August 11, 2016

Honorable Carlos Dominguez  
Secretary of Finance  
Department of Finance  
6/F Department of Finance Building  
Bangko Sentral ng Pilipinas Complex  
Roxas Boulevard, Manila  
Republic of the Philippines  

Dear Secretary Dominguez:

Re: Republic of the Philippines: Learning, Equity and Accountability Support Project  
Loan No. 8344-PH  
Amendment to the Loan Agreement

We refer to the Loan Agreement between the Republic of the Philippines (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”), dated April 10, 2014 (the “Loan Agreement”) for the above-referred project (the “Project”).

We also refer to the letter from Undersecretary Tan dated 29 April 2016, regarding amendment of the Loan Agreement and requesting restructuring of the Project. In view of the foregoing, the Loan Agreement is amended as follows:

1. The table at Section IVA.2 of Schedule 2 to the Loan Agreement is amended as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (Inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Payments under the Eligible Expenditures Programs as follows:</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>a) First scheduled disbursement (on or after the Effective date) (pro memoria)</td>
<td>4,650,000</td>
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<tr>
<td>b) Second scheduled disbursement (on or after</td>
<td>5,000,000</td>
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</tbody>
</table>
October 1, 2014)  
(pro memoria)  
c) Third scheduled disbursement  
(on or after April 1, 2015)  
(pro memoria)  
d) Fourth scheduled disbursement  
(on or after October 1, 2015)  
(pro memoria)  
e) Fifth scheduled disbursement  
(on or after April 1, 2016)  
(pro memoria)  

<table>
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<tr>
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<th>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</th>
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<tbody>
<tr>
<td>(2) Front-end Fee</td>
<td>750,000</td>
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<tr>
<td>(3) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td>4) Payments under Eligible Expenditure Program under Parts 1, 2 and 3 of the project</td>
<td>271,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000,000</td>
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</tr>
</tbody>
</table>

2. Section IVB1 to Schedule 2 of the Loan Agreement is amended as follows:

"1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $20,650,000 equivalent may be made under Category 1(a) for the reimbursement of Eligible Expenditures under the Eligible Expenditure Programs paid prior to this date but on or after July 1, 2013, subject to fulfillment of the relevant withdrawal conditions specified in sub-paragraph (c) of this paragraph; or

(b) for payments under Category (1) made after the date of this Letter Agreement; or"
(c) for payments under Category (4), unless and until the Borrower has: (i) furnished evidence satisfactory to the Bank, in accordance with the DLI Verification Protocol, that the Borrower has achieved the relevant DLI(s) within the respective DLI Achievement Date set forth in the Schedule 4 to this Agreement against which withdrawal is requested; (ii) complied with the additional instructions referred to in Section IV.A1 of this Schedule, including furnished to the Bank the interim unaudited financial reports evidencing the Minimum EEPs for the respective DLIs from the date of this Agreement up to the date of the applicable withdrawal application; and (iii) that such Minimum EEPs have not formed the basis for authorizing the withdrawal of an amount of the Loan for any other DLI.”

3. Section IV B2(a) to Schedule 2 of the Loan Agreement is amended as follows:

“(a) If the Bank has been satisfied that any of the DLIs have been achieved prior to the DLI Achievement Date for purposes of disbursement of Loan proceeds under any of the Categories, then the Bank may, for each DLI that has been so achieved, authorize the withdrawal of an amount of the Loan equivalent to the DLI Value of such DLI following the verified achievement of such DLI; provided that the Borrower has furnished to the Bank evidence showing (i) the incurrence of Minimum EEPs corresponding to the DLI Value of such DLI from the date of this Agreement to the date of the applicable withdrawal application; and (ii) that such Minimum EEPs have not formed the basis for authorizing the withdrawal of an amount of the Loan for any other DLI;”

4. Section IV B2(d) to Schedule 2 of the Loan Agreement is amended as follows:

“(d) If, at any time after the Mid-Term Review, the Bank has not been satisfied that any particular DLI has been achieved within twelve (12) months after the DLI Achievement Date or by the Closing Date, whichever is earlier, the Bank, may by notice to the Borrower, after cancel the amount of the Loan corresponding to the relevant DLI Value”

5. Schedule 4 of the Loan Agreement is amended as indicated in Attachment 1 to this Letter Agreement.

6. The definition of “Eligible Expenditures Programs” set out in the Appendix to the Loan Agreement is amended as follows:

“13. “Eligible Expenditures Programs” and “EEP” mean the set of defined expenditures under the following Department of Education budget lines: “School Maintenance and Other Operating Expenses (MOOE)”, “Human Resource Training and Development (HRTD)”, “In-Service Training (INSET)”, “Abot Alam Program (AAP)” and “Alternative Learning System (ALS).”

7. The definition of “Minimum EEPs” set out in the Appendix to the Loan Agreement is amended as follows:

“22. “Minimum EEPs” means the minimum amount of expenditures to be incurred under each of the EEP budget lines set out in this Agreement against a DLI targets specified in Schedule 4 to this Agreement, as such amount may be pro-rated in the case of Scalable DLIs on the basis of the level of achievement of such Scalable DLIs.”
8. The definition of "Minimum EEPs Period" in paragraph 23 of the Appendix to the Loan Agreement is deleted and the subsequent paragraphs accordingly renumbered.

All other terms and conditions remain unchanged.

Please confirm your agreement to the foregoing on behalf of the Recipient by countersigning and dating the corresponding form of confirmation set forth below, and returning one fully countersigned original of this letter to us. Upon receipt of duly countersigned original of this letter by the authorized representative of the Recipient, this amendment letter shall become effective as of the date of the countersignature.

Sincerely,

Mara K. Warwick
Country Director, Philippines
East Asia and Pacific Region

CONFIRMED:
REPUBLIC OF THE PHILIPPINES
By: __________________________
Name: Carlos C. Dominguez
Title: Secretary of Finance
Date: 23 August 2016
### ATTACHMENT 1 - SCHEDULE 4
**Disbursement Linked Indicators**

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<tbody>
<tr>
<td><strong>DLI 1:</strong> Versions of EGRA and EGMA tools developed for each Selected Mother Tongue in each Target Region</td>
<td><strong>Target:</strong> 5 EGRA tools and 5 EGMA tools (1 version of each tool per each Selected Mother Tongue in each Target Region)</td>
<td>40 EGRA and EGMA tools (4 additional versions of each tool per each Selected Mother Tongue in each Target Region)</td>
<td><strong>Allocated amount:</strong> US$4,650,000</td>
<td>US$18,600,000</td>
</tr>
<tr>
<td><strong>Disbursement rule:</strong> (i) US$465,000 per each EGRA and EGMA tool finalized on or before the last day of the relevant period; (ii) Minimum 1 tool per Selected Mother Tongue in Period 1 (non-scalable); and (iii) 40 tools in Period 2 (scalable: minimum of 3 additional versions per mother tongue and maximum of 4 versions, for a total of 40 additional versions).</td>
<td><strong>DLI achievement measure:</strong> Periods 1-2: DepEd has developed 25 EGRA tools and 25 EGMA tools (five comparable versions per Selected Mother Tongue) that meet standards set forth in the DLI Verification Protocol.</td>
<td><strong>DLI verification process:</strong> Periods 1-2: (i) DepEd submits EGRA and EGMA tools; and (ii) the Bank reviews the tools against the standards specified in the DLI Verification Protocol.</td>
<td><strong>Minimum EEPs:</strong> Minimum expenditure level: DLI target for Period 1: US$4,650,000; DLI target for Period 2: US$18,650,000.</td>
<td></td>
</tr>
<tr>
<td><strong>DLI 2:</strong> Teachers from identified schools trained to improve their capability to effectively teach grades 1 -</td>
<td><strong>Target:</strong> 11,998 grade 1-3 teachers trained</td>
<td>11,998 grade 1-3 teachers trained</td>
<td>11,998 grade 1-3 teachers trained</td>
<td><strong>Allocated amount:</strong> US$30,000,000</td>
</tr>
</tbody>
</table>
| **Disbursement rule:** Periods 2-4: (i) percent of achievement of target on or before the last day per period equal to the percent of total allocated amount for the relevant period to be disbursed; (ii) scalable: minimum of 51% achievement to be eligible for disbursement. | **DLI achievement measure:** Periods 2-4: Training per period carried out in accordance with the DLI Verification Protocol.
3 reading and math

<table>
<thead>
<tr>
<th>DLI verification process: Periods 2-4: (i) DLI Verification Agent conducts training spot checks and post-training assessment in accordance with the DLI Verification Protocol; and (ii) the Bank reviews the verification report during the semi-annual Bank implementation support missions.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minimum EEPs:</strong> Minimum expenditure level: DLI targets for Periods 2-4: US$30,000,000 per DLI target.</td>
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</table>

<table>
<thead>
<tr>
<th>Period 1</th>
<th>Period 2</th>
<th>Period 3</th>
<th>Period 4</th>
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</table>

### DLI 3:
School principals/head teachers from identified schools trained to strengthen field-level support system for improved early grade reading and math teaching

#### Target:
- 5,051 principals/head teachers trained on effective early grade reading and math teaching strategies
- Additional 5,051 principals/head teachers trained on effective early grade reading and math teaching strategies

#### Allocated amount:
- US$15,000,000
- US$15,000,000

#### Disbursement rule:
Periods 2-3: (i) percent of achievement of target on or before the last day of the relevant period equal to the percent of total allocated amount to be disbursed per period; (ii) scalable: minimum of 51% achievement to be eligible for disbursement.

### DLI achievement measure:
Periods 2-3: Training per period carried out in accordance with the DLI Verification Protocol.

### DLI verification process:
Periods 2-3: (i) DLI Verification Agent conducts training spot-checks and post-training assessment in accordance with the DLI Verification Protocol; and (ii) the Bank reviews the verification report during the semi-annual Bank implementation support missions.

#### Minimum EEPs:
Minimum expenditure level: DLI target for Periods 2-3: US$15,000,000 per DLI target.

<table>
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<tr>
<th>Period 1</th>
<th>Period 2</th>
<th>Period 3</th>
<th>Period 4</th>
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### DLI 4:
Development of an enabling policy environment for the effective implementation of the grades 1-3 reading and math program

#### Target:
- Policy on the utilization of the EGRA and EGMA tools adopted
- Policy on the inclusion of early literacy and numeracy course in DepEd's teacher induction program adopted

#### Allocated amount:
- US$6,000,000
- US$6,000,000

#### Disbursement rule:
(i) Period 1: Policy on EGRA and EGMA tools (non-scalable); (ii) Period 3: Policy on inclusion of early literacy and numeracy course (non-scalable).
in the Target Regions

| DLI achievement measure: (i) Period 1: Policy on EGRA and EGMA utilization and application in classrooms has been formulated according to standards specified in the DLI Verification Protocol, and approved, issued and disseminated to all DepEd levels through a DepEd order on or before the last day of the relevant period; (ii) Period 3: Policy on including an early literacy and numeracy course as appropriate in the DepEd teacher induction program has been formulated according to standards specified in the DLI Verification Protocol, and approved, issued and disseminated to all DepEd levels through a DepEd order on or before the last day of the relevant period.  

| DLI verification process: Periods 1 and 3: (i) DepEd submits the policy on EGRA and EGMA utilization and application in classrooms, and the policy on inclusion of early literacy and numeracy course; and (ii) Bank reviews the policies against the standards specified in the DLI Verification Protocol, during the semi-annual Bank implementation support missions.  

| Minimum EEPs: Minimum Expenditure Level: DLI targets for Period 1: US$6,000,000; DLI target for Period 3: US$6,000,000. |

<table>
<thead>
<tr>
<th>Period 1</th>
<th>Period 2</th>
<th>Period 3</th>
<th>Period 4</th>
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<tbody>
<tr>
<td><strong>Target:</strong></td>
<td>Policy on the dissemination and utilization of linguistic maps adopted, and linguistic map covering 1 Target Region developed</td>
<td>Linguistic map covering another Target Region developed</td>
<td>Linguistic map covering another Target Region developed</td>
</tr>
<tr>
<td><strong>Allocated amount:</strong></td>
<td>US$5,000,000</td>
<td>US$5,000,000</td>
<td>US$5,000,000</td>
</tr>
<tr>
<td><strong>Disbursement rule:</strong> (i) Period 1: Policy on linguistic maps and completion of a linguistic map covering one Target Region (non-scalable); (ii) Periods 2-4: US$5,000,000 per linguistic map completed for each Target Region on or before the last day of the relevant period (non-scalable).</td>
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<tr>
<td><strong>DLI achievement measure:</strong> (i) Period 1: Policy on dissemination and utilization of linguistic maps has been formulated according to standards specified in the DLI Verification Protocol, and approved and issued through a DepEd order, and DepEd has developed and approved a linguistic map covering 1 Target Region in accordance with the policy; (ii) Periods 2-4: DepEd has developed and approved linguistic maps for each of the remaining Target Regions in accordance with the policy.</td>
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<tr>
<td><strong>DLI verification process:</strong> Periods 1-4: (i) DepEd submits policy on the dissemination and utilization of linguistic maps, and the linguistic maps for each Target Region; and (iii) the Bank reviews the policy and the maps against the standards specified in the DLI Verification Protocol during the semi-annual Bank implementation support missions.</td>
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<tr>
<td><strong>Minimum EEPs:</strong> Minimum expenditure level: DLI targets for Periods 1-3 is US$5,000,000 per DLI target; and DLI target for Period 4 is US$10,000,000.</td>
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| DLI 6: Capability of DepEd to implement its Performance Incentive Scheme improved | **Period 1**  
**July 1, 2013 – December 31, 2014** | **Period 2**  
**January 1 – December 31, 2015** | **Period 3**  
**January 1 – December 31, 2016** | **Period 4**  
**January 1 – December 31, 2017** |
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<tbody>
<tr>
<td><strong>Target:</strong></td>
<td>Performance monitoring system developed that will be used in the implementation of DepEd's Performance Incentive Scheme</td>
<td>5 DepEd regional offices, 47 DepEd division offices and 14,121 Target Schools in all Target Regions oriented on DepEd's Performance Incentive Scheme and performance monitoring system</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Allocated amount:</strong></td>
<td>US$5,000,000</td>
<td>US$25,000,000</td>
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**Disbursement rule:** Period 1: (i) Performance monitoring system developed (non-scalable); Period 2: (ii) percent of achievement of target (i.e. 5 regions + 47 division and 14,121 schools = 100% of target) on or before the last day of the period equal to the percent of total allocated amount to be disbursed; (iii) scalable: minimum of 51% orientation of offices and schools is required to be eligible for disbursement.

**DLI achievement measure:** Period 1: Performance monitoring system meeting standards specified in the DLI Verification Protocol in place and operational; Period 2: Field offices and Target Schools oriented on the incentive scheme and the performance monitoring system according to standards specified in the DLI Verification Protocol.

**DLI verification process:** (i) Period 1: DepEd reports on the development of the performance monitoring system developed for the performance incentive scheme; (ii) the Bank reviews the report against the standards specified in the DLI Verification Protocol during the semi-annual Bank implementation support missions; (iii) Period 2: DLI Verification Agent conducts spot checks and post-orientation assessment against the standards specified in the DLI Verification Protocol; and (iv) the Bank reviews the verification report for Period 2 during the semi-annual Bank implementation support missions.

**Minimum EEPs:** Minimum expenditure level: DLI target for Period 1: US$5,000,000; DLI target for Period 2: US$25,000,000.

| DLI 7: Development of an enabling policy | **Period 1**  
**July 1, 2013 – December 31, 2014** | **Period 2**  
**January 1 – December 31, 2015** | **Period 3**  
**January 1 – December 31, 2016** | **Period 4**  
**January 1 – December 31, 2017** |
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<tbody>
<tr>
<td><strong>Target:</strong></td>
<td>Policy on the use of school report cards (including guide-lines, procedures and templates) adopted</td>
<td>8,473 Target Schools in the Target Regions use refined school report card</td>
<td>13,415 Target Schools in the Target Regions use refined school report card</td>
<td></td>
</tr>
<tr>
<td>Period</td>
<td>Allocated amount:</td>
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<tr>
<td>Period 1</td>
<td>US$5,000,000</td>
<td></td>
<td></td>
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<tr>
<td>Period 2</td>
<td>US$10,000,000</td>
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<tr>
<td>Period 3</td>
<td>US$ 15,000,000</td>
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</table>

**Disbursement rule:** (i) Period 1: Adoption of policy on the use of school report cards (non-scalable); (ii) Period 2: percent of achievement of target (i.e. 8,473 schools, whether elementary or high schools = 100% of target) on or before the last day of the period equal to the percent of total allocated amount to be disbursed; (iii) minimum of 51% of schools is required to be eligible for disbursement (scalable); (iv) Period 3: percent of achievement of target (i.e. 13,415 schools = 100% of target) on or before the last day of the period equal to the percent of total allocated amount to be disbursed; and (v) minimum of 51% of schools (i.e. 6,842 schools) is required to be eligible for disbursement (scalable).

**DLI achievement measure:** Period 1: School report card policy adopted (through a DepEd order or memorandum) on or before the last day of the relevant period meeting the standards specified in the DLI Verification Protocol; Period 2: 8,473 Target Schools in the Target Regions use refined school report card in accordance with the school report card policy on or before the last day of the relevant period; Period 3: 13,415 Target Schools in the Target Regions use refined school report card in accordance with the school report card policy on or before the last day of the relevant period.

**DLI verification process:** Period 1: (i) DepEd reports on the adoption of the policy on the use of updated school report cards; (ii) the Bank reviews the report against the standards specified in the DLI Verification Protocol during the semi-annual Bank implementation support missions; Periods 2-3: (i) DepEd reports on the list of Target Schools using refined school report cards per Target Region; (ii) DLI Verification Agent spot-checks that listed schools are indeed using the refined school report card and for the purposes specified in the DLI Verification Protocol; and (iii) Bank reviews the verification reports during the semi-annual Bank implementation support missions.

**Minimum EEPs:** Minimum expenditure level: DLI target for Period 1: US$ 5,000,000; DLI target for Period 2: US$ 10,000,000; DLI target for Period 3: US$ 15,000,000

<table>
<thead>
<tr>
<th>DLI 8: Financial management capacity of DepEd central, regional and division offices improved</th>
<th>Target:</th>
<th>Allocated amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Period 1</strong></td>
<td>Financial management manual for all DepEd finance and administrative staff developed and adopted</td>
<td>US$7,500,000</td>
</tr>
<tr>
<td><strong>Period 2</strong></td>
<td>Trainers' training on the financial management manual of at least 1 finance and administrative staff each from the central office, the 17 regional offices and the 215 division offices of DepEd</td>
<td>US$15,000,000</td>
</tr>
</tbody>
</table>
**Disbursement rule:** (i) Period 2: non-scalable for the financial management manual; (ii) Period 3: non-scalable for completed training at central, regional and division levels.

**DLI achievement measure:** (i) Period 2: Financial management manual adopted through a DepEd order or memorandum, meeting the standards specified in the DLI Verification Protocol; (ii) Period 3: Trainers training on the financial management manual in form and substance specified in the DLI Verification Protocol of at least 1 finance and administrative staff each from the central office, the 17 regional offices and the 215 division offices of DepEd on or before the last day of the relevant period.

**DLI verification process:** Period 2: (i) DepEd submits the financial management manual; (ii) the Bank reviews the manual against the standards specified in the DLI Verification Protocol during the semi-annual Bank implementation support missions; Period 3: (i) DepEd conducts training on the manual and provides post-training reports which will include proof of conduct of the activities and other information that will be useful in DLI verification; (ii) the DLI Verification Agent conducts training spot-checks against the standards specified in the DLI Verification Protocol; and (iii) the Bank reviews the verification reports during the semi-annual Bank implementation support missions.

**Minimum EEPs:** Minimum expenditure level: DLI target for Period 2: US$7,500,000; DLI target for Period 3: US$15,000,000.
| Period 1  
| July 1, 2013 – December 31, 2014 | Period 2  
| January 1 – December 31, 2015 | Period 3  
| January 1 – December 31, 2016 | Period 4  
| January 1 – December 31, 2017 |
| DLI 10: Comprehensive review completed on selected DepEd educational programs serving the Target Disadvantaged Groups in the Target Regions | Target: Review of 1 program | Review of another program | Review of another program | Review of another program |
| Allocated amount: | US$ 6,000,000 | US$ 6,000,000 | US$ 6,000,000 | US$ 6,000,000 |

**Disbursement rule:** Review by DepEd per program: US$6 million each, non-scalable.

**DLI achievement measure:** Periods 1-4: Review of program serving Targeted Disadvantaged Groups completed on or before the last day of the relevant period in accordance with standards specified in the DLI Verification Protocol.

**DLI verification process:** Periods 1-4: (i) DepEd reports on the conduct of the program reviews; and (ii) the Bank reviews the reports against the standards specified in the DLI Verification Protocol during the semi-annual Bank implementation support missions.

**Minimum EEPs:** Minimum expenditure level: DLI targets for Periods 1, 2, 3 and 4 US$6,000,000 per DLI target.
cc: Hon. Ernesto Pernia, Secretary for Socioeconomic Planning and Director-General, National Economic and Development Authority
Hon. Benjamin Diokno, Secretary, Department of Budget and Management
Hon. Leonor Briones, Secretary, Department of Education
Ms. Maria Edita Tan, Undersecretary, Department of Finance
Ms. Margarita Songco, Deputy Director-General, National Economic and Development Authority
Mr. Rolando Tungpalan, Deputy Director-General, National Economic and Development Authority
Ms. Laura Pascua, Undersecretary, Department of Budget and Management
Dr. Dina Ocampo, Undersecretary, Department of Education
Ms. Victoria Catibog, Undersecretary, Department of Education
Ms. Annalyn Sevilla, Undersecretary, Department of Education
Mr. Alain Del Pascua, Undersecretary, Department of Education
Atty. Albert Muyot, Undersecretary, Department of Education
Mr. Jesus Mateo, Undersecretary, Department of Education
Atty. Revsee Escobedo, Assistant Secretary, Department of Education
Ms. Stella Laureano, Director, Department of Finance
Ms. Erlinda Capones, Director, National Economic and Development Authority
Ms. Violeta Corpus, Director, National Economic and Development Authority
Ms. Cristina Clasara, Director, Department of Budget and Management
Mr. Otaviano Canuto, Executive Director for the Philippines, World Bank Group
Ms. Rosalia De Leon, Alternate Executive Director for the Philippines, World Bank Group