or permitted to be taken or executed by the Purchaser under this Contract.
- 41.13.2 The Purchaser shall furnish to the Contractor sufficient evidence of the authority of DOTC who will, on behalf of the Purchaser, take any action or execute any documents required or permitted to be taken or executed by the Purchaser under this Contract.
- 41.13.3 The Purchaser shall provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources necessary or appropriate to enable DOTC to perform the obligations of the Purchaser under this Contract.

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IN WITNESS WHEREOF, the Parties hereto have caused this Contract to be executed by their duly authorized representatives as of the date first above written.

For and on behalf of  
The Government of the Republic the Philippines  
through the Department of Transportation and  
Communications

For and on behalf of  
ZTE Corporation

By:

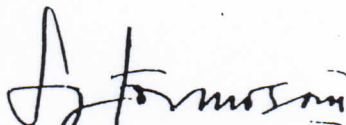
  
0-284  
LEANDRO R. MENDOZA  
Secretary

By:

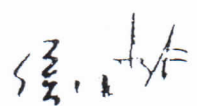
  
YU YONG  
Vice President

   
DOTC-OSCC OUTGOING 07-01241

Signed in the presence of:

  
LORENZO G. FORMOSO III  
Assistant Secretary

  
HOU WEIGUI  
Chairman



ACKNOWLEDGEMENT

Republic of the Philippines)  
\_\_\_\_\_ ) S.S

BEFORE ME, a Notary Public in and for City of \_\_\_\_\_ Philippines, this \_\_\_\_\_ th day of \_\_\_\_\_ 2007, personally appeared:

Name	CTC/Passport No.	Date & Place Issued
Government of the Philippines Represented by: LEANDRO R. MENDOZA Secretary		
ZTE Corporation Represented by: YU YONG Vice President		

all known to me to me known to be the same person who executed the foregoing contract and they acknowledged to me that the same is their and free and voluntary act and deed and that of the corporation or entity they represent

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above written.

NOTARY PUBLIC

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Appendix A -  
Transcription of the  
Interview with Engr.  
Lozada

**Transcription of interview with Rodolfo Noel “Jun” I. Lozada, Jr.  
2 April 2019, Mandaluyong City**

[0:00:00-0:50:00 Transcribed by Anne Frances Nuestro]

Anne Nuestro (AN): What was your role in the NBN-ZTE Project? In other projects of the Arroyo Administration?

Jun Lozada (JL): Im the technical adviser of the former NEDA Secretary. Technical adviser means I parang I do not hold a formal office non sa NEDA but the secretary of NEDA will go to me for advice. So lahat yon pati in the other projects nina Arroyo administration, that was my role. Kasi di ba engineer ako, abogado yan sila. So when it comes to technical stuff, secretary neri would trust my judgement on what will happen.

AN: So sir kayo po yung nag-draft ng proposal?

JL: From the beginning, I usually guide yung mga proponent nyan so the whole idea kasi, ngayon, ilang taon na kayong dalawa?

Irish Dela Cruz (ID): 21

JL: 21 so you were born 1997?

AN: 19

JL: 99 so mas bata ka pa kay Irish? My goodness. So, that happened 2008, 9 years old ka pa lang non? Wala ka pang malay non. So anyway, but you're the generation that grew up na with... may tablet na ba non or wala pa?

AN: wala pa po

JL: but you're at least the generation na ngayon may mobile mobile na, may internet na ba non sa bahay nyo?... So meron na yan. So I already told them na so I would supply, I provided direction so I will tell them ganito yan ganito dapat kasi the whole idea was... Alam niyo ba ano yung national broadband na ito in the first place? Let me... write this down later para alam na nila ano yung NBN. Alright. I have to relate it to something that you know so that you could appreciate it. It's called the associative cognition no. You see all of these roads? That's ADB avenue, you see lots of cars and people movings, vans, there are goods there. These roads allow these people, vans, cars, and goods to move freely. Some of them would go to the market, some of them are coming from their factories, some are coming from their office... So that's how roads are built and that's their purpose: to allow goods and people and vehicles to move freely. Even in the agricultural areas, it produces goods on the farm, there are farm to market roads to bring it to

the market. And that's how we partake in this. Parang etong lemon, that lemon came from a farm somewhere and then it arrived here and most probably it passed through some of these roads to get here. Alright. Now that you are, especially your generation, you are now dealing with digital goods eh. You are now most probably listening to spotify, watching Netflix, facebook, those are digital goods. And these digital goods also need roads, well, how it will get from the factory to the market. So, but that's a very vicious place. Like si uber, unlike in the agricultural age, in every country has a farm, the wealth is spread out all over the world. In the industrial age, the wealth is coming from the factories. But in this digital age and you deal with digital goods, if you own google, you own the world. Not every country will have a google, diba. If you're an uber you own the taxi industry in the world and the funny thing is, uber, they don't produce anything – physical goods, just digital goods. Like uber doesn't own a single car. But it's the largest taxi company in the world. Like Air BnB the largest hotel chain in the world now does not even own a single pillow. That's the magic of dealing with digital goods. And so now, how will I relate it to the NBN... Here, you have your phone, may mobile data yan it's probably connected to either globe of smart lang naman, and that's private. When it gets to the globe station where it connects, This is either connected again by either globe or smart, to another service provider most probably it will be called TelicPhil. It's a consortium of the different telcos. But that's private. When it gets to their central switch, and then connect to the internet through another link called the international private line, by the name itself it's private. That's why imagine-in mo if the roads were private, the roads connecting this building are private roads, you'll pay. When you go to Shaw blvd, you'll pay! And pay again when you go to C5! Tas yung C5 private na naman yun, bayad ka na naman. Pagdating mo sa SLEX, bayad ka na naman. That's how the internet in this country stretch, it's all private. That's why we have the slowest internet and the most expensive internet in the region. Gets? Knowing that that will happen 15 years ago, we already knew that that's going to happen, so the whole idea was similar to how government build over these many decades, all of these road networks for free. For the people. I already told them that we should already build a digital road highway for the next generation of the Philippines so that when your phone wants to access the internet, all you have to do is pay the one that will connect you to the government network so that once you go there, that's government-owned and that's free. And you will have very fast and very cheap internet because in a broadband network, hindi yan like 2x, 5x, 10x, kundi 10,000x or 100,000x because that's what a broadband would do. Because when you download, or research na lang, when you research, that's it because the whole idea is the digital economy will change everything 'di ba. Because samin non, abstract pa yan hindi pa nila nakikita eh. Now nakikita niyo na sila Zalora, honest bee, Zomato gold, yan nakikita niyo na. But before, hindi nila nakikita yan but we already told them it's going to happen. That's why when I was stuck in the convent of La Salle, when the tablet was just to come out at 2010, sinabi na namin na one of the projects I did was to move the La Salle kids to ano to the tablets. They're the first school in the country where all the books are replaced by tablets. So that's what the NBN is for, to provide a public highway for all the digital goods. The whole idea is a digital highway for the entire country. And it will unleash digital economy in this country. Tignan mo, dudugtungan ko na para maappreciate niyo na what I wanted to do 15 years

ago. Right now I'm doing apps. Why am I doing that because... Ano frequently mong ginagamit na apps? Just top 2.

AN: twitter, facebook.

JL: All of that are foreign. But when you go to Vietnam, Thailand, Cambodia, and to Laos, Myanmar, when you ask them what they are using, they'll tell you the top 2 when you go to Vietnam, Vietnamese app. Thailand, thai app. Cambodia, Cambodian app. Because they don't speak English. So look at the disadvantage you guys are putting yourselves in. Not you, maybe the elder ones, you just live into the world you're living in. Kasi sa kanila, our Asian neighbors non-English speaking neighbors, they can knock-off popular American apps eh. There's a Vietnamese spotify kasi they don't sing English songs eh. They sing Vietnamese songs. They sing Cambodian songs. Tayo lang naman yung gago rito na ang pinakikinggan pa rin yung mga ganon ganon. They don't. They listen to their own artists and music. So they can knock it off. Dito, sino ngayon andito. Si Grab na knock-off ni Uber. It's a Malay company. In fact the original name is MyTaxi. Ginaya niya, since may broadband sa Malaysia, nagka-traction siya. Dahil may traction sya and when the likes of Uber entered, "invest tayo sa Malaysia... ay may naka-una na." Invest na lang sila kay grab. Kaya si MyTaxi naging Grab. Now, grab is here. Kung may nag-Tagalog na uber, walang sasakay eh. Si Angkas nga binubugbog nang binubugbog di ba dahil Tagalog. While all other, si Gojek, papasok dito. Parang angkas yan sa Indonesia. But heck it has more than a million users now. Kasi sa kanila, Bahasa eh. Ginaya gaya nila si Uber e since traffic na, motorsiklo sila. Now they are coming here with 17 million dollars binili nila yung coins.ph so since nagsimula sila sa parang angkas na may ipapadala, parang grabexpress na. O may ipapabili, grabfood na. Siya si Gojek, pumasok na yan dito. Si Zalora, German. Saming mga engineers, masakit sa aming makita yan na puro foreigner ang andito. Si honestbee. I'm trying to serve the Filipino franchisers. Alam nyo ba yung Binalot? So, ngayon 30% na ng benta nya ay grabfood na. yung mga bata, grabfood na lang. Sabi nila sakin, langya Jun, in less than 2 years 30% na ng benta ko si grabfood na. what more if this trend continues, magiging kusina na lang ako ni grabfood. Si honestbee, I spoke with the owners of SnR in less than 2 years, close to 20% ng benta nila si honestbee na. sabi ko nga, it will come just like what happened in China that the malls there are empty because the kids would rather order order na lang. Kaya yung Ayala, takot sila na mangyari sa kanila yon. So, the food mga ano nila, are all leaving sa sobrang mahal ng rent nila tatalunin sila ngayon ng somebody tulad ng Zalora na nagbebenta ng mura kasi walang binabayaran na mall space yung mga nagbebenta ron eh. So, yan yung, this is the what we were thinking then, if you were to ask what's my role, that's my role. Teach them where this thing would go and how they should build it. I have big dreams for this country. Yun nga lang. But they have big dreams for their families eh. Alright now, that explains what the project is all about, What my role is basically.

AN: bale na-answer niyo na rin po yung question number 2 na did you perceive this deal as beneficial and needed for the country.



JL: Oh yah in fact it pains me that until now 15 years after, wala pa rin. Im really getting scared about our future, the kids in the public system. Oo ng apala, UP public yan. We cannot afford, can you imagine, kung 15 years ko na sana ginawa to, yung grade 1 nung 2008 dapat graduate na ng highschool ngayon. Dapat marunong na sa internet yun ngayon so I have missed that opportunity to do things. Kasi if theres one greatest educational invention, the internet. Because the internet, the education model now, they send you to school to gain knowledge. And all the knowledge is in the internet na. di ba? That's why we're trying to change the school model, schools should teach the kids now how to solve problems. Ang dali na lang mag-research sa internet di ba. Sabi ko nga sa DepEd, they're still buying billions and billions worth of books but tell me, what information is in the book that you cannot find in the internet... nothing. Why the heck are we spending money pa rin on books when if you use that money and give them internet, tablet, laptops, they'll learn more. Yan ang unfinished advocacy ko. Tanong mo sakín if kailangan tong project na to, yes kailangan. Hanggang ngayon kailangan yan. Ang pinag-uusapan sa senado, kongreso, ilang taon yung bata para ikulong, federalism... nobody is thinking of the future for you guys. Ano pinagkakaabalahan ngayon sa kongreso?

AN: yung budget natin

JL: yung budget di ba. But in that budget you wont find anything for your future.

ID: do you see any downside in this project?

JL: there's always a yin and a yang in everything. But here, the downside is, tulad nga ng nangyari. The downside is because it's going to be a popular project, it's a very needed project, these people some people in power would like to make money out of it. That's the downside. Nag-umpisa kasi yan nung pilot ko, \$129 million. And then naging 267 tapos naging 329 million dollars. Di ba parang, ??? ayan umpisa pa lang yon. Alam ko na na siyempre lalaki pa yan. Kasi di ba kayo pag binigyan kayong internet, mas gusto nyo mas mabilis. Laging ganyan ang use ng digital goods eh, you'll like something better, faster, ganyan lagi yan. It's a natural progression. Can you imagine na kung mag-uumpisa pa lang kami, may 200 million dollars na agad na pinatong. Anong mangyayari don kung lahat na talaga buong bansa na meron na diba, I would just make a few families, the Abalos, Arroyos' filthy filthy filthy rich. As if they are not filthy now. Ay, not rich now di ba. So ganon. That's the downside.

AN: in your opinion, in pushing for this deal did the proponents of the project have any other motives besides the national interest?

JL: which proponent?

AN: Abalos, arroyo

JL: ah hinde, it's really for them. I don't even know, I don't even think they understand what this is all about. Hindi naman nila alam, abogado yung mga ayon, no offense meant to the lawyers but I don't think they know the repercussions, downstream ano, the future how this thing will look like. So, as I said, without meaning offense or something, the proponents you're mentioning, wala silang ano kundi their own selves lang talaga.

AN: what in your opinion made this project anomalous? When did you become aware of the corruption in the project?

JL: ay, anomalous kasi nga the powers that... narinig mo naman yung mga pabaon di ba kasi it was obvious that abalos was really behind the victory ni arroyo kay Fernando Poe Jr. that's the only explanation that a Comelec chairperson can call the first gentleman and parang talk to him and shout and curse at him kala moa so nya kausap eh. That's the only explanation I could possibly think of, how somebody, an appointed official, can behave like that towards the husband of a sitting president.

AN: may utang na loob

JL: exactly. Alam mo yang utang na loob maganda yang ugali ng Pilipino yan pero it's often used for the wrong reasons eh.

AN: when did you become aware of the corruption?

JL: quite at the beginning when the commercial discussions were already being... kaya pala pinasa na sakín ni secretary Neri kasi nga, they are all big people in government so the president, the chairperson of the COMELEC, a very powerful body for the politicians di ba, speaker of the house, and there's another one na si Francis Chua who is now, during Arroyo's time parang special envoy for investments for Chinese investments to the country so marami silang ano. Good thing that fellow listened naman na oh wag ka na makigulo rito kasi di mo kaya makakabanggaan mo rito. Di ba. In politics, in government, it's all politics. Being run by politicians. That's why you should elect better politicians eh. But right now sila bong revilla, sila lito lapid... my goodness!

AN: sir ano po yung conditionalities ng deal?

JL: the conditionality is that the loans should buy Chinese products and you should buy it from Chinese companies. And that's what the Chinese are telling us because China why they are now, I think they are the number one economy in the world na, if you consider the debt of the US to China, I think they are number one. China, is telling us na nga, when they are borrowing from the ADB, the world bank, they never accepted any conditions. Sige utang ako ah. Kasi typical yan world bank will say na sige pautangin kita but you will spend it for this industry, this project, and typically sila ang supplier. China never accepted that. I don't know how you feel about china

but if you take away all the other issues the Filipinos might have on China, China is the only civilization of country in the world who has managed to uplift close to 800 million people out of poverty. No other institution, no other country no other religion no other, nobody else can come close to what has China done these past two decades. Di ba. And we should learn from that. And another thing that we should learn is that when we borrow, to not accept the conditions of the lender. Dito kasi satin iha, in fact tayo pa nagtuturo sa China niyan. Na oy, lagay mo tong condition na to ah na dapat pipili ng supplier, Chinese government. Because it will avoid the project going through the very strict RA 9184 which is the procurement act of the Philippines. Kasi kapag ODA yan o official development assistance, hindi covered ng 9184 yan. Kaya tayo pa nagsabi sa China na oy sama mo naman tong conditions na to, tayo pa magsasabi. Kasi yan ang istilo ng mga Hapon or ng Western countries. The more you know about these things, and the more contentious you become of the people, di ba., we're mortgaging yung future ninyo.

AN: would you deem them as onerous? Yung conditionalities

JL: it was an accepted practice in the developmental world, the world bank, like way back when marcos borrowed money for the nuclear plant, IMF WB lend him the money readily kasi sa Westinghouse bibilhin yung... this is just a practices of the americans, western countries that are going parang at parang at the end, would get back at their own interest.

AN: eh yung sa ZTE?

JL: yung ganong style, pautangin kita pero sakin ka bibili ah. Nung nagkapera na china, pautang nang pautang. Kaya ngayon kanya na Africa eh di ba. Kanya na sri lanka. Ang china kasi it's not an imperial country. Di ba that's why if you look into the Chinese how they refer to china, it's the middle kingdom. They consider themselves as the kingdom between heaven and earth. Anyone else outside of that are the barbarians so they would never conquer. Unlike the americans and Europeans, they are imperialists. Like what the Spanish did to us. China would never do that. China has always been here, trading but they will never conquer. At most they will have a china town, nenegosyohin ka lang nila. So, it's onerous but it's an accepted practice in the developmental economy.

AN: pero sa NBN ZTE na project po ba is meron kayong mga nakitang terms na hindi nakaindicate sa contract mismo, like yung mga under the table..

JL: syempre, you don't put that in the contract. How did that 329 million dollars, 200 dyan pabaon, wala yan. But the painful thing about it, since the Filipinos were asking the Chinese to do it for them, and then the Chinese executives will also get a portion of it. Do you get it iha? Ganito ha. Anne, bentahan mo ko. Sir Jun, 129 yan ha, sabi ko, anne resibuhan mo ko 329. Hala sobrang laki niyan paano yan diba, bahala ka na. e ngayon sabi mo sakin, e sir jun may gastos akong ganito ganyan, meron din siya. So tuloy, that's another painful thing na kaya pati tuloy yung banyaga, kasama na sa pagnanakaw. E sa nagbebenta lang yung banyaga sayo, nakasama

na rin sya sa pagnanakaw dahil sa kababayan mo rin. That's why yung Filipinos, tama si rizal eh. Im a rizal fan e siguro nga. Sabi ni rizal, the filipino is an individual, not a nation. They will only think of their own individual interests. So, okay lang sa kanya na nakawan mo, kunwari Chinese ka, sasabihan mo sila na sige kuha ka ng mga 20 million dollars dyan.

AN: were u aware of the Spratly deal?

JL: Yung sa spratlys naman, yung sa west Philippine sea, the Chinese would never have any intention of putting their presence there. The deal that was offered to us was bigyan naman naming kayong pera, kumpanyang Pilipino, 60-40 tayo, 60 satin 40 sa kanila, basta kayo yung gagawa dyan. Wag nyo bibigay sa mga amerikano yan. We were offered 18 billion dollars to develop the south china sea. It was noynoy, about him being an American boy who did all these screw up sa south china sea until china decided na hindi mapagkakatiwalaan pilipinas ibibigay nya sa amerikano yan, decided to take their drastic measure.

AN: ano po yung joint seismic na...

JL: marami yan. As I have said they were giving us so much money to develop the south china sea but us to develop it.

AN: yon po ba yung nasa news na kay Gloria na the woman who sold spratlys?

JL: ahh, baliktad, okay. So it was, the whole idea was for us to co-develop it. Alam mo yan, although I suffered a lot under her, she's not guilty sa spratly's. yes she's there for the money obviously, 18 billion obviously may kotong sya don. Pero di nya ibebenta yon cause especially if there's one respected filipino sa china, si joe de venecia yon. Ive been with him for some visits sa china and he's really really well-respected. He understands the dynamics no. Kasi we heve been good neighbors with china for many centuries di ba. We didn't have any trouble with them. Kita mo may-ari nitong building na to, Chinese, China Chinese kug saan saan but we did not have any trouble. But yun na nga, you never bring the americans like how noynoy did it. Because if u know geopolitics, that was how japan was cut off during the 2<sup>nd</sup> world war, all the oil bound to japan was choked at the south china sea. That was the choke point of all the oil coming from the middle east going to japan. So that's why if you wanna choke china, go for the south china sea. And china cannot allow that to happen. That's why the americans are doing their best, imperialism, BBL, because the BBL is an American creation. Why? Because they want to have a base there. Di ba so that's something would feel strongly about. So when two elephants are fighting, get out of their way. Kay noynoy iba, they're fighting, he went right in the middle. Yari. That's why your leader must have enough understanding of the history, geopolitics, economy. Kasi, alam na na yan ang choke point ng oil na nagfufuel ng machinerries. So china cannot allow the constriction of their own supply. Although theyre building pipelines to central asia, Kazakhstan, to iran, they're building some pipelines to Burma pero if 80% of your oil is still passing through that strait.....

AN: sir eh bakit po yung sa mga senate report na nabasa ko po, sabi nila ang conditionality ng pagfund ng ZTE at Northrail is yung sa spratlys

JL: hindi yan. Mas alam ko pa yan kesa sa mga senador na yan. So no, it was way ahead. Etong mga NBN na to, the spratly's was ano na lang yan, as the relationship was warming, sigé. Just like how I was telling about the digital economy, you must have at least a view of the more immediate future that's coming, you know that the US and China would come to war one day. And you're stupid to get in the middle of this two. And what did noynoy do, went to the ICC, file things, alam naman ng mga Instik kung sino yung umaano sa kanya, and now when they started building all these fortresses there, si digong naman sabi pa magjejetski sya papunta ron... ngayon wala na. we have a bunch of politicians na you know... You know, I have been offered asylum sa EU, ganon ganon I never took it. i have high hopes for you kids.

AN: As you were asked to draft the proposal for the NBN-ZTE, what motivated you to become a whistle blower against the project and its proponents

JL: bottomline is, it's a very personal decision. It's almost like ah, like I told my wife, it's between me and my god. Unknown to many, right after I got out of engineering school, I caught a sickness and I thought I was going to die. And I was like, bigyan mo pa ko ng buhay ko and I'll do something good. Ganon. I have so many bouts of sickness ganon ganon but I never die, I don't know why so and because of those experience, as I've said, spiritual experience, ahhh sigé, whatever I can do, I'll do it. Di man ako atenista, it's for the greater glory of god. That was what has driven me. When it came to the point na yun na nga there was this biblical saying na..... so there was no motivation to become a whistle blower. You'll be stupid to be motivated to become one. But I was pushed to a point na parang I have to choose. Obviously because the magnitude lang kasi is great. If I tell a lie, I'd be a billionaire by now. I'd be deciding on all these hundred million dollar projects. Since Im the one designing all of this and that, even if I get like, kasi di naman ako taga gobyerno dib aim just an adviser so I can write all of that. So as an adviser if I get one and a half percent, it's big. One percent of 329 million dollars... I'd be earning in those. But I'd be telling a lie. Di ba. So, I have to tell a lie to the entire country. I tell lies to my wife minsan minsan, normal sa mag-asawa yon. Pero yung sa buong bayan, that I really want to serve, there it becomes so difficult. Pera naman nga pero ang kapalit, death threats, yun na nga kinidnap pa ako, lahat ng kaso meron na ako. Since the nuns give me sanctuary, isang kaso lang ang di ako chinarge. Rape. Lahat meron ako, robbery, theft, gross dishonesty, kung anu-anong kaso inabot ko tignan mo naubos buhok ko. So ganon yon. As I have said, the consequences, what would break you is the consequences. Ay nako presidente to, nako politiko to...

AN: sa tingin nyo po ba, ano yung main factors kung bakit nagfe-fail yung mga ganitong projects na foreign funded?

JL: sigé tignan natin ano idea mo kung bakit nagfefail yang mga ganyan

AN: corruption

JL: oo, totoo, it is. And then ganito, there are kasi like even during the senate investigation, there are permissible zones. Like paminsan minsan magsisinungaling kayo sa magulang nyo sa kaibigan nyo. The world can never be pure black pure white. Even the worst criminal would be good to his or her own children. If you go into philosophy, there's no such thing na dapat pure black pure white. Everyone is a spectrum of all shades ng black at white and gray and somewhere in the middle diba. If somebody tells me im pure white, wala. Maraming skeleton in the closet to. The people are so demanding for certain rights, are the very people who would deny those rights to somebody else. Pansinin ninyo. Napakaself-righteous. Yan din yung mga taong who would deny those rights. So let me put it this way, every commercial transaction, somebody has to make money. Do you agree with that? When a commercial transaction happens, the essence of the transaction is to profit. Ganon yon. So, there would be always stuff na, how Neri put it to me, kasi I also asked him that question eh. Sabi ko how do you know when it's graft and when it's not? Sabi nya ganito ah, kinukumbinsi pa nya ko nito, kasi we're both golfers di ba. Bakit pag ba binibigyan mong tip yung caddy mo, kasi you if he serves well, pag kuntento ka sa service nya, so I give him tip. Sabi nya, ganon din yon. Pagka ikaw, government official, when you do your work and you will demand money before doing your work, that's graft. You may or may not take it, kwento lang to ha that's not my position pero sabi niya, when you do your work and the guy who won that bid gave you something, that's your tip! But the law will never recognize that. The law is very clear. youre a government official, hands off ka dyan. But there are so many ways to do it. Pagbibigay ng ganito ganyan, you know it happens. You'll be not just naïve but stupid if you said wala. Sabi mo sakín agad patungan ko di ba. How can it be that there are politicians who have never held a single job or owned a single business who are billionaires??? Di ba?? How can that be no, kaya sabi ko nga ilabas mon a lang, make it official. Like in the US, there are lobby groups. And then when they give money to a certain politician, they record it. And that political would be known na lobbyist to para sa ganito ganyan. So yan yung ano dyan. Na I think there should be a recognition, kung papaano nga ba yan. Parang sa Thailand, doon let's just say, 10% ng projects parang oh bigay nyo yan sa partido. So para everyone will be treated equal na. para so no matter who wins, nagbigay na sila ng 10% nila para sa party. Kasi kung hihingi ka pa ng sobra, yari ka na. ano na lang idedeliver mo. Kasi dito sa pilipinas, let's think about IT projects here, telecom projects, could you believe that no telecom project has ever functioned here? Lahat ng binayaran natin na telecom projects walang umandar kahit isa. What a waste of money. Yan yung sinasabi ko. Pwede ka namang kumita pero iwan mo namang umaandar yung proyekto. Kasi that's what's going to happen na pag tinira ng politiko nang husto sa corruption, walang maiiwan sa project e. That was I have been telling them. Leave something for the project. Tulay yan, tinira mon ang husto yung proyekto, it's just half a bridge, useless pa rin yan. I would love young kids to go into politics, you must capture it.

[00:50:01-01:56:28 Transcribed by Irish Dela Cruz]

AN: Sa tingin po ba is may factor din 'yung donor motives ng China sa pag-fail nung project?

JL: No.

AN: Nadamay lang po talaga?

JL: For the Chinese, the motive is create loans. Kasi- just like a bank, diba, a deposit is a liability. Hindi dahil marami kang pera, mayaman ka. No. Marami kang perang dineposit dahil ang dami mong utang sa depositor mo. Ang asset ng bangko 'yung loan. Kaya pa-loan lang nang pa-loan para may pambayad sa loan sa mga nagde-deposit sa kanya. So, the only motivation for any lender is to earn interest. And then, in a, in a geopolitical sense, it's also to feed an entire factory with work. Diba, pag ikaw nagpautang, anong sabi mo dun sa nag utang sa'yo, "Irish, ah, pautangin kita pero sa factory namin ka bibili ah." Oh, edi, nagkaano ka pa.

AN: Sa tingin niyo po nagkaroon siguro ng difference if sa multilateral agencies kumuha ng funds.

JL: Wala, we've been doing that. Ang dudunong ng mga Pinoy. [laughs]

AN: May kickback 'yan.

JL: Mga Pinoy, matindi sa palusot 'yan. Bilib ka talaga. Remember, sociopolitical history natin, it's always been running circles around your authorities because your authorities were all colonizers. We've built a culture around running circles against our administrators because during that time that's completely acceptable. Ba't ko ibibigay 'yung pinaghirapan ng pamilya ko sa mga Kastilang 'to? Ba't ko ibibigay 'to sa mga Amerikanong 'to, sa mga Hapon na 'to? That's the norm. But the trouble is that norm remained kasi nga the Filipino leaders acted more like colonizers. Kung, diba, kung saan nagpalit 'yung leader, Pilipino na, "oh, tara, oh lahat ng mga lupa na kinamkam nitong mga Kastilang 'to, inyo na lahat." Diba, "oh isoli ko na sa inyo, lahat ng mga Pili-" Like, I have a few doctrines in my life. Doctrine is something you believe as true. Each and everyone can have their own. It sounds like a big term, doctrine diba. Okay, it has a very simple meaning. It simply means that if you believe on something as true, that's your doctrine. I have one simple doctrine, like, naniniwala ako na walang Pilipino dapat squatter sa Pilipinas. Kaya natin 'to e, diba? That's how, like, that's how I got in trouble for example. So, the Philippines has 30 million hectares. And that's another trouble pa with Filipinos, they hate to measure. Pilipino, "ah, pwede na 'yan!" [laughs] "ah ganito siguro, pwede na 'yan" [laughs] Sa inhinyero dapat sukatin mo. So, can you imagine that, when I tell this to people they cannot believe it, 15 million hectares of that is still owned by government. How can you have Filipino squatters if government still owns 15 million hectares? Without ano, ikaw ba, 'yung tinitirhan niyo rito bahay niyo na 'yan, inuupahan niyo, ano ba 'yan?

ID: Bahay na po.

JL: Bahay na, diba. Pero marami diyan kikita niyo walang bahay, diba. So ‘yung matagal ko nang proyekto, pwede natin bigyan ‘tong mga Pilipinong ‘to ng sarili lupa nila. So, pinayagan ako, “sige, gawa ka ng Philippine Forest Corporation.” Kasi the whole idea is mabigyan na nga siya ng ano. The trouble is nung nalaman ng mga politiko ganun pala karami lupa ng gobyerno, yari pinagpaparte-partehan nila, diba. Isang pamilya kumuha sa, diyan sa may Aurora like hundred twenty thousand hectares ng lupa ng gobyerno parang shet, tangina. Sa Negros may isang pamilya kumuha eighteen thousand hectares. Sa Cam Sur may kumuha seven thousand. Sabi ko nga kay Neri, “pucha, ‘di ko ‘to ginawa para lang ipamigay sa mga- pasensya na sa sabihin ‘ko- sa mga hinayupak na ‘to, diba. You have an idea of how big hundred twenty thousand hectares is here? Makikita mo na ‘yung nag-curve na ‘yung manggang ganun. Hindi mo na makikita ‘yung dulo. And one family will get that. Diba?

AN: Aanhin ba nila ‘yun?

JL: Can you imagine ‘yung apo ng apo ng apo ng apo may lupa na? There’s this English saying that ignorance is bliss, e. Buti pa yung ignorante ka sa ganyan- ah social, social media ka lang, comment, comment ka lang- wala kang ano. But when you know this stuff, and it’s very hurtful, very painful. So..

ID: You managed naman po.

JL: Uhh, haha, yeah. But ‘yun na nga, ‘yun na nga, parang.. sabi nga nung mga- kahapon may kasama akong mga taga-Amazon. Narinig niyo na yun Amazon, diba? The Amazon, the Jeff Bezos company. So, nagkataon ‘yung isang ano nila isang Filipina, isang colleague nila from Singapore is a Filipina. So ‘yung mga pobrang mga foreigner had no idea who I was, who I am. So, and then nakita nung Pilipina then tapos yung mga tao ron sa restaurant, “uy, sir, kumusta na kayo?” and then the waiter said, “Sir, dun na po kayo sa loob.” So, siguro they were beginning to wonder na “sino ba ‘tong kausap natin?” And the Filipina said, “ah, kasi dati ganito, ganon.” So ‘yung business meeting namin napunta sa parang “what- what made you do it? What kept you going?” [laughs] Ako tuloy ‘yung na-interview kahapon. But you, don’t, don’t-parang put it in a positive way because terms will have a different.. Keep it up. Don’t ever let go of your dreams. You just keep on going and going, eventually something will happen. Right place, right time. So keep on going... oh nga pala, ano pa ano ko, ano bang ending?

AN: Uhh, follow-up question pa po na- Can you say that the existence of conditionalities is a common trend among Chinese aid or foreign aid in general?

JL: Ah, no. Foreign aid dati, oo. But if you demand it from the Chinese when, in fact, you should demand it from anyone. Kasi ganito, kung kaya kitang lokohin, lolokohin kita. But if you’re an educated borrower, and say no, deh, edi hindi kita papautangin, dami naman pwede magpautang sa akin. Remember there’s so much money. Everyone would like to lend you money. Lalo na



ang utang ng gobeyrno may dagdag na sovereign guarantee. Have you heard of sovereign guarantee?

AN: 'Yung pag, 'yung hindi guaranteed 'yung babayaran pero...

JL: Liliwanagin ko 'yan para sa'yo. Ang sovereign guarantee means something like this.. "Oh judge, utang ako sa'yo ah." And then, parang pag binigyan kita ng sovereign guarantee ibig sabihin non buong bayang Pilipino babayaran ka. What a guarantee? Hangga't may bansa na tawag ay Pilipinas, siguradong babayaran ka. What risk do you have? It's almost zero risk. Hangga't may OFW, hangga't may ano, may BPO mababayaran ka. So you can demand your rates. Pwede ka ngang kumita kaya lang 'tong mga Pinoy nga, mga nandiyan, parang dahil nga iisipin niya nga 'yung kanya, pag sinabi "kargahan mo ng ganito", "Oo, sige, sige, okay lang 'yan. Ako bahala diyan." Kasi? Meron siya, e. Ang sabi ko nga, corruption kasi restricts the bite. Without corruption, actually, mas malaki ang bite. So, if you take even a small share of that of a bigger bite, in absolute terms, you're actually to make more, e. Diba? Katulad niyan, kung pinalarga nila 'yung ano, sabi ko nga, "larga niyo na 'tong LPM don, diba." Later on, 'yun na nga, magkakaroon ng transport app, magkakaroon ng shopping app 'yan, magkakaroon ng educational app 'yan. Maraming anak 'yan. Edi inyo na 'yan. May access ka na rito, e. Kaso 'yan, pagtatrabahuhan pa nila 'yan. Eto wala na silang trabaho. Ngayon, kuha na agad.

AN: Confirm ko lang po 'yung nabasa ko sa senate report na si Abalos is 'yung nag-broker sa ZTE?

JL: Meron pang isang tao si Reuben Reyes, 'yun talaga 'yung connect nila. Si Reuben Reyes 'yung connect nung NBN at si Reuben dinala niya yung **idea** ng ZTE kay Abalos.

AN: Ta's si Gloria po 'yung nagpa-propose kay Defensor na mag, na humingi tayo sa China?

JL: Ah, ganito. Sina Mike kasi, which is 'yung bata ni Mike hanggang ngayon NTC commissioner pa- si Liel Cordoba. 'Yan ang runner sa akin ni Mike dati. Isipin mo matibay 'yung anong 'yon daig pa ipis ba 'yung kasabihang 'yung pag ipis can survive a nuclear ano. That guy is better than the cockroaches. So the Arroyo administration, the Aquino administration, ngayon, Duterte administration siya pa rin, diba. Siya 'yung runner na 'yan. Si Mike kasi kaibigan ko kasi dati si Mike. So lahat kapag may kailangan sila akin, padadaan nila kay Mike. So 'yun 'yung naging role nila ron. Aside from that, wala. Wala na masyadong role.

AN: Sino po 'yung nanghingi sa Exim bank na i-fund 'yung NBN?

JL: Mmm. Actually, sa China Exim bank, 'yung Chinese embassy na. I remember that well, Sabado ata 'yun o Friday 'yun. 'Yun nga 'yung pupunta ako kay Abalos sa COMELEC sabi ko, "Chair, 'di talaga uubra 'yung ano mo, 'yung offer mo." Sa ano 'yan, sa gobyerno kasi loan 'yon e. Samantalang 'yung offer nina Joey de Venecia, PPP, walang loan 'yun. Sila naghahanap ng

pondo, pondohan nila. So, mas favorable sa gobyerno 'yon. Nagalit si Abalos. Tinawagan niya si [someone], pinagmumura-mura niya si [someone] sa harapan ko. Sabi niya, "oh, mahirap kayong kausap. Kalimutan niyo na lang usapan natin." Siyempre usapan siguro nila mga sikreto nila. I can never forget that. Kasi, the following day, which was a Saturday, dumating yung fax ng Chinese embassy sa NEDA na "oh, meron na kaming available loan para diyan sa project na 'yan." So, that stuck into my mind na, tangina, these guys can even move a foreign government. Diba?

AN: Instant.

JL: Instant. And these very, very placed government official can get foreign government to act, an ambassador of China nonetheless. From that time na on, kumbinsido na ako, pucha, siga 'tong mga 'to. Hawak nito si Gloria sa ano. Diba? Pang-movie 'yung buhay mo. [laughs] Makikita mong ganun. And there's so many of that, there's so many of these projects happening all over the.. Sinasabi ko sa inyo, you must encourage each other to go into politics. The trouble is young people naman, since mag-uumpisa silang bata, then they get co-opted by the older ones in politics- the one with more money, the one with.. Pag inutusan ka, bye-bye ka na, diba? They never get to rise to the top kasi bata pa lang..

AN: Nako-corrupt na sila

JL: Or else, aalis na lang sila, diba? Kita mo ngayon, lahat na lang sa Pasig si Usepio, dito si Abalos, ito nga si Binay, sila-sila nag-aaway-away na ngayon, diba? So, but it cannot be. There must be some nuclear-political nuclear holocaust that should happen that will ano... Teka, ako naman magtanong, bakit ito 'yung napili mong thesis?

AN: Binigay po ni Sir Simbulan [laughs] kasi po thematic po siya sa advisees niya. Ang theme po is China relations tas ang nabigay niya po sa akin is case study ng NBN-ZTE.

JL: Masalimuot 'yan.

AN: Oo. Hehe. Nagpunta nga po akong Senate ta's pinapabasa nga dapat sa akin 'yung trans-

JL: 'Yung PSN?

AN: transcriptions tsaka 'yung technical working groups. Isang trolley po.

JL: Ngayon, na-imagine mo na gaano ako katagal dun.

AN: Years [laughs]

JL: Can you imagine, they will call me before 10 in the morning and they will grill me until 10 in the evening. At saka that's why given at your young age many people would-before, lalo na when it was recent pa lang, "Uy, sir, thank you for defending the truth." In fact, I tell them it's the other way around. It was the truth that was defending me. Kasi kung hindi ako nagsabi ng totoo, ulit-ulit e. Twenty four silang senador, although si Angara never attempted to question me because baka mas marami pa akong maikuwento sa kanya- my god. [laughs]

AN: Truth. [laughs]

JL: Diba? So, tatanungin ka nila sa umaga. Siyempre bandang hapon lowbatt ka na, uulitin na naman nila ibang senador na naman. Towards, in the evening, tatanungin ka na naman tapos bago magtapos yung session, tatanungin ka na naman. Kung hindi ka nagsasabi ng totoo, yari ka na e, diba? O kaya after a week or two, patatawag ka na naman senado, tatanungin ka na naman, diba? So that's why I, experientially, I would know na the truth is like a light talaga, 'no? Pag bitbit mo 'yan, kahit ano pang dilim ang bubug-bubugbugin ka [laughs] wala, kasi diba kapag sinungaling ka iisipin mo, "ano nga ba 'yung sinabi ko nung isang linggo?" [laughs] diba? Yari ka na, e.

AN: Inconsistent ka.

JL: Just tell the truth. Ganon lang, so... That's why I told them it was really the truth that was defending me. Even now, they ask me the same thing I'll just answer the same way, diba? I'm sure if you ask like sina Mike what happened, sina Atienza, I'm pretty sure they'll give you a very different answer. Sabihin niyan, "ah [inaudible] 'yan", ganun lang 'yun [laughs] wala lang, diba?

Nagtataka lang ako, why would somebody, a young kid, would like to study this stuff. Pero at least sana may matutunan ka sa akin.

AN: Opo.

JL: Teka lang, hihingi tayo ng tubig.

AN: Sige po.

JL: [to waiter] Penge ngang tubig.

JL: Kailan mo ba balak i-submit ito?

AN: Uhm, before Holy Week po.

JL: Woah, Holy Week, diba next week Holy Week na?

AN: Next, next week pa po.

JL: [laughs]

AN: Uhm, now that you're receiving many of it, what was your perspective on the Chinese loan?

JL: Natural we must watch out against those conditions, diba. But I put the responsibility, the utmost responsibility solely on our own officials. It's the same, it will be the same game all over again. How the Americans screwed us up, everyone naman would like to screw you up, e. Pardon the language. It's up to you if you allow yourself to be screwed up. Ganun naman talaga 'yun.

AN: Sir, clarify ko lang po, is ZTE deal an **oda**?

JL: Yeah.

AN: Kaya ligtas siya sa procurement act.

JL: [laughs] 'Yan lang 'yan..

AN: Walang bidding.

JL: 'Yan lang 'yan, hija. 'Yan lang ang ano niyan.

JL: Kaya kung meron kang recommendation sa thesis na 'yan, dapat ang **oda** hindi exempted sa bidding. Kung meron ka mang output diyan sa paggagawin mong 'yan, sabihin mo, "dahil sa pagsusuri at pag-aaral ko nitong mga 'to, ito ang aking, ano, kumbaga, layunin o adhikain dito na wala-magmula ngayon, lahat ng oda hindi dapat exempted sa bidding 'yan. Tapos 'yung conditionality dapat tanggalin na lahat 'yan." Diba? Tayo dapat ang nag-iimpose ng condition, hindi 'yung lender. Because it's always a borrower's market. So there's {something} there.

AN: Sino po 'yung unang nag-expose nung anomalies?

JL: Ha? Nung NBN?

AN: Opo.

JL: Ganito 'yan. 'Yung unang nag-expose niya, actually, si Arnold Clavio. [laughs] Eh kasi naggogolf, nakikita kami niyan sa Wack Wack, e. Naggogolf kami, and all. Nasa lamesa ako, si Romi, 'yung mga Chinese, si Abalos. Siya naman, hindi naman namin talaga kaibigan pa 'yan so.. Nandun siya rin, meron din siyang mga iniimbita-imbita. Nakikita niya kami, nakikita niya, so, siyempre merong, uhh, siyempre journalist ano 'yung mga 'yan, sino mga 'yan siguro

tinatanong niya sino 'yung grupong 'yon, then kasi pumutok 'yung, 'yung..pumutok kasi ron sa club na si Abalos na offered Neri 200 million.

AN: 'Yung "Sec, may 200 million."

JL: [laughs] Yeah, yeah. Pumutok 'yan don sa club. So kuwentu-kwentuhan 'yan kasi si Abalos boastful 'yan, e, boastful 'yan. So it was this Monday, umagang umaga kasi morning radio show 'yan e, tinawagan niya si Romi. Do you know this- there are incidence in your life that is so impactful that you'll know where you are. [laughs] Oh, ikaw, saan ka niligawan ng suitor mo, sabi nga never mo na makakalimutan 'yon mga ganung bagay, diba. It's impactful. So, I was driving dun sa, kwentuhan kami and Arnold Clavio in his usual clever ways said, "oy, sir," sabi sa'yo pagpapatawa-tawa lang mga 'yan, diba, mag-iinterview sila ni Anthony Taberna, "totoo ba 'yung nabalitaan niyo, nabalitaan ko 'yung sa Wack Wack, may nag-offer daw sa government official na 200 million?" Ganun, pasasakayin ka niya nang pasasakayin. Sabi ni Romi, "ah, I will neither confirm nor deny that." Shet, tangina parang sumabog 'yung mundo ko sabi ko, "pucha." I started-alam ko nasa interview pa si Romi, but I already texted him, sabi ko, "Rom, I hope you realize the Pandora's box that you opened."

AN: [laughs]

JL: And then natapos 'yung interview niya, nandiyan na ako sa may White plains, sa Loyola heights na 'to pakanan na ako ng Crame- White plains, EDSA, Crame, Aguinaldo sa right side- then he called me, "Bakit, Jun? Ano, ano.." sabi ko, "Rom, tangina, by answering that way, you almost just confirmed it." Diba? The following day front page na ng Inquirer, "Neri neithers confirm nor deny 200 million offer from high government official." It changed the course of my life. So, siya, kalokohan niya 'yon, hanggang ngayon kalokohan niya 'yon. And I ended up good friends so, god, pucha sinira niya buhay ko.

AN: Nasa senate report din po na whistle blower din si De Venecia III..

JL: Si Joey.

AN: ..kasi natalo siya?

JL: Yeah, oo. In fact, they were the ones being called to the Senate. Never naman-'di naman ako kilala kasi nga wala naman ako official ano sa.. And then Nene Pimentel- I was at home 'cause I would always monitor kung anong nangyayari kasi alam ko sino nagsisinungaling, sino hindi, alam ko 'yan- then Nene Pimentel said, ah si Joey de Venecia, "ah may nakapagsabi sa akin, talagang may alam daw ng kuwento dito si Jun Lozada," and noon, may congressman na Apolinario Jun Lozada, "ito ba 'yung Apolinario Jun Lozada?" Shet, sabi ko "tangina mukhang madadamay na ako rito." And then, "Hindi ko po alam 'yung pangalan, pero hindi po siya si congressman Jun Lozada." "Ah, pwede bang ipa-subpoena niyo 'to."

AN: [laughs] Ayan na.

JL: So, yeah, it was ano.. I don't know why God has allowed me to go through all of it. There must be some reason out there na hindi ko pa alam, 'no? But 'yon, mahirap. It's an understatement 'yung "mahirap". Na-kidnap ka, nakulong na ako dun sa WBD mga kasama mo yung mga kriminal don, diba. So-and then to see, live 'yung buhay na ganon. When i wrote my letters from prison, sabi ko nga sa kanila mas nandito pa nga 'yung Diyos kaysa sa labas kasi pagkapinadalhan ako ng pagkain ng mga madre, hindi naman ako makakain, saka ayoko ring kumain kasi ayokong magpupu ron sa preso. [laughs] Sabi ko pag 'di na lang ako kumain, 'di na lang ako magpupupu kasi takot ka. When I gave my food to them, 'yung selda 'yon, makikita mo they will split the food evenly sa lahat ng selda. Kasi merong selda dala lang isang sardinas, isang malaking kanin, ibubuhos lang 'yung sardinas don, ah, dun na 'yun. Isang dakot kayo bawat isa at ikot 'yun. Can you imagine that? So when I gave my food to them, and they will split it evenly among the different cells. And you will not see that in the outside world. In the outside world, kung sino napauna, kaniya na 'yun, kung sino 'yung malakas, kaniya na 'yun. Doon 'di. The weak, the strong, the inbetween? Share, share, share, share sila. I wrote them na, "nandito pa ata 'yung Diyos sa loob," and I told them, "ah, if you're going to send me food, send it for like hundred plus people or else I won't eat." That became the parang prison ministry ng maraming congregation. It lasted for years until now marami ninenegosyo na ng warden 'yung pinapadala naming pagkain. Binebenta niya na.

AN: Kinorrupt din.

JL: Pagawa kaming toilet, mga ganun, so.. There's so many things to reform. There's so many things, katulad 'di naman kasama sa preso. Siguro 80% don dapat wala. May bata, nanalo lang siya sa bilyar, binayaran siyang dollar ng natalo niya, tapos nung magpapapalit siya dun sa bilyaran din, siguro inaccuse siya na peke 'yung dollar niya so pinakulong siya, bagansya siya. Meron nga na sa sobrang gutom niya kumain siya sa restuarant, wala siyang pambayad. Kulong siya. But, heck, those are talagang crimes of hunger, ganun. 'Yung iba nga wala lang silang access sa abugado, anim na buwan na siya sabi ko nga kung sinentensyahan siya, isang linggo naman 'yun o dalawang linggo, but since he has no lawyer, walang-anim na buwan na siya, nandun pa rin. Oh, that really makes you angry na may mga ganung tao. So, I can see crimes into this, there are people driven to crime. Maybe wala lang silang makain, may sakit yung anak niya and they'll be driven to crime. Wala siyang gobyernong tatakbuhan, walang simbahang tatakbuhan. Those criminals I'll reform right away. There are criminals who, out of greed, would commit crime. Hindi naman nila kailangan ng ano, e. They have more than enough, and yet they'd like to have more than what they need and then they'll commit crime. Ah, yun, kalaban ko 'yan.

AN: [something]

JL: Diba, ‘yan ‘yung magandang kalaban. You cannot go through life na walang struggle. If you like a life without any struggle, ah walang kwentang buhay ‘yon. You’ll just be like a leaf, one of these leaves that sprouted and then fell off the grass, without nothing, leaving anything.

Anong-what, may Chinese blood ka ba bakit mukang singkit ka?

AN: Singkit lang po mata ko. [laughs]

JL: Ah.

AN: Sir, anong recommendations niyo sa Duterte government na Chinese?

JL: Number one, dito kay Digong, at this age, he will never listen to any advice. Alam ko na ‘yan ‘cause he already made up his mind that he will go against, uh, single, single issue presidency siya. Drugs, diba? Wala nang.. Have you the opportunity to talk to him in this relaxed, ganun, wala ‘yun. Ekonomiya wala siyang pakialam diyan. Wala siya lahat diyan. Basically, it’s his people that’s running the government. And the only reason why he’s leaning to China, ‘yun nga, because he hates the Americans, that’s it. He’s a simple-minded person, ‘no? Sabi nga sa akin ang kinakatakutan lang naman niya si Kim Jong-un. [laughs] Nakakatawa e, ‘no? Sabi niya, “pucha, lahat ‘yan kinakatakutan lang ‘tong batang ‘to,” sabi niya, “lumaki sa bidyo games ‘to, e. Baka mamaya magpalipad ng missile ‘to, akala niya video games lang.” Sabi nga niya naghiram siya kay Putin ng submarine nang may pangganti man lang siya kay Kim Jong-un.

AN: [laughs]

JL: So that’s how simple-minded he is, walang ano. Walla. You just have to wait out. You cannot give him any advice. So you just have to ano, so you have to just, uh, wait it out. And then, pray as hard as you can that somebody, a better politician, will come your way.

Ikaw nga tanungin ko, wala lang si Irish dito, how do you feel about this country now? Really, how do you feel about it? Kapag balik niya iinterviewhin rin, but wala ngayon. How do you feel about it, personally?

AN: Parang ‘yung political climate natin dito nakaka-down ng moral ng mga tatakbong bago or something. ‘Yung trolls ni Duterte, parang [laughs] nakakawalang gana nang labanan.

JL: Diba, you felt overwhelmed sa kanila diba?

AN: Opo. Parang hinihintay mo na lang mamatay si Duterte. [laughs]

JL: Parang ganun, ‘no? Can you imagine his foisting, uh, fositing upon the country si Bong Go, si Bato..,

AN: Walang kwenta.

JL: Yeah, that's what I told the Amazon people. For me, the country or government is too important to lead these types of officials.

AN: Ta's hindi kilala 'yung mga politicians na parang deserve nila 'yung seat.

JL: Yeah, nandiyan sina Diokno, diba?

AN: Gutoc.

JL: Mhmm. That lady's good, 'no? Gusto ko rin 'yung ano niya, gusto ko 'yung..

AN: Ta's male-label silang dilawan, yellowtards, just because asa opposition.

JL: Ta's nasabi ko God will, that I-alam mo, hija, kung nung 2010 nag-senador ako, senador na ako, e. I'm always in the top 5 na mga survey-survey. Talking in my experience, I'll be going to Makati, mga potential donors, the Iglesia would come to Rizal para lang enganyuhin akong tumakbo. That's why sabi ko nga sa kanila dito pala ginagawa ang senador o presidente sa Makati. "Jun, ito 200 million sa kampanya mo.", sabi niya. What do I owe you for, what do I owe this generosity for? "Ah, kasi mukha kang simbolo ng pagbabago sa mga tao." Ganun. And sa dami ng bagong negosyo, nung nag-ooffer sa akin, e paano kung 'yung reporma ko tatamaan 'yung negosyo niyo, diba? Hindi ko na iniisip kasi lalo lang akong magkakaproblema niyan.

AN: Pagkagamit sa puwesto [???

JL: Diba, ganun 'yun? So.. Oh, ikaw, hija, how do you feel about this country now?

ID: Uh, with Duterte?

JL: Yeah.

ID: Pretty bad.

JL: Pretty bad?

ID: [inaudible]

JL: Yeah, so I was sharing nga..

ID: [inaudible] ..the future is scary.



JL: Diba? That's what I'm saying, just like what I told the Amazon people, what keeps you going? Sabi ko nga the country or the government is too important to lead these type of politicians. Sabi ko in 2010, I could have been senator in 2010. Hindi niyo na ako ma-interview kasi baka nasama na ako sa PDAF na 'yon. [laughs] So, uh, and then, 'yun na nga, political families would offer me campaign funds, 200 million ganun. The Iglesia would come to me, "oh, sir, Kapatid, baka ano ikaw ang.." Sabi ko, ano trabaho ko? What do I owe this generosity for? "Kasi, sir, ikaw ang pagbabago natin." Ganun, ganun. Paano 'yan, sa dami ng negosyo ng pamilya niyo [laughs] paano 'yan kung sa reporma, matatamaan? Sabi niya, "edi, siges, ikaw bahala." Pero sabi ko, sa Pilipino kasi primary value ang utang na loob. Ako 'yung magkakaproblema kasi magmumukha akong wala akong utang na loob, diba, ikekvento 'yun, e. "Ayan? May pondo 'dun, walang hiya 'yan, tinira.." Diba? I know, after that experience, that these senators, these presidents are actually made in Makati. 'Cause these are the people that would-like si Bong Go at saka si Bato, lahat ng bus, sa probinsya may poster, may commercial. Where are all those money coming from, diba? Tapos sa social media naman, siyempre isang tambak din ang trolls nila, diba. We should think of another way, a more clever way. That's why sabi nga 'yung broadband na 'yan, 'yung internet na 'yan, that's a great equalizer because if you know how, if you know how? Wars naman are won by technology. If you study history of warfare, usually even a great army would be beaten like how the Spaniards conquered the Aztecs, hundred twenty thousand Aztecs armed with wooden clubs and wooden vest were slaughtered by hundred twenty Spaniards with metal armor and swords, and horses, diba? If you read the accounts of the conquest of the Incas, the Aztecs, the.. Kasi ang isang galleon can only bring a few people lang naman, e. They were so tired slaughtering all these Indian, magpapalit-palit na lang sila. So, yeah, cause of technology, so, you should master this digital technology that these oldies don't know about. That's your only way. That's your only way of evening up the field.

AN: Sir, ano pong masasabi niyo sa 'Build, Build, Build' niya na funded by the Chinese na wala pang natutuloy?

JL: Alright. 'Build, Build, Build' is a must kasi this is specially for mass transport. Lagi niyong iseseparate the objective and the approach, diba? [coughs] When you look at a project, what is the goal of the project and what is the approach? Tapos [coughs] the goal is good, the approach is bad. [coughs] Ba't ba ako nauubo? May nakaalala ata sa akin. [coughs]

AN: [laughs]

JL: Tama, walang natutuloy. Siguro may nakaalala sa akin. [coughs] 'Yung mga natutuloy lang 'yung mga funded ng Hapon.

AN: ng? Hapon, opo.

JL: [coughs] Ano ba ‘yan. Rest ko muna. Kanina pa siguro ako nagkukuwento.

AN: [laughs]

JL: Alam mo bakit? Kasi ‘yung mga Hapon already knows the system. Alam na ng JICA, alam na ang sistema sa Pilipinas. ‘Yung mga Intsik hindi nila alam. [coughs] Hindi pa nila alam ang sistema ng gobyerno. Akala nila rito parang China. Pag sinabi na ng presidente, okay na. Dito, hindi.

[talking to waiter] Hijo, penge ngang tubig.

Pag sinabi ng presidente na nasa China, “Oh, okay na ‘yan.” Lahat ‘yun susunod. Sa Pilipinas, hindi. Pag sinabi na ni Digong, “Okay na ‘yan.” Lahat ng mga susunod diyan..

AN: Mga kokontra.

JL: Hindi, kailangan nila sumunod sa batas, e. And the Chinese have no understanding how the system works. Kaya dun sila talo. Wala silang-Hindi sila marunong gumawa ng feasibility study that would fit the NEDA requirement. Walang ganun. So, dun sila talo, kumbaga, sa familiarity with the bureaucracy, dun sila talo.

[talking to waiter] Hijo, lukewarm lang. Sobrang init. Tsaka baba mo naman ‘to ha. Init naman dito [laughs]

So ‘yun ‘yung mga ano.. Why these Chinese projects are not moving it’s because they’re not familiar with the Philippine bureaucratic requirements of how to do the ‘Build, Build, Build’. Kaya maraming mangyayari diyan, mga PPP, pero kung ano talaga, konti lang matutuloy diyan. ‘Yung northrail ng China-ng Japanese, tuluy-tuloy na. Nag-ground breaking na sila nung Tutuban to Bocaue. ‘Yung Korean, between Tutuban and Calamba, nag-ground breaking na rin. ‘Yung southrail papuntang Sorsogon, wala pa. ‘Yung subway magmula ron sa FTI, ‘yung Arca, katulad niyan, puro kay Ayala, ginawa ‘yang feasibility panahon ni Noynoy. Mag-uumpisa sa FTA, which is now an Ayala property, ending in TriNoma, which is also an Ayala property. Parang ginawan mo lang ng connecting train ‘yung mga Ayala properties na dadaan sa BGC, Ayala, na dadaan diyan sa 30th na may Ayala rin, so.. And you know how much real estate value will rise once may estasyon ka na ng subway diyan. Kaya nga pag sinisingil ni Digong si Manila Water, may anomaly. [laughs] Kaya nga ano e-although, I, parang, ‘yun nga, ambivalent ako rito kay Digong kasi ba’t you would have the balls to [inaudible] you must have been pampered by the Aquinos, pampered by everyone else. So, if there’s one- in fact, the single hurdle for Chinese projects from happening is that they do not know the bureaucracy.

AN: Sir, ano pong masasabi niyo po dun sa explicitly na sinasabi sa deal 'yung, na pwede nila kunin 'yung mga gas reserves natin once na-[something].

JL: 'Yun ang interesado akong malaman kung totoo 'yon o hindi. Or was it just lifted, and alam mo naman kasi dito fake news, fake news talagang ano, diba? So 'yun ang interesado ako. But, I mean, that's the depth of stupidity if the country would sign something like that. And the most is we'll give you a sovereign guarantee. But, to give you our own patrimonial property, I..  
Chechekin mo 'yung source non kung totoo 'yun. Kasi dito, 'yun na nga, you have to step back from getting a boxed in perspective, diba? Or else kasi they'll- Katulad noon sabi ko Arroyo was the source of many of my misery, diba? But when it comes to dun sa Spratlys, ay hindi siya ano diyari. So, you have to be able to take that more parang an attach or detach perspective when you write this. So, yeah. Yes, you have to look at the wary of the Chinese **carrot**, but you have to have a more circumspect perspective about it kasi why was it when the Americans were doing it to us, nobody was ano, diba? Nobody was raising anything. So, ayan. One of the things, one of the context you must always look at this is from the context of geopolitics and the attachment of some Filipinos to the American perspective. For your generation, 'wag na kayong makisali ron. Meaning, have your own. What I'm telling the young ones is when you go up there, you don't say you're not taking any side. No, you're going up there to take over. Because it's **red**. Parang sa US 'yan between the democrats and the republicans, they're both screwed up. Like when I was, 'yun nga, I walk the corridors of power and you know for a fact na ang opposition at saka ang administration dito, they're actually ideological twins. They have no ideological difference. The only difference would be geographic, sino 'yung nasa Malacanang at sino 'yung nasa outside of Malacanang. That's it. But, in terms of ideology, wala. It's all familial ideology. Ano mabuti sa pamilya, 'yun mabuti sa bayan. So, many of these jaded politicians out there- jaded, pagod na sila sa sistema. Some of them are already given up like, "ah, I gave this fight the best years of my life." And since they invested so much of their lives already to that particular point of view, some would even, sina **Roland** diba, uh, invested blood. Talagang may namatayan ng pamilya, sila mismo nasaktan, ganun, 'yung iba na-torture. So, it will not be easy to give up that perspective. After you've given that perspective a good deal of your life, diba? But a new ism kasi will come out, e. You must take a step back. This political system that we know now, capitalism, socialism, and a bit of communism, but you know, these are all worn out or when the world was moving from the agricultural to the industrial age, diba? If you're familiar with that age, when masses of people from the countryside were moving to live in swallow in the cities and some, like enlightened minds, like Marx would think na, "ah, there must be a better way to deal with these people." You cannot allow the capitalist to just run rough-shed over the lives of these masses. Lahat 'yan dun 'yan nanggaling. But now that the world has moved in to the digital space, the likes of Uber would own 30% of the global taxi business, kanino ba ngayon magreklamo? Like when Grab already owns like ano, kanino magreklamo mga tao? It will displace a lot of people in the future. When medicine, biotech would now move into [something] Right now, if you follow this trail- kasama kasi siya sa Rebisco, dun sa creamliners, siya may-ari. So, the rich can now have-change heart, change liver, change ganon, diba, while the poor doesn't have access to basic healthcare. So what will happen now is there will be an immortal

class. These people would be a hundred fifty, hundred twenty and still look young, feel young. And there would be a bunch of useless class that will be harvested for their ano, diba? Anong ism ang dapat magrurule ngayon don? What new philosophy? What new political thinking must come out? Nasa developmental studies ka diba? So, like the practice of medicine will change because Watson now has all the medical data globally. It has more than a hundred million MRIs of different diseases, different ano, now, they can map your genome, diba? All 26,000 pairs of genome, all 3.2 Trillion DNA sequence mo can now be mapped for a hundred dollars. So, what will happen now? The rich have access to all of that. They would know what sickness they're prone to. While tens of millions, hundreds of millions, maybe billions of people around the world doesn't even have a.. Anong klaseng thinking ang dapat mangyari? What new ism must come out? I'm telling you a new ism will come out. All of this flux sa mundo, why a Duterte would be elected here, why a Trump would be elected in US, why in Brazil this other fellow like si Putin is there, ganun 'yun. It's the beginning, a new political order emerge pretty soon. Something that is based already in digital..

AN: 'Yung Fourth Industrial Revolution.

JL: Yeah, the Fourth Industrial Revolution.

AN: AI.

JL: So, how do you control AI now? Right now, I've been telling like the- when Ben Diokno was still DBM secretary- **and I go where** the larger Amazon house in this country, they don't pay VAT, they don't pay income tax, while 'yung maliliit na tindahan diyan, ang hihigpit niyo. What will happen now that commerce is global, media is global, but statutes are local? How can a municipality, a city, or a country, now, impose its taxation rules on Amazon when there's no office here? How? Even politicians who do not understand this digital environment, how would you now change the pedagogy in the school system if all the knowledge can now be accessed by a kid? Ganun pa rin, ABC? Hindi na 'yun. Google translator, Tagalog-Englishin ko 'yan sa'yo. How? Those are the questions I would like to post to you young people. Immerse yourself in that future state na. Forget about the bullshit these old politicians are doing now.

AN: Mamamatay din sila. [laughs]

JL: Yeah, but start preparing yourself for that next discussion, for that conversation. So that's what the NBN is all about. That's why I use the word "is" because it has not happened yet. I'm still dreaming about it, I'm still planning about it, so, yeah. Ngayon, madadagdagan 'yun, hindi na lang just about the Chinese. No, no. You have to see it, as I said, on a more 360 degree..

AN: Sa tingin niyo po ba capable ang Philippines na magtayo ng NBN without-

JL: Oo naman.

AN: -without any help from other countries?

JL: My goodness, yes. Oo naman. [laughs] All the engineers in the world, a good deal of them are Filipinos. Napakarami niyan. Cable lay, cable laying ships, ang mga tao Pinoy. ‘Yung mga nasa Google, daming Pinoy. Sa Apple, daming Pinoy. Not until we become a nation can we bring this people back. That’s why I’m holding on to the myth of Rizal to unite this country, I’m not going to talk about Marcos, about Ninoy, ah wala lahat mga ‘yan, pare-pareho lahat ‘yan ‘no. So, I want to bring it back to the purity of Rizal’s, even prior to Aguinaldo and Bonifacio pa diba? So ‘yun, kayang kaya.

AN: Ano lang ang problem?

JL: ‘Yung gobyerno. [laughs] ‘Yung gobyerno, ‘yung gobyerno.

Actually, ‘yung app ko, I already signed up with Mike Tan para sa inyo sa UP kaya lang andaming ano pala, andami pang ano ron. So, bago ko kayong dalawa paalisin kasi malapit na, this is the app that I did. Abizo. Abizo para..

AN: Ano po siya?

JL: It’s Abizo from the Tagalog word na “abiso”, diba?

AN: Ah.

JL: So, it’s a platform, ‘no? Ito ginagawa niya like para sa OFW o kaya kahit sinong pamilya, so ‘yuan makikita saan mga family members mo anywhere, and you can chat with them. Kasi ito pag sa OFW, kahit kayo, when you’re in trouble anywhere in the world, you just press that, and it will let your family members know. So dito sa amin, sa office, these are the things you can do. Kapag nagka-client calls, presenting ganon, presenting to a friend, sasabihin ko ganon. So nagpe-present ako sa inyo. I can tell the office para makita kayong dalawa. So, ganon, padala ko sa kanila, presenting.. So, meron time in ganon... Narinig niyo na ‘yung sa Dengvaxia? ‘Yung sa mga Dengue?

AN: Oo.

JL: So kami ‘yung gumawa ng pang-report non kasi kuwentu-kuwentuhan lang, e. “Hay, nainjectionan ‘yung anak ko nung 2016, namatay.” So, ito, may record na sila. These are the symptoms of Dengue. So you’ll just report that, nanakit ‘yung ano mo, so report mo na sa kanila so DOH would now have a record.

AN: Ah, direkta na po sa government agencies ‘yung..

JL: Yeah. So, sa POEA, dumating na siya sa Saudi. May kilala ba kayong OFW, kayong dalawa?

AN: Opo.

JL: May kapamilya ka ba?

AN: Kuya ko po.

JL: Ah ganun, so ganon. Pretty soon magpa-pilot na 'yun. Ayan dumating na siya sa Saudi, ganon, "oh, dumating na ako sa Saudi."

AN: [laughs]

JL: May record na sa POEA na dumating ka na. So, ito 'yung mga pwede mong ipadala. Sa Ayala, mga facilities nila, request for plumber, electrical, ganyan. Puwedeng picture, puwedeng video, dumi-dumi na ng paligid ko dito.

ID: So it's for anyone?

JL: Yeah.

ID: And if you download the app, naka-subscribe ka na sa..

JL: Not yet. It's free for everyone, but when an organization subscribes to us, that's the time they pay. So ganon 'yung.. So, 'yun 'yung mga pwede mong ipadala. The organization naman can send something to you like in Philippine Airlines can send you like, for the OFWs, can send you videos like this. Pwede kang magpadala ng ganyan. Pwede kang magpadala ng mga notification mo. [1:48:09]

JL: [1:55:00] Number one, loans and everything, these are all morally neutral. In fact, loans and credits are very important aspects of development, economic development. What imbues it with negative, like, uh, with the intention. If the intention of the one doing the loan is for it to make money, then that becomes bad. But if the intention is really to deliver the project, that's good. So, it all boils down dun sa intention nung tao, nung leader, nung nanghihiram nito. At the same time, even if they're lending you the money and then you're a wise borrower, and then 'yun ang ano mo don. So, do not allow your emotion to cloud when you view these things. There's nothing personal there, there's nothing emotional about it. These are business transactions. And that business transaction, it's the motive that the one doing the transaction that will render the judgement if that project is good or bad. 'Yun lang ang ano ko diyan, 'yun lang 'yun. Okay?

AN: Thank you po.

# Appendix B – ODA Bilateral Institutions

**OFFICIAL DEVELOPMENT ASSISTANCE  
TERMS AND CONDITIONS OF LOAN ASSISTANCE  
(as of September 28, 2018)**

**TERMS OF ASSISTANCE**

LOANS		
<b>BILATERAL INSTITUTIONS</b>		
<b>Kingdom of Denmark – Danish International Development Agency (DANIDA) Mixed Credit Facility</b>		
<b>Areas of Assistance</b>		
Water supply and sanitation, renewable energy, different kinds of infrastructure, general environmental matters, health and education.		
<b>Project Loans</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
Free or low interest rates, tied to Danish supplier	10 to 15	
<b>Other Terms and Charges</b>		
Maximum of 0.375% management fee. 0.25% commitment fee p.a. on undisbursed loan amount.		
<b>Japan - Japanese International Coordination Agency (JICA)</b>		
<b>Areas of Assistance</b>		
Strengthening of the economic structure for sustainable growth, mitigation of disparities (poverty alleviation and mitigation of regional disparities), environmental conservation and disaster management, and human resource development and institution building.		
<b><i>Offered Loans</i></b>		
<b>Yen Loan Package (YLP) – General Untied Loan</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0.8 to 1.4 %	15 to 25	5 to 7
<b>Other Terms and Charges</b>		
0.1% commitment charges p.a. on undisbursed amount of loan; financing ratio up to 85% of total project cost.		
<b>Yen Loan Package (YLP) Preferential Terms - Untied Loan</b>		
Global environmental problems and industrial pollution, human resource development, health and medical care services, and disaster prevention and reduction		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0.15 to 0.30 %	15 to 40	5 to 10
<b>Other Terms and Charges</b>		
Front-end fee amounting to 0.2% of the committed amount with 0.1% refundable in the event that all disbursement is completed within the original disbursement period.		
<b>Stand-by Emergency Credit for Urgent Recovery (SECURE) - Untied Loan</b>		
This facility shall provide quick disbursement for recovery from natural disasters, the recipient country and Japan shall sign the loan agreement in advance.		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0.01%	40	10
<b>Other Terms and Charges</b>		
Front-end fee of 0.5% of the commitment amount, and 0.25% will be charge for undisbursed amount when extending the disbursement period.		



**OFFICIAL DEVELOPMENT ASSISTANCE  
TERMS AND CONDITIONS OF LOAN ASSISTANCE  
(as of September 28, 2018)**

**TERMS OF ASSISTANCE**

<b>LOANS</b>		
<b>BILATERAL INSTITUTIONS</b>		
<b>Special Term for Economic Partnership (STEP) -Tied Loan</b>		
Projects promoting development of: bridges and tunnels, airports, oil/gas transmission and storage facilities, public information system, broadcasting, communications, power stations, transmission and distribution lines, trunk roads, dams, environmental projects, ports, urban mass transit system, urban flood control projects, medical equipment, disaster prevention system, equipment, and at the same time, for which Japanese technologies and equipment are substantially		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0.10% for all loans	40	10
<b>Other Terms and Charges</b>		
front-end fee amounting to 0.2% of the committed amount with 0.1% refundable in the event that all disbursement is completed within the original disbursement period. Except for consulting services, total cost of goods procured from Japan shall be no less than 30% of the total amount of contracts.		
<b>Federal Republic of Germany - Kreditanstalt fur Wiederaufbau (KfW)</b>		
<b>Areas of Assistance</b>		
Priority Areas of Cooperation: Sustainable Economic Development, Environment, Health, and cross-cutting issues on decentralization, and crisis prevention and conflict transformation Geographic Focus: Mindanao and Visayas.		
<i>Offered Loans</i>		
<b>Soft Loan (Mixed credit Facility - 50% soft loan, 50% commercial loan)</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0.75% (soft loan) about 6% to 7% for HERMES covered market funds.	40 (inclusive of grace period)	10
<b>Other Terms and Charges</b>		
0.25% commitment fee for an undisbursed amount.		
<b>Italian Republic</b>		
<i>Offered Loans</i>		
<b>Project Soft Loan - Tied Loan</b>		
Agriculture, education, energy, environment, health and infrastructure development and telecommunications.		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0.15 %	21	10 years (120 months) beginning on the date on which the first installment of the Soft Loan is credited on the Special Account.
<b>Service Assicurativi peril Commercio Estero (SAGE) s.p.a. covered loan - Tied Loan</b>		
Transportation (e.g. state -of- the-art radar equipment)		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
SAGE-covered loan: 85% of the central value would have commercial Interest Reference Rate (CIRR) of 4.69%	8 (up to 16 consecutive semiannual installment commencing, 6 months after availability period).	2

For inquiries, please call the NEDA-Public Investment Staff at Telephone No. 631-3759 or Telefax 631-3748

**OFFICIAL DEVELOPMENT ASSISTANCE  
TERMS AND CONDITIONS OF LOAN ASSISTANCE  
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**TERMS OF ASSISTANCE**

<b>LOANS</b>		
<b>BILATERAL INSTITUTIONS</b>		
<b>Other Terms and Charges</b>		
Premium/Exposure Fee: 7.6 % of the total loan amount; Management fee: 0.5% of the loan amount upon signing of loan agreement (L/A); Arrangement fee: 0.2% of loan amount upon (L/A) signing; Agency fee: US\$5,000 p.a. payable in advance from the first drawdown up to final maturity.		
<b>Commercial Loan – Tied Loan</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
Commercial loan: 15% of the central value would have 180-day London Interbank offered Rate, (LIBOR) of 1.93 % + 5.5% p.a. margin (floating rate) payable at the end of each semiannual interest period in arrears.	10 (up to 20 consecutive semiannual installment commencing 5 years after drawdown).	5
<b>Other Terms and Charges</b>		
Agency fee: US\$ 4,000 p.a. payable in advance with the first payable from the first drawdown and until the final maturity; Final fee: 1.5% flat of the facility amount.		
<b>French Republic</b>		
<b>Areas of Assistance</b>		
Particular areas/sectors that are considered are infrastructure for urban transportation and environment (water, sanitation, solid waste management, clean energy).		
<b>Offered Loans</b>		
<b>Soft loan (Emerging Countries Facility) – 60%</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0.4% for soft loan component.	25	10
<b>Commercial loan (guaranteed by French Export Credit Agency (COFACE) – 40%</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
Commercial loan components depend on market conditions and have to be compliant with OECD regulations.	Contingent on market conditions and have to be compliant with OECD regulations.	0
<b>Agence Francaise de Developpement (AFD) Loan</b>		
AFD provides sovereign or non-sovereign loans, which can be accompanied by limited amounts of grants (for TA activities linked to the loan).		
<b>Areas of Assistance</b>		
Climate change, green infrastructure (transport, energy, water, waste management), renewable energy, energy efficiency, sustainable urban development, clean transport, water and sanitation, waste management, agro-forestry and biodiversity protection.		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
AFD's most recent loan had an interest rate of EURIBOR + 110 basic points	20	5
<b>Kingdom of Spain</b>		
<b>Areas of Assistance</b>		
Water treatment (SCADA, wastewater treatment plants, potable water treatment plants and pumping stations, among others), new and renewable energies (wind, solar, and bio fuel power stations, among others), energy and electricity, civil infrastructure, including transportation systems and equipment for passengers and cargo, capital goods, turn – key projects, communication and information technologies, solid waste treatment, including sanitary and toxic waste, engineering and architectural services and works. Other sectors may be considered for Spanish Government support on a case by case basis.		

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**OFFICIAL DEVELOPMENT ASSISTANCE  
TERMS AND CONDITIONS OF LOAN ASSISTANCE  
(as of September 28, 2018)**

**TERMS OF ASSISTANCE**

<b>LOANS</b>		
<b>BILATERAL INSTITUTIONS</b>		
<i><b>Offered Loans</b></i>		
<b>Mixed credit: 50% soft loan 50% commercial loan - Tied to procurement of Spanish goods and services</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
Soft loan component: 0.2% p.a.	30	10
Export credit component: OECD consensus interest rate.	10	0
<b>FAD credit line for SMEs</b>		
Primarily for projects involving industrial plants, energy, environment (water, renewable energy, urban solid waste), and infrastructure network control systems.		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
*Tied to procurement of Spanish goods and services.		
<b>Kingdom of Sweden - Swedish International Development Cooperation Agency</b>		
<b>Areas of Assistance</b>		
Priority has been given to infrastructure projects in sectors such as energy, transportation and telecommunications, environmental protection and energy conservation.		
<i><b>Offered Loans</b></i>		
<b>Concessionary Credit</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0%	10 or 12.5	2 or 0
<b>Other Terms and Charges</b>		
May vary but the following are the applicable charges under an ongoing relending facility: commitment fee of 0.25% on undisbursed amount of approved sub-loan, 6.0% (max) Swedish Export Credit Guarantee, Board Premium fee (i.e. one-time fee on approved sub-loan), 0.35% (max) Management Fee based on approved sub-loan), 0.2% (max) per annum Administration Fee.		
<b>Swiss Confederation</b>		
<b>Areas of Assistance</b>		
Energy (power and electrification), transport and water supply. However, the Philippines is not among the priority countries identified to receive Swiss ODA on a regular basis.		
<i><b>Offered Loans</b></i>		
<b>Mixed credit composed of: Soft loan - 50%, Commercial loan - 50% - Tied Loan</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
Swiss Export Base Rate of 3.75% and a 1.375% spread	10	2.5

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**TERMS OF ASSISTANCE**

<b>LOANS</b>		
<b>BILATERAL INSTITUTIONS</b>		
<b>Republic of Korea - Economic Development Cooperation Fund (EDCF)</b>		
<b>Areas of Assistance</b>		
Transport infrastructure development – improving transport environment and connectivity among regions for sustainable and balanced growth Agriculture and water resources development – increasing agricultural productivity and value added through development of technologies, infrastructure and water resources with the aim to contribute to food security and rural poverty alleviation Health sector development – contributing to the MDGs and quality of life through the establishment of national health systems and better health services.		
<b><i>Offered Loans</i></b>		
<b>Project Loan - Tied Loan</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0.15%	40	10
<b>Other Terms and Charges</b>		
0.1% service charge on total disbursement.		
<b>Compact Loan - Tied Loan</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0.15%	30	10
<b>Other Terms and Charges</b>		
The suppliers of the goods and services, including consulting services, necessary for the implementation of the projects shall be selected from among small- and medium-sized enterprises of the Republic of Korea that meet the criteria specified by the Korean Export-Import Bank on behalf of the Korean Government.		
<b>United Kingdom – British Government's Export Credit Guarantee Department (ECGD)</b>		
<b>Areas of Assistance</b>		
Wide range of goods, services and project work.		
<b><i>Offered Loans</i></b>		
<b>Buyer credit facility - Tied Loan</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
Commercial rate agreed by the lending bank and the borrower. May be fixed or floating.	Within parameters, some are for negotiation. For further advices : <a href="http://www.ecgd.gov.uk">http://www.ecgd.gov.uk</a>	
<b>State of Kuwait – Kuwait Fund for Arab Economic Development (KFAED)</b>		
<b>Areas of Assistance</b>		
No sectoral/geographical limitations. KFAED has been active in agriculture and irrigation, transport and communications, energy, industry, water and sewage.		
<b><i>Offered Loans</i></b>		
<b>Mixed Credit - Project Loans (Untied) and Technical Assistance Grants</b>		

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<b>LOANS</b>		
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<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
3.50%	20	5
<b>Other Terms and Charges</b> Administrative expenses - 0.5% on outstanding amount.		
<b>Kingdom of Saudi Arabia – Saudi Fund for Development (SFD)</b>		
<b>Areas of Assistance</b> No sectoral limitations. Loan facility is committed for projects in Mindanao.		
<i><b>Offered Loans</b></i>		
<b>Project Loans - Tied Loan</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
2%	25	5
<b>Other Terms and Charges</b> The Fund requires that at least 50% of the project cost be used to pay Saudi contractors/consultants. Maximum amount to be funded not to exceed 50% of total project cost.		
<b>Republic of Finland</b>		
<b>Areas of Assistance</b> Social environment, and health sector projects (e.g. water and sewage disposal and management, water supply management, upgrading of hospitals, and forestation projects).		
<i><b>Offered Loans</b></i>		
<b>Concessional loan - Tied Loan</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0% or clearly below market rates	10 to 15	0
<b>Other Terms and Charges</b> Guarantee 6% onetime added to the loan. Arrangement fee: 0.5% onetime added to the loan. Commitment fee 0.5% p.a. on undrawn amount to be added to the loan.		
<b>Republic of Austria</b>		
<b>Areas of Assistance</b> Health, infrastructure, transportation and water supply, energy (hydropower plant, solar infrastructure).		
<i><b>Offered Loans</b></i>		
<b>Export Credit Agency Facility (ECA) - Tied Loan, 85% of Mixed Credit</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
6-month EURIBOR+0.30%-0.35% p.a.	10	3
<b>Other Terms and Charges</b> Commitment fee of 0.175% per annum. Structuring fee of 0.5% to 0.8% flat of the credit amount subject to a minimum of EUR 100,000 payable on signature of the Loan Agreement.		

For inquiries, please call the NEDA-Public Investment Staff at Telephone No. 631-3759 or Telefax 631-3748

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<b>LOANS</b>		
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<b>Commercial Facility (CF) - 15% of Mixed Credit</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
6-month EURIBOR + 1.90%-2.3% p.a.	4	1
<b>Other Terms and Charges</b>		
Commitment fee of 0.95% to 1.15% p.a. and Structuring fee of 0.5% to 0.8% flat of the Credit Amount payable on signature of Loan Agreement.		
<b>Soft Loan Funding Facility - Pre-mixed Credit</b>		
The loan is available for projects from all sectors. However, Austrian ODA to the Philippines has traditionally been in the areas of infrastructure (i.e. power, transport, telecommunications, water and sanitation), health, and technical/vocational education. Other focal areas of Austrian ODA include agricultural and rural development, decentralization, and conflict prevention. Two alternative terms are available for this loan, as follows.		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
1.05%	18, 32 half-yearly installments	2
0%	12, 17 half-year installments	3.5
<b>Other Terms and Charges</b>		
Guarantee Charge for 1st alternative: 8.85% up front is equivalent to 1.242% p.a. margin. Guarantee Charge for 2nd alternative: 7.03% up front is equivalent to 1.174% p.a. Margin.		
<b>Soft Loan Funding Facility - Mixed Credit with concessionality level of 35%</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
2.05%	15, 27 half-yearly installments	1.5
0%	10, repayable in 20 half-yearly installments	
<b>Other Terms and Charges</b>		
Guarantee Charge for 1st alternative: 8.68% up front is equivalent to 1.421% p.a. Margin. Guarantee Charge for 2nd alternative: 5.62% up front is equivalent to 1.366% p.a. Margin.		
<b>Kingdom of Norway</b>		
<b>Areas of Assistance</b>		
Support to infrastructure projects.		
<i><b>Offered Loans</b></i>		
<b>Mixed credit - Untied Loan</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
Based on Commercial Interest Reference Rate, interest during draw down will be capitalized. 35 % concessionality.	10	6 months from end of disbursement period
<b>Other Terms and Charges</b>		
Forex cover and other loan charges covered.		
<b>People's Republic of China</b>		
<b>Areas of Assistance</b>		
Agriculture and fishery, infrastructure and public works, mining, energy, information and communications technology (ICT), processing and manufacturing, tourism, engineering services and forestry.		

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<i>Offered Loans</i>		
<b>Concessional loan - Tied Loan</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
2%	20	5
<b>Preferential Buyer's Credit Loan - Tied Loan</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
3%	20	5
<b>Other Terms and Charges</b>		
Commitment fee of 0.3%. Management fee of 0.3%		

# Appendix C – ODA Multilateral Institutions



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<b>LOANS</b>		
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<b>Asian Infrastructure Investment Bank (AIIB)</b>		
The purpose of AIIB is to foster economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors; and to promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.		
<b>Areas of Assistance</b>		
AIIB commenced its operation in January 2016 with more than 80 member countries by investing in sustainable infrastructure and other productive sectors. AIIB's focus areas are: 1) Rural Infrastructure; 2) Energy and Power; 3) Environmental Protection; 4) Transportation and Telecommunications; 5) Water Supply and Sanitation; and 6) Urban Development and Logistics		
<i><b>Offered Loans</b></i>		
<b>Sovereign Backed Loans</b>		
The Bank will initially charge a fixed spread to LIBOR (Lending Spread).		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
The interest rate consists of a market-based variable reference rate and a spread. Interest is paid on the disbursed and outstanding Loan amount. The reference rate is LIBOR ( <b>Lending Spread</b> ), and it resets semi-annually on each Interest Payment Date. The spread is fixed, and announced as the spread determined by the Bank and in effect one day prior to the date of signing of the Loan Agreement. It comprises the following elements: (A) The Bank's projected funding cost over the life of the Loan; (B) a contractual lending spread; (C) a market risk premium; and (D) depending on the Average Maturity of the Loan, a maturity premium. The spread is set for the life of the Loan. Interest during construction may be financed out of the Loan proceeds. A default interest rate is charged in lieu of the above interest rate if any payment of principal becomes overdue by thirty (30) days, until the overdue amount is fully paid. The Bank does not charge interest on overdue interest on Loans.  Fixed Spread: base lending rate (LIBOR) plus additional 0.75% to 1.40% (USD), contingent on maturity.	The Bank determines a final maturity for the Loan that is appropriate and is consistent with the Loan's purpose, subject to an Average Maturity limit of up to twenty (20) years.	The grace period (other than for bullet payments) starts running from the date of signing of the Loan Agreement. The first Principle Payment Date is set to fall six (6) months after the date of expiration of the grace period. Interest Payment Dates fall on either the 1st or the 15th of the month (at the recipient's option) and semi-annually thereafter.
<b>Loan Currency</b>		
US Dollars		
<b>Amortization Terms</b>		

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<b>Other Terms and Charges</b>		
* A one-time front-end fee (0.25%) is charged on the committed Loan amount.		
* Commitment fee is 0.25% charged on the undisbursed loan balances.		
<b>World Bank - International Bank for Reconstruction and Development (IBRD)</b>		
IBRD aims to reduce poverty in middle-income countries and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and analytical and advisory services.		
<b>Areas of Assistance</b>		
In June 2014, the World Bank Board approved a new country strategy for the Philippines, the WBG CPS for the Philippines 2015 – 2018. The CPS focuses on the World Bank Group's twin goals of: i) eliminating extreme poverty by 2030; and ii) shared prosperity or boosting the incomes of the poorest 40% of the population in each country. With the overall objective of achieving inclusive growth, poverty reduction and shared prosperity, the CPS has five (5) engagement areas (EAs): EA 1 – Transparent, Accountable, Participatory Government; EA 2 – Empowerment of the Poor and Vulnerable; EA 3 – Rapid, Inclusive and Sustained Economic Growth; EA 4 – Resilience to Climate Change, Environment, and Disaster Risk Management; and EA 5 – Fostering Institutions and Building Trust for Peace.		
<b><i>Offered Loans</i></b>		
<b>IBRD Flexible Loan (IFL)</b>		
This loan facility allow public sector borrowers to customize the repayment terms (i.e., grace period, repayment period and amortization profile) to meet their debt management or project needs, and also include options to manage the currency and/or interest rate risk over the life of the loan.		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
Variable Spread: base lending rate (LIBOR) plus additional 0.46% to 0.96% (USD), contingent on maturity and currency of commitment Fixed Spread: base lending rate (LIBOR) plus additional 0.70% to 1.50% (USD), contingent on maturity and currency of commitment.	Maximum final maturity is 30 years. Maximum Average Repayment Maturity is 18 years.	
<b>Loan Currency</b>		
<u>Currency of Commitment:</u> Loans are offered in most major currencies like EUR, GBP, JPY and USD. Other currencies may be available if the IBRD can fund itself efficiently in the market. Borrowers may contract loans in more than one currency.		
<u>Currency of Disbursement:</u> Disbursements may take place in any currency, as requested by the client. Currencies are acquired by IBRD and passed on to the client at market terms. The loan obligation, however, remains in the currency of commitment.		
<u>Currency of Repayment:</u> The loan principal, interest, and any other fees must be repaid in the currency(ies) of commitment. However, currency conversion options may be available as specified below.		
<b>Amortization Terms</b>		
Borrowers have the flexibility to tailor the repayment schedule during loan preparation and, once the loan is signed, the repayment schedule cannot be changed for the life of the loan. Borrowers may opt the Commitment-linked Repayment Schedule where loan repayment begins at loan commitment and principal repayments are calculated as a share of the total loan amount disbursed and outstanding or the Disbursement-linked Repayment Schedule where the loan repayment schedule is linked to actual disbursement and each semester's group of disbursements is similar to a tranche with its own repayment terms (i.e. grace period, final maturity, and repayment pattern).		

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<p><b>Other Terms and Charges</b></p> <p>A front-end fee of 0.25% of the loan amount is due within 60 days of effectiveness date of the project and may be financed out of the loan proceeds. Debt service payment dates will be on the 1st or 15th day of a month and semi-annually thereafter, as decided by the borrower during loan negotiation. Interest rate conversion options are available. Transaction fee(s) for currency and/or interest rate conversions may apply. Borrowers may prepay, at any time, all or part of the outstanding loan balance. Prepayment charges apply based on IBRD's redeployment cost of the prepaid loan amount and the cost of unwinding any outstanding interest or currency conversions plus any transaction fees applicable to amounts that were previously converted.</p>		
<p><b>Development Policy Loan with a Deferred Drawdown Option (DPL-DDO)</b></p> <p>This loan facility is a contingent credit line that allows the borrower to rapidly meet its financing requirements following a shortfall in resources due to adverse economic events such as a downturn in economic growth or unfavourable changes in commodity prices or terms of trade. It also provides a formal basis for continuing a policy-based engagement with the World Bank when no immediate need for funding exists. The IBRD Deferred Drawdown Option – or DDO – is a committed line of credit with similar pricing and the same built-in risk management features and flexibility as the IBRD Flexible Loan. For current pricing information, please visit the WB Treasury website at: <a href="http://treasury.worldbank.org/bdm/html/ibrd.html">http://treasury.worldbank.org/bdm/html/ibrd.html</a>.</p>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
<p>The prevailing spread, either fixed or variable, for regular IBRD loans at time of each drawdown.</p> <p>1. <u>Fixed for the life of the loan</u>: Consists of IBRD's projected funding cost margin relative to LIBOR, plus IBRD's contractual spread of 0.50%, a risk premium, a maturity premium for loans with average maturities greater than 12 years, and a basis swap adjustment for non-USD loans.</p> <p>2. <u>Variable, resets semi-annually</u>: Consists of IBRD's average cost margin on related funding relative to LIBOR plus IBRD's contractual spread of 0.50% and a maturity premium for loans with average maturities greater than 12 years. The variable spread is recalculated on January 1 and July 1 of each year.</p>	<p>The calculation of the average maturity of DDOs begins at loan effectiveness for the determination of the applicable maturity premium, but at withdrawal for the remaining components of the spread.</p>	
<p><b>Loan Currency</b></p> <p>Same as regular IBRD loans.</p>		
<p><b>Amortization Terms</b></p> <p>Repayment terms must be determined upon commitment and may be modified upon drawdown within prevailing maturity policy limits. The repayment schedule will start from drawdown.</p>		
<p><b>Other Terms and Charges</b></p> <p>Up to the full loan amount is available for disbursement at any time within three years from loan signing.</p> <p>Front-End Fee: 0.75% of the loan amount is due within 60 days of effectiveness date; may be financed out of the loan proceeds.</p> <p>Renewal Fee: 0.50% of the undisbursed balance</p>		
<p><b>Development Policy Loan with a Catastrophe Deferred Drawdown Option (CAT DDO)</b></p> <p>This loan facility is a contingent credit line that provides immediate liquidity to IBRD member countries in the aftermath of a natural disaster. Specifically, it aims to enhance/develop the capacity of borrowers to manage catastrophe risk, provide immediate liquidity to fill the budget gap after a natural disaster and safeguard on-going development programs. The Cat-DDO has a LIBOR-based interest rate that is charged on disbursed and outstanding amounts. The applicable interest rate is the prevailing rate for IBRD loans at drawdown. In addition, there is a front-end fee of 0.50% and a renewal fee of 0.25% on the loan amount. For current pricing information, please visit the WB Treasury website: <a href="http://treasury.worldbank.org/bdm/html/ibrd.html">http://treasury.worldbank.org/bdm/html/ibrd.html</a>.</p>		

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INTEREST RATE%	MATURITY PERIOD (Yrs.)	GRACE PERIOD (Yrs.)
<p>The prevailing spread, either fixed or variable, for regular IBRD loans at time of each drawdown.</p> <p>1. <u>Fixed for the life of the loan</u>: Consists of IBRD's projected funding cost margin relative to LIBOR, plus IBRD's contractual spread of 0.50%, a risk premium, a maturity premium for loans with average maturities greater than 12 years, and a basis swap adjustment for non-USD loans.</p> <p>2. <u>Variable, resets semi-annually</u>: Consists of IBRD's average cost margin on related funding relative to LIBOR plus IBRD's contractual spread of 0.50% and a maturity premium for loans with average maturities greater than 12 years. The variable spread is recalculated on January 1 and July 1 of each year.</p>	<p>The calculation of the average maturity of DDOs begins at loan effectiveness for the determination of the applicable maturity premium, but at withdrawal for the remaining components of the spread.</p>	
<p><b>Loan Currency</b> Same as regular IBRD loans.</p>		
<p><b>Amortization Terms</b> Repayment terms must be determined upon commitment and may be modified upon drawdown within prevailing maturity policy limits.</p>		
<p><b>Other Terms and Charges</b> Up to the full loan amount is available for disbursement at any time within three years from loan signing. Amounts repaid by the borrower are available for drawdown, provided that the closing date has not expired. The drawdown period may be renewed up to a maximum of four times. A front-end fee of 0.50% of the loan amount is due within 60 days of effectiveness date of the project and may be financed out of the loan proceeds. The renewal fee is computed as 0.25% of the undisbursed balance. Currency conversions, interest rate conversions, caps, collars, payment dates, conversion fees, prepayments are the same as regular IBRD loans. The country limit is set at maximum size of 0.25% of GDP or the equivalent of USD 500 million, whichever is less. Limits for small states are considered on a case-by-case basis.</p>		
<p><b>Asian Development Bank (ADB)</b></p>		
<p>The ADB aims for an Asia and Pacific free from poverty.</p>		
<p><b>Areas of Assistance</b> ADB operations will continue to align with the strategic priorities of the Country Partnership Strategy (CPS) for the Philippines for 2011-2016 as it supports the government's commitment to scale-up expenditure for infrastructure and social services, and implement further reforms to boost investment, raise employment and productivity, and strengthen government service delivery, especially at local levels. Enhanced investments in transport infrastructure; regional development and local service delivery, especially in Visayas and Mindanao; inclusive finance; and employment and education services will establish the groundwork for updating ADB Country Partnership Strategy for the Philippines for 2018–2023. Gender equality, governance, climate change adaptation and mitigation, and private sector development are mainstreamed throughout these strategic priorities. (Source: <a href="https://www.adb.org/sites/default/files/institutional-document/384671/cobp-phi-2018-2020.pdf">https://www.adb.org/sites/default/files/institutional-document/384671/cobp-phi-2018-2020.pdf</a>).</p>		

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<i>Offered Loans</i>		
LIBOR-based Loans: Project and Sector		
(Source: <a href="https://www.adb.org/sites/default/files/institutional-document/33775/lbl-overview-20180126.pdf">https://www.adb.org/sites/default/files/institutional-document/33775/lbl-overview-20180126.pdf</a> )		
INTEREST RATE%	MATURITY PERIOD (Yrs.)	GRACE PERIOD (Yrs.)
<p><b>Cost Base Rate:</b> Six-month LIBOR for USD and JPY Six-month EURIBOR for EUR A recognized floating rate benchmark for other currencies</p> <p><b>Effective Contractual Spread:</b> Applicable to loans for which formal loan negotiations are completed on or after 1 January 2014, effective contractual spread is 0.50% per annum. For Project Loans, Borrowers may capitalize the interest.</p> <p><b>Maturity Premium:</b> Applicable to loans (sovereign and sovereign-guaranteed) for which formal loan negotiations are completed on or after 1 April 2012 - 0.0% per annum for loans with an average loan maturity of less than or equal to 13 years - 0.10% per annum for loans with an average loan maturity of greater than 13 years and up to 16 years - 0.20% per annum for loans with an average loan maturity of greater than 16 years and up to 19 years. The average loan maturity is subject to a limit of 19 years.</p> <p><b>Rebate / Surcharge on Funding Cost Margin:</b> As ADB generally funds LBLs at cost lower than 6-month LIBOR, the actual sub-LIBOR funding cost margin is returned to the borrower through a rebate following the principle of automatic cost pass-through pricing. A surcharge could arise if ADB's funding cost is above 6-month LIBOR. Rebates and surcharges on funding cost margin are applicable only to sovereign and sovereign-guaranteed borrowers, and are calculated twice a year, for the periods 1 January to 30 June and 1 July to 31 December, based on the actual average funding cost margin for the preceding 6 months. The rebate or surcharge is applied to individual loans on the interest payment date following announcement date. The rebate on funding cost margin applicable for the period 01 January to 30 June 2018 is 0.02% for USD, 0.57% for JPY and 0.17% for EUR.</p> <p><b>Rebate / Surcharge on Fixed Spread:</b> Any change in the fixed spread with</p>	<p>Flexible - The loan term, which comprises the repayment term and the grace period, is subject to an average loan maturity limit of 19 years.</p>	<p>Flexible, but subject to an average loan maturity limit of 19 years.</p> <p>The grace period is based mainly on the time needed for the project to become operational but may be modified to reflect country considerations (i.e., the debt-service capacity of the borrowing DMC) and other project considerations (e.g., the social benefits of the project and the revenue-earning capacity of the executing agency).</p>

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<p>respect to new LBLs will be applied to the outstanding balances of all LBLs through a rebate or surcharge.</p> <p><b>For nonsovereign:</b> Loans will continue to be based upon project needs for grace period and final maturity. The repayment terms may be annuity or mortgage style or tailored to meet project needs in a manner acceptable to ADB.</p>		
<b>Loan Currency</b>		
Euro, Japanese Yen, US dollar or other currencies in which ADB can efficiently intermediate.		
<b>Amortization Terms</b>		
Repayment methods (fixed in the loan agreement): Borrowers have the choice of either a commitment-linked repayment schedule, in which the loan's repayment schedule starts from the beginning of the interest period following loan signing; or a disbursement-linked repayment schedule, in which disbursed amounts have individual repayment schedules that start from the beginning of the interest period following disbursement. Repayment can be made on the basis of any of the following options: annuity-style, straight-line, bullet, and custom tailored.		
<b>Other Terms and Charges</b>		
Commitment charge: 0.15% per annum; levied on undisbursed loan balance; beginning 60 days after the applicable loan agreement is signed and accruing after the loan becomes effective. For Project Loans, Borrowers may capitalize the commitment charge.		
Special features:		
- choice of currency and interest rate basis		
- wide selection of repayment terms		
- option to change the currency and interest rate basis at any time during the life of the loan		
- option to cap or collar the floating lending rate at any time during the life of the loan		
For nonsovereign: front-end fee and commitment charge - negotiated between ADB and the borrower.		
<b>Emergency Assistance Loans</b>		
Used to rebuild high-priority physical assets and restore economic, social, and governance activities after emergencies.		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
Same terms as Libor-based Loans: Project and Sector	Up to 32 subject to an average loan maturity limit of 19 years.	Up to 8 subject to an average loan maturity limit of 19 years.
<b>Amortization Terms</b>		
Same terms as Libor-based Loans: Project and Sector		
<b>Other Terms and Charges</b>		
Same terms as Libor-based Loans: Project and Sector		
<b>Stand-alone Policy-based Loans</b>		
Typically packaged as a multitranche loan to support structural reforms in a particular sector.		

**OFFICIAL DEVELOPMENT ASSISTANCE  
TERMS AND CONDITIONS OF LOAN ASSISTANCE  
(as of September 28, 2018)**

**TERMS OF ASSISTANCE**

LOANS		
<b>MULTILATERAL INSTITUTIONS</b>		
INTEREST RATE%	MATURITY PERIOD (Yrs.)	GRACE PERIOD (Yrs.)
LIBOR-based loan lending terms apply	15 including grace period	3
<b>Amortization Terms</b> Repayment methods (fixed in the loan agreement): annuity-style, straight-line, bullet repayment and custom tailored.		
<b>Other Terms and Charges</b> Commitment charge: 0.15% per annum; levied on undisbursed balance; accrued after loans becomes effective.		
<b>Policy-based Loans under the Programmatic Approach</b> Provided in conduction with structural reforms over a medium-term time frame. The programmatic approach can take the form of chronologically-sequenced packaging (over time), vertical packaging (across levels of government), and horizontal packaging (intersectoral).		
INTEREST RATE%	MATURITY PERIOD (Yrs.)	GRACE PERIOD (Yrs.)
LIBOR-based loan lending terms apply	15 including grace period	3
<b>Amortization Terms</b> Repayment methods (fixed in the loan agreement): annuity-style, straight-line, bullet repayment and custom tailored.		
<b>Other Terms and Charges</b> Commitment charge: 0.15% per annum; levied on undisbursed balance; accrued after loans becomes effective.		
<b>Special Policy-Based Loans</b> Used for emergency BOP support in times of payments crisis and focuses on actions to reduce the severity of the crisis.		
INTEREST RATE%	MATURITY PERIOD (Yrs.)	GRACE PERIOD (Yrs.)
Cost Base Rate: Six-month LIBOR  Lending Spread (fixed for the life of the loan): minimum of 2.0% per annum  Rebate / Surcharge on funding cost margin apply.	5 to 8 maturity including grace period  Determined by the crisis situation (including its severity and market conditions), country-specific considerations (including the Borrower's debt repayment capacity), and ADB's risk-bearing capacity.	Up to 3
<b>Amortization Terms</b> Equal installments or annuity method (10% discount rate)		
<b>Other Terms and Charges</b> Commitment charges: 0.75% per annum; levied on undisbursed balances; accrued after loan becomes effective.		
<b>Countercyclical Support Facility Lending</b> Budget support for fiscal stimulus for growth in the form of countercyclical development expenditures.		
INTEREST RATE%	MATURITY PERIOD (Yrs.)	GRACE PERIOD (Yrs.)

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<b>LOANS</b>		
<b>MULTILATERAL INSTITUTIONS</b>		
Cost Base Rate: Six-month LIBOR	5 to 8 maturity including grace period	Up to 3
Lending Spread (fixed for the life of the loan): minimum of 2.0% per annum	Determined by the crisis situation (including its severity and market conditions), country-specific considerations (including the Borrower's debt repayment capacity), and ADB's risk-bearing capacity.	
Rebate / Surcharge on funding cost margin apply.		
<b>Amortization Terms</b>		
Equal installments or annuity method (10% discount rate)		
<b>Other Terms and Charges</b>		
Commitment charges: 0.75% per annum; levied on undisbursed balances; accrued after loan becomes effective.		
<b>International Fund for Agricultural Development (IFAD)</b>		
IFAD's thrust is enshrined in its objective to "enable the rural poor to overcome their poverty." Under the Philippines Country Strategic Opportunities Programme (COSOP) for the period of 2010-2014.		
<b>Areas of Assistance</b>		
<b><i>Offered Loans</i></b>		
Note: The same loan currency and payment terms apply to all loans offered by IFAD		
<b>Loan Currency</b>		
<i>Currency Withdrawals</i>		
Withdrawals from the loan and/or grant accounts shall be made in the respective currencies in which expenditures to be financed out of the proceeds of the financing have been paid or are payable, or in such currency or currencies as the Fund may select. The loan and/or grant accounts shall be debited by the Special Drawing Rights (SDR) Equivalent of the amount withdrawn determined as of the value date of withdrawal. If the currency of withdrawal has been purchased by the Fund with another currency, the loan and/or grant accounts shall be debited by the SDR Equivalent of the amount of such other currency.		
<i>Loan Service Payment Currency</i>		
All Loan Service Payments shall be made in the Loan Service Payment Currency specified in the Financing Agreement. The amount of any Loan Service Payment shall be the equivalent in Loan Service Payment Currency, as of the due date, of the SDR amount of such Loan Service Payment, as determined by the Fund in accordance with Article 5, Section 2(b) of the Agreement Establishing IFAD.		
<i>Valuation of Currencies</i>		
Whenever it is necessary to determine the value of one currency in terms of another, the Fund shall determine such value in accordance with Article 5, Section 2(b) of the Agreement Establishing IFAD.		
<b>Amortization Terms</b>		
The Borrower shall repay the aggregate principal amount of the loan withdrawn from the Loan Account in semi-annual instalments, calculated over the maturity period minus the grace period. The Fund shall inform the Borrower of the dates and amounts of the payments as soon as possible after the start of the period of maturity of the loan. The Borrower shall have the right to prepay all or any part of the principal amount of the Loan, provided that the Borrower pays all accrued and unpaid interest and service charges on the amount to be prepaid which are due as of the prepayment date. All prepayments shall be credited first against any outstanding interest and service charge and then against the remaining Loan instalments. Any partial cancellation of the Loan shall be applied pro rata to any remaining payment instalments of the principal amount of the Loan. The Fund shall notify the Borrower of such application, specifying the dates and amounts of the remaining instalments after giving effect thereto. All Loan Service Payments shall be paid to such account or accounts in such bank or other financial institution as the Fund may designate by notice to the Borrower.		



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<b>LOANS</b>		
<b>MULTILATERAL INSTITUTIONS</b>		
<b>Project loans - Highly Concessional Terms</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0%	40	10
<b>Amortization Terms</b>		
Loans with highly concessional terms bear a service charge of 0.75% per annum. Service charge is payable semiannually in the Loan Service Payment Currency.		
<b>Project loans - Hardened Terms</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
0%	20	10
<b>Amortization Terms</b>		
<b>Project loans - Intermediate Terms</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
50% of IFAD reference interest rate (variable)	20	5
<b>Amortization Terms</b>		
The interest rate of intermediate term project loans are payable semi-annually in the Loan Service Payment Currency.		
<b>Project loans - Ordinary Terms</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
IFAD reference interest rate (variable)	15 to 18	3
<b>Amortization Terms</b>		
The interest rate of ordinary term project loans are payable semi-annually in the Loan Service Payment Currency.		
<b>Project loans - Blend Terms</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
1.25%	25	5
<b>Amortization Terms</b>		
Has an interest rate of 1.25% plus a service charge of 0.75% (a total 2% fixed), and have a maturity period of 25 years, including a grace period of five (5) years (the grace period starts from the date of approval by the Executive Board). Terms of payment not yet available.		
<b>OPEC Fund for International Development (OFID)</b>		
<b>Areas of Assistance</b>		
Agriculture and agro-industry, energy, transportation, education.		
<b><i>Offered Loans</i></b>		
<b>Untied Loans</b>		
<b>INTEREST RATE%</b>	<b>MATURITY PERIOD (Yrs.)</b>	<b>GRACE PERIOD (Yrs.)</b>
2 to 2.5%	17 to 20	5
<b>European Investment Bank (EIB)</b>		
<b>Areas of Assistance</b>		
Public and private sector projects in infrastructure, industry, agro-industry, mining and services and improvement and protection of the environment, transportation, telecommunications, energy production, urban development (e.g. social housing and development of swamp and urban regeneration), tourism, health (e.g. private clinic/health centers).		

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<i>Offered Loans</i>		
Project Loans		
INTEREST RATE%	MATURITY PERIOD (Yrs.)	GRACE PERIOD (Yrs.)
Usually gives fixed rates but also has formulae for variable or revisable convertible rates.	12 to 15	1/4 or 1/3 of loan life
<b>Loan Currency</b> Euro		
<b>Other Terms and Charges</b>		
Nordic Investment Bank		
<b>Areas of Assistance</b> The Bank has deals with private telecommunications firms (Smart, Globe and Digital Telecommunications Philippines) as well as with government agencies (DBP and DOF-International Finance Group) NIB also co-finances with ADB, WB, Nordic Development Fund, DANIDA, SIDA, Norwegian Agency for Development Cooperation (NORAD) and Finnish International Development Agency (FINNIDA). NIB intends to finance projects that promote sustainable economic development and are of mutual interest to GOP and the NIB member countries. Loan currencies are in Euros. Other terms and charges to be determined on a case-to-case basis (commitment fee and arrangement fee).		
<i>Offered Loans</i>		
a) Sovereign (government-guarantee) loans		
INTEREST RATE%	MATURITY PERIOD (Yrs.)	GRACE PERIOD (Yrs.)
Floating or fixed (to be determined on a case-to-case basis) * Tied Loan (e.g. based on 6 months US\$ LIBOR 0.85% margin p.a.)	15-20 years	3-5 years
b) Private Sector Loans		
INTEREST RATE%	MATURITY PERIOD (Yrs.)	GRACE PERIOD (Yrs.)
Floating or fixed (to be determined on a case-to-case basis) * Tied Loan (e.g. based on 6 months US\$ LIBOR 0.85% margin p.a.)	8-10 years	3-5 years