

5 March 2007

Hon. Margarito B. Teves
Secretary
Department of Finance
DOF Building, BSP Complex
Roxas Boulevard, Manila
Fax Number: 526-8474

Dear Secretary Teves,

**Loan 2282-PHI: Subprogram I - Power Sector Development Program Cluster
— Amendment to the Loan Agreement**

1. This refers to the Loan Agreement (Ordinary Operations) between the Republic of the Philippines (the Borrower) and the Asian Development Bank (ADB), for the Subprogram I – Power Sector Development Program Cluster, duly signed on 11 December 2006 (hereinafter referred to as the Loan Agreement).

2. Pursuant to the execution of the loan agreement between the Borrower and the Japan Bank for International Cooperation (JBIC), dated 23 February 2007 (JBIC Loan Agreement) and upon the requests made by the Borrower, the Loan Agreement (Ordinary Operations) is hereby amended as follows:

(a) Amendment to the Recital section.

(i) A new paragraph (D) is inserted to read as follows:

“(D) the Borrower has also applied to the Japan Bank for International Cooperation (hereinafter called the JBIC) for a loan in an amount of three hundred million dollars (\$300,000,000) equivalent (hereinafter called the JBIC Loan Agreement) to finance a portion of the Program.”

(ii) Existing paragraph (D) shall be renumbered as the new paragraph (E).

(b) Amendment to Article II.

Section 2.04 is hereby amended in full to read as follows:

“2.04. Interest and other charges on the Loan shall be payable semiannually on 15 May and 15 November in each year.”

(c) Amendment to Article V.

(i) A new Article V shall be inserted to replace in full the existing Article V and shall read as follows:

**"ARTICLE V
Suspension; Cancellation; Acceleration of Maturity**

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(I) of the Loan Regulations: the JBIC Loan Agreement shall have become liable for suspension or cancellation, or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred and continued for a period of 60 days."

(ii) Existing Article V shall be renumbered as Article VI and, accordingly, existing Sections 5.01 and 5.02, respectively, shall be renumbered as Sections 6.01 and 6.02.

(c) Amendment to Article VI.

Existing Article VI shall be renumbered as Article VII and, accordingly, Sections 6.01 and 6.02, respectively, shall be renumbered as Sections 7.01 and 7.02.


3. If this is acceptable to you, kindly have both copies of this letter countersigned in the space indicated below. Please retain one copy for your record and return one original copy to ADB.

Yours sincerely,



Tom Crouch
Country Director

Confirmed:
The Republic of the Philippines


Hon. Margarito B. Teves
Secretary
Department of Finance

Date 12 MARCH 2007 *pb*