Honorable Cesar V. Purisima  
Secretary  
Department of Finance  
Bangko Sentral Complex  
Roxas Blvd., Manila  

Dear Secretary Purisima:

PHILIPPINES: National Roads Improvement and Management Program – Phase 2 Project  
(Loan No. 7552-PH)  
Amendment to the Loan Agreement

We refer to the Loan Agreement dated October 24, 2008, as amended to date, between the International Bank for Reconstruction and Development (the Bank) and the Republic of the Philippines (the Borrower) for the above-referenced Project. We also refer to the letter from your Department dated November 26, 2012, requesting modifications to the Project scope and an extension of the Closing Date.

We are pleased to inform you that the Bank agrees to your request, and hereby proposes to amend the Loan Agreement to reflect the changes included in your request as well as to include the inadvertently omitted standard paragraph 5 in Schedule 3 to the Agreement, as follows:

1. The description of Project activities in Schedule 1 to the Loan Agreement shall be amended to read as set forth in Attachment 1 to this amendment letter.

2. Section II.A.1 of Schedule 2 to the Loan Agreement shall be amended to read as follows:

   “1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank and specified in the Project Implementation Plan. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report.”

3. Section IV of Schedule 2 to the Loan Agreement shall be amended by: (i) replacing all references in the said Section to fiscal years 2008, 2009, 2010 and 2011 with references to, respectively, fiscal years 2011, 2012, 2013 and
2014; and (ii) replacing the reference to Part B.2(d) of the Project in Category 1 in the withdrawal schedule with a reference to Part B.2(c) of the Project.

4. The Closing Date specified in Section IV.B.3 of Schedule 2 to the Loan Agreement is hereby revised to December 31, 2014.

5. The Annex to Schedule 2 shall be deleted in its entirety.

6. A new paragraph 5 is added to Schedule 3 of the Loan Agreement to read as follows:

   “5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.”

All other provisions of the Loan Agreement shall remain in full force and effect.

Please confirm your agreement to the foregoing by countersigning, dating, and returning to us the enclosed copy of this letter. Upon receipt by the Bank of the copy of this letter countersigned by you, this amendment will become effective as of the date of the countersignature or the Effective Date of the Loan Agreement for the proposed additional financing for the Project, whichever is later.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Motoo Konishi  
Country Director, Philippines  
East Asia and Pacific Region

AGREED:  
REPUBLIC OF THE PHILIPPINES

Authorized Representative  
Name: Cesar V. Purisima  
Title: SECRETARY  
Date: December 19, 2012

Enclosure: As stated
REVISED SCHEDULE 1
DESCRIPTION OF THE PROJECT

Part A: National Road Improvement and Asset Preservation

1. Improving national roads, including: roads upgrading, rehabilitation, and widening; bridge replacement; and landslide area rehabilitation; totaling about 280 kilometers (km) of roads and about 2,200 meters (m) of bridges in the arterial national road network.

2. Preserving assets in the national road network, including: (a) comprehensive maintenance of about 680 km of the arterial national road network under long-term performance-based contracts; and (b) preventive maintenance of about 635 km of the national road network.

Part B: Institutional and Capacity Development

1. Institutionalizing and expanding the application of the technical and business processes developed and piloted under the Program phase I and other measures for improving the performance of DPWH in road management through provision of technical assistance, training and workshops, including: (a) planning, procurement, communications, project implementation, monitoring, and research; and (b) financial management, internal controls, and internal audit.

2. Improving the operational effectiveness and institutional integrity in DPWH through provision of technical assistance, training and workshops, including: (a) modernizing the organizational structure of DPWH to improve DPWH’s effectiveness; (b) developing a multi-stakeholder partnership involving road users and non-governmental organizations for improving transparency and monitoring of the road sector performance; and (c) strengthening the fiduciary oversight of the Project implementation.

3. Supporting road sector reforms through provision of technical assistance, training and workshops, including: (a) strengthening the operations of the Road Board; (b) updating the mandates of the Road Board; (c) reviewing road cost recovery mechanisms; and (d) assessing the options for restructuring the road sector in the areas of management and service delivery.
cc: Hon. Arsenio Balisacan, Director-General, National Economic and Development Authority
    Hon. Florencio Abad, Secretary, Department of Budget and Management
    Hon. Rogelio Singson, Secretary, Department of Public Works and Highways
    Mr. Rolando Tungpalan, Deputy Director, National Economic and Development Authority
    Mr. Rafael Yabut, Undersecretary, Department of Public Works and Highways
    Mr. Raul Asis, Undersecretary, Department of Public Works and Highways
    Ms. Maria Edita Z. Tan, Assistant Secretary and Officer-in-Charge for International Finance Group, Department of Finance
    Ms. Catalina Cabral, Assistant Secretary, Department of Public Works and Highways
    Ms. Stella Laureano, Director, International Finance Group, Department of Finance
    Mr. Roderick M. Planta, Director, Project Management Staff, National Economic and Development Authority
    Mr. Carlos Mutuc, Director, NRIM-PMO, Department of Public Works and Highways
    Mr. Roberto Tan, Executive Director for the Philippines, World Bank
    Ms. Enid Agatha Zephyrine, Senior Advisor to the Executive Director for the Philippines, World Bank