February 22, 2016

Honorable Cesar Purisima  
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 Purisima:

Republic of the Philippines: Studies for Sustainable Flood Management Project  
PH-PTF Grant No. TF017736

Partial Cancellation of Grant and Amendment to the Grant Agreement

We refer to the Grant Agreement between the Republic of the Philippines (the “Recipient”) and the International Bank for Reconstruction and Development (the “World Bank”), acting as administrator of the Australia World Bank Philippines Development Trust Fund, dated February 2, 2015 (the “Grant Agreement”) for the above-referred project (the “Project”).

We also refer to your letter dated December 14, 2015 (received by the World Bank on December 15, 2015), requesting partial cancellation of the undisbursed amount of the above-captioned Grant and requesting the restructuring of the Project.

In view of the foregoing, and pursuant to Section 4.01 of the Standard Conditions for Grants applicable to the Grant Agreement, the Bank hereby cancels, as of December 15, 2015, the amount of US$ 3.8 million from Category 1 as set forth in Section IVA2 of Schedule 2 to the Grant Agreement. The withdrawal table set forth in Section IVA2 of Schedule 2 to the Grant Agreement has been revised accordingly and the revised withdrawal table is attached to this letter as Attachment 1. Further, the Grant Agreement is amended as follows:

1. Section 3.01 of the Grant Agreement is amended as follows:

"3.01 The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to three million two hundred thousand United States Dollars ($3,200,000) ("Grant") to assist in financing the Project."

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2. Schedule 1 of the Grant Agreement is amended as follows:

"The objective of the Project is to prepare a priority project that aims to improve flood management and resilience in the greater metro Manila area."

The Project consists of the following parts:

Part A: Preparation of Feasibility and Design Studies for Priority Flood Management Infrastructure

1. Preparation of feasibility and design studies for a dam in the upper Marikina River catchment area: and

2. Preparation of environmental and social safeguard instruments for a dam in the upper Marikina River catchment area.

Part B: Project Management and Administration

Strengthening the capacity of the DPWH to manage, monitor and evaluate implementation of the Project.

3. Paragraph 2(b) of Section I A of Schedule 2 to the Grant Agreement is deleted in entirety and replaced as follows:

"(b) ensure that the technical, environmental and social studies to be prepared under Part A of the Project, including the environmental and social safeguard instruments, are prepared simultaneously and under terms of reference satisfactory to the World Bank following its review thereof and, to that end, shall duly incorporate the requirements of the World Bank safeguard policies and be publicly disclosed and consulted upon in accordance with the World Bank safeguard policies."

4. The project monitoring indicators referred to in Section II A1. of Schedule 2 to the Grant Agreement are as shown in Attachment 2 to this amendment letter.

5. Paragraph 2 of Section IV B of Schedule 2 to the Grant Agreement is amended to read as follows:

"The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2018."

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,

Agata E. Pawlowska
Acting Country Director, Philippines
East Asia and Pacific Region

CONFIRMED:
REPUBLIC OF THE PHILIPPINES
By: [Signature]

Name: HON. CESAR V. PURISIMA
Title: SECRETARY
Date: 26 FEBRUARY 2016
Attachment 1 to World Bank's Acknowledgment of Cancellation Letter dated February 1, 2016

Grant TF017736-PH
Revised Withdrawal Table

The Table at Section IVA.2 of Schedule 2 to the Grant Agreement is revised as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants' services, and Operating Costs under Part A.1 and Part B of the Project</td>
<td>3,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Amount Cancelled as of December 15, 2015</td>
<td>3,800,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL ORIGINAL GRANT AMOUNT</td>
<td>7,000,000</td>
<td></td>
</tr>
</tbody>
</table>
**Attachment 2**

**Grant TF017736-PH**  
**Results Framework**

<table>
<thead>
<tr>
<th><strong>Project Development Indicator</strong></th>
<th>Baseline</th>
<th>Actual(Current)</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project proposals for structural measures fully designed that are technically, economically, socially, and environmentally sound and that are ready for appraisal.</td>
<td>Value 0.00</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td></td>
<td>Date 01-Apr-2014</td>
<td>11-Dec-2015</td>
<td>30-Sep-2018</td>
</tr>
<tr>
<td></td>
<td>Comment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Intermediate Indicator</strong></th>
<th>Baseline</th>
<th>Actual(Current)</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feasibility studies for the proposed interventions completed.</td>
<td>Value 0.00</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td></td>
<td>Date 01-Apr-2014</td>
<td></td>
<td>30-Jun-2017</td>
</tr>
<tr>
<td></td>
<td>Comment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
cc:  Hon. Emmanuel Esguerra, Acting Socioeconomic Planning Secretary and 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. Roberto Tan, National Treasurer and Officer-in-Charge, International Finance Group, Department of Finance
    Mr. Rolando Tungpalan, Deputy Director General, National Economic and Development Authority
    Ms. Laura Pascua, Undersecretary, Department of Budget and Management
    Ms. Stella Laureano, Director, Department of Finance
    Mr. Jonathan Uy, Director, National Economic and Development Authority
    Ms. Violeta Corpus, Director, National Economic and Development Authority
    Mr. Patrick Gatan, Director Flood Management Cluster, Department of Public Works and Highways
    Ms. Lydia Aguilar, Engineer, Department of Public Works and Highways
    Mr. David Dutton, Deputy Head of Mission, Department of Foreign Affairs and Trade, Australian Embassy
    Mr. Antonio Silveira, Executive Director for the Philippines, World Bank Group
    Ms. Rosalia De Leon, Alternate Executive Director for the Philippines, World Bank Group
    Ms. Michelle Durham-Kissoon, Advisor to the Executive Director for the Philippines, World Bank Group