Ms. Rosalia V. De Leon  
National Treasurer and Officer-in-Charge  
Department of Finance  
6/F Department of Finance Building  
Bangko Sentral ng Pilipinas Complex  
Roxas Boulevard, Manila  
Republic of the Philippines

Dear Undersecretary de Leon:

PHILIPPINES: National Roads Improvement Management Program Phase II (Loan 7552-Ph)  
Amendment to the Loan Agreement

We refer to the Loan Agreement dated October 24, 2008 entered into between the Republic of the Philippines (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”) as amended to date (the “Loan Agreement”), and your letter dated April 4, 2014 requesting amendments to the Loan Agreement for the purpose of responding to recent natural disasters in the territory of the Borrower.

Relying on the representations set forth in the above-mentioned letter, we are pleased to inform you that the Bank concurs with your request and hereby proposes to amend the Loan Agreement as follows:

1. Paragraph E of the preamble is deleted in its entirety.

2. The project development objective in Schedule 1 is amended to read as follows:

“The objective of the Project is to improve the condition of the national roads network and management effectiveness of DPWH at national and local level.”

3. The project description in Schedule 1 is amended to add a new Part C of the Project to read as follows:

“Part C: Technical Assistance to Local Government Units

Providing technical assistance to Local Government Units for preparing and delivering sub-projects for the reconstruction and rehabilitation of local infrastructure in areas affected by Typhoon Haiyan, including through: (a) selecting sub-projects, preparing engineering designs and contract documents, and managing social and environmental issues for said sub-projects; (b) supervising construction of local infrastructure for said sub-projects; (c) providing project management support and...
strengthening the capacity of DPWH and Local Government Units, including through training, workshops and preparing related technical documents; and (d) preparing maps and a road-inventory database for the local roads network in Mindanao."

4. Paragraph 4 of Section I of Schedule 2 is amended to read as follows:

"In carrying out Part B.2(c) of the Project, the Borrower, through DPWH, shall: (i) undertake technical audits on Project expenditures and implementation of Project activities on a semi-annual basis, or as frequently as may otherwise be agreed with the Bank for specific Project activities; (ii) undertake an evaluation of the procurement activities under the Project; (iii) monitor implementation of the Integrity Strengthening Action Plan; and (iv) act promptly upon the findings and recommendations of said technical audits and evaluation."

5. Paragraph 5 of Section I of Schedule 2 is amended to read as follows:

"In carrying out Part B.2(a) of the Project, the Borrower, through DPWH, shall: (i) implement its Rationalization Plan after approval by DBM and in accordance with the Executive Order No. 366 issued by the Office of the President of the Borrower; and (ii) in the event that the Rationalization Plan is not put into effect, develop a plan to enhance effectiveness of its operations and service delivery."

6. Paragraph 13 of Section I of Schedule 2 is amended to remove the following words: "the Co-financer".

7. The table in Section IV.A.2 of Schedule 2 is amended to read as follows, which shall have retroactive effect for payments made for Eligible Expenditures after March 31, 2014:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services (except for consultants’ services under Parts B.1(b), B.2(a), B.2(b) and B.2(c) of the Project), training, and workshops</td>
<td>55,587,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Civil Works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part A.1 of the Project</td>
<td>72,780,000</td>
<td>75%</td>
</tr>
<tr>
<td>(b) under Part A.2(a) of the Project</td>
<td>71,053,000</td>
<td>75%</td>
</tr>
<tr>
<td>(c) under Part A.2(b) of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) in respect of FY11’s preventive maintenance</td>
<td>8,000,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
Undersecretary De Leon

January 6, 2015

(ii) in respect of FY12's preventive maintenance program 8,000,000 100%

(iii) in respect of FY13's preventive maintenance program 8,000,000 100%

(iv) in respect of FY14's preventive maintenance program 8,000,000 100%

(3) Premia for Interest Rate Caps and Interest Rate Collars 0

Amount due under Section 2.07(c) of the Agreement

(4) Front-end Fee 580,000

Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions.

TOTAL AMOUNT 232,000,000

8. The Closing Date specified in Section IV.B.3 of Schedule 2 is extended to December 31, 2016.

9. Paragraphs (c) and (j) of the Appendix are deleted in their entirety and the remaining paragraphs are renumbered accordingly.

10. Paragraph (h) (formerly paragraph (j)) of the Appendix is amended to read as follows:

maintenance work under Part A of the Project; any other environmental management plans required to be prepared under the provisions of the Environmental Management Systems Policy Framework and the provisions of this Agreement; as well as administrative and monitoring arrangements to ensure the implementation of said plans, as said plans may be revised from time to time with the prior written agreement of the Bank; and "Environmental Management Plan" means, individually, any one of the Environmental Management Plans."

11. Paragraph (i) (formerly paragraph (k)) of the Appendix is amended to read as follows:

""Environmental Management Systems Policy Framework" means the Borrower's framework dated February 19, 2007 and amended October 28, 2014, and publicly disclosed on October 30, 2014, acceptable to the Bank, for undertaking environmental and social analysis and developing mitigation measures for all Project and proposed sub-project activities, and providing, among other things, for: (i) the institutional arrangements for implementation of environmental and social safeguards in the carrying out of the Project; (ii) details of potential environmental and social issues that may arise under proposed sub-projects and the necessary background for environmental considerations to be built into the design of the sub-projects; (iii) detailed guidelines on when and how to prepare environmental assessments and Environmental Management Plans; and (iv) measures to monitor and report upon activities for environmental and social impacts, and, if necessary, to assist in mitigation of such impacts; as the same may be amended from time to time with the prior written agreement of the Bank."

12. Paragraph (n) (formerly paragraph (p)) of the Appendix is amended to read as follows:

""Indigenous Peoples Action Plan(s)" means the plan(s) prepared in accordance with the policies and procedures set forth in the Indigenous Peoples Policy Framework and referred to in paragraph 16 of Section I of Schedule 2 to this Agreement, said plan(s) setting forth: (i) measures or actions to be undertaken by the Borrower to ensure meaningful consultation with and informed participation of Indigenous Peoples communities in the Project activities and Project benefits for said communities which are socially and culturally acceptable to them; (ii) measures to reduce, mitigate and offset adverse impacts of the implementation of the Project; and (iii) arrangements to monitor and evaluate the implementation of said plan(s); as such plan(s) may be amended from time to time with the prior written agreement of the Bank."

13. Paragraph (o) (formerly paragraph (q)) of the Appendix is amended to read as follows:

""Indigenous Peoples Policy Framework" means the framework, a distinct section of the Land Acquisition, Resettlement, Rehabilitation and Indigenous Peoples Policy Framework, dated February 16, 2007 and amended October 28, 2014, and publicly disclosed on November 3, 2014, acceptable to the Bank and adopted by the Borrower, providing procedures, rules, and guidelines for: (i) the informed involvement of Indigenous Peoples, through a process of free, prior, and informed consultation, in the design and implementation of the Project in locations in which such people reside or which they use for their livelihood; and (ii) designing and implementing measures to provide benefits which are socially and culturally acceptable to them, and reduce, mitigate and offset adverse impacts of the Project, as such framework may be amended from time to time with the prior written agreement of the Bank."
14. Paragraph (q) (formerly paragraph (s)) of the Appendix is amended to read as follows:

""Land Acquisition, Resettlement, and Rehabilitation Policy Framework” means the framework, a distinct section of the Land Acquisition, Resettlement, Rehabilitation and Indigenous Peoples Policy Framework, dated February 16, 2007 and amended October 28, 2014, acceptable to the Bank and adopted by the Borrower, providing procedures, rules, and guidelines for: (i) the involuntary taking of land and other assets from Displaced Persons; (ii) resettlement and rehabilitation of, and compensation to, Displaced Persons; and (iii) reporting and monitoring arrangements to ensure compliance with such framework, as such framework may be amended from time to time with the prior written agreement of the Bank."

15. A new paragraph (r) is inserted following paragraph (q) (formerly paragraph (s)) of the Appendix, and the remaining paragraphs are renumbered accordingly:

""Local Government Units” means the Borrower’s Local Government Units, one or more of the political subdivisions of the Borrower at the provincial, city, or municipal level and any successors thereto."

16. Paragraph (bb) (formerly paragraph (cc)) of the Appendix is amended to read as follows:

""Resettlement Action Plans” means, collectively: (i) the Resettlement Action Plan dated May 15, 2007, prepared for Digos-General Santos Road under Part A.1 of the Project; (ii) the Resettlement Action Plan dated May 15, 2007 prepared for Davao Calinan Road under Part A.1 of the Project; and (iii) any other resettlement action plan required to be prepared under the provisions of the Land Acquisition, Resettlement, and Rehabilitation Policy Framework and the provisions of this Agreement; which said plans set out the principles and procedures governing the acquisition of land and other assets, and the resettlement, compensation and rehabilitation of Displaced Persons on account of the Project, as well as monitoring and reporting arrangements to ensure compliance with said plans, as the same may be revised from time to time with the prior written agreement of the Bank; and ""Resettlement Action Plan” means, individually, any one of the Resettlement Action Plans."

Except as specifically amended by this amendment letter, all other provisions of the Loan Agreement shall remain in full force and effect.

Please confirm your agreement to the amendments set out above by having an authorized representative of the Borrower sign and date the form of confirmation on the enclosed duplicate original of this letter and returning it to us for our files. Upon receipt of the copy of this letter countersigned on behalf of the Borrower, this amendment letter shall, except as otherwise provided in paragraph 7 above, become effective as of the date of the countersignature.
Undersecretary De Leon

January 6, 2015

Sincerely,

Aleksandra Posarac
Acting Country Director for Philippines

CONFIRMED:
REPUBLIC OF THE PHILIPPINES
By: **027030**

Name: CESAR V. PURISIMA
Title: SECRETARY
Date: **JUL 28 2015**

cc: Hon. Arsenio M. Balisacan, Socioeconomic Planning Secretary and Director General, National Economic and Development Authority
Hon. Florencio B. Abad, Secretary, Department of Budget and Management
Hon. Rogelio L. Singson, Secretary, Department of Public Works and Highways
Hon. Mar A. Roxas, Secretary, Department of Interior and Local Government
Mr. Rolando G. Tungpalan, Deputy Director General, National Economic and Development Authority
Ms. Laura B. Pascua, Undersecretary, Department of Budget and Management
Mr. Raul Asis, Undersecretary, Department of Public Works and Highways
Ms. Tina Rose Canda, Assistant Secretary, Department of Budget and Management
Ms. Catalina Cabral, Assistant Secretary, Department of Public Works and Highways
Ms. Stella C. Laureano, Director, Department of Finance
Mr. Roderick M. Planta, Director, National Economic and Development Authority
Mr. Carlos Mutuc, Director, NRIM-PMO, Department of Public Works and Highways
Mr. Roberto B. Tan, Executive Director for the Philippines, World Bank
Ms. Enid Agatha Zephyrine, Senior Advisor to the Executive Director for the Philippines, World Bank