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LOAN NUMBER 3237-PHI

LOAN AGREEMENT  
(Ordinary Operations)

(Senior High School Support Program – Results Based Lending)

between

REPUBLIC OF THE PHILIPPINES

and

ASIAN DEVELOPMENT BANK

DATED 10 February 2015

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PHI 45089

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 10 Feb 15 between REPUBLIC OF THE PHILIPPINES ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Program described in Schedule 1 to this Loan Agreement; and

(B) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(49) is deleted and the following is substituted therefor:

49. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower.

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(c) Section 2.01(51) is deleted and the following is substituted therefor:

51. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

(d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".

(e) Section 3.03 is deleted and the following is substituted therefor:

**Commitment Charge; Credit.** (a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(f) Section 3.06 is deleted and the following is substituted therefor:

**Rebate.** (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(g) Section 3.07 is deleted and the following is substituted therefor:

**Surcharge.** (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which

the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) “ADB’s Results-Based Lending Policy” means ADB’s policy set out in the R-Paper on Piloting Results-Based Lending for Programs approved by ADB on 6 March 2013;

(b) “Allocation and Withdrawal Table” means the table set forth in Attachment 2 of Schedule 3 to this Loan Agreement;

(c) “Anti-Corruption Guidelines” means ADB’s Guidelines to Prevent or Mitigate Fraud, Corruption and Other Prohibited Activities in Results-Based Lending for Programs attached as Appendix 7 to ADB’s Results Based Lending Policy;

(d) “APCPI” means the Agency Procurement Compliance and Performance Indicators prepared by DepEd.

(e) “Completion Date” means the date set out in paragraph 3 of Schedule 1 to this Loan Agreement or such other date as the Borrower and ADB may agree;

(f) “DepEd” means the Borrower’s Department of Education or any successor thereto;

(g) “DepEd schools” means schools financed and operated by DepEd;

(h) “Deposit Account” means the bank account into which all withdrawals from the Loan Account shall be deposited;

(i) “Disbursement Linked Indicator” or “DLI” means each disbursement linked indicator set forth in Attachment 1 of Schedule 3 to this Loan Agreement which the

Borrower is required to satisfy in order to withdraw the amount of the Loan proceeds allocated to such disbursement linked indicator in the Allocation and Withdrawal Table;

(j) “DLI Matrix” means the DLI matrix set forth in Attachment 1 of Schedule 3 to this Loan Agreement, as updated from time to time, which sets out each DLI and its corresponding protocols for the purposes of verifying the Borrower’s compliance with each DLI;

(k) “DLI Verification Protocol” means the verification protocol for the Program included in the PID, which sets out corresponding protocol for the purpose of verifying the Borrower’s compliance with each DLI;

(l) “Education Service Contracting” means the scheme utilized by the Program Executing Agency to decongest DepEd JHS by paying non-DepEd schools to enroll students who, otherwise, would have gone to the DepEd JHS;

(m) “Eligible Expenditures” means the total expenditures incurred by the Borrower under the Program minus the expenditures for (i) procurement of goods and services from countries which are not members of ADB, and (ii) any prohibited investment activities provided in Appendix 5 of the SPS, incurred by the Borrower under the Program;

(n) “Environmental Safeguards” means the objectives, scope, triggers and policy principles set forth in the section entitled Environmental Safeguards in Chapter V of the SPS;

(o) “FY” means the fiscal year of the Borrower which runs from 1 January to 31 December in each year;

(p) “Indigenous Peoples Safeguards” means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(q) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS.

(r) “JHS” means junior high school(s);

(s) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(t) “NEDA” means the National Economic and Development Authority of the Borrower or any successor thereto;

(u) “non-DepEd schools” means schools operated and financed by the private sector;

(v) “PAP” means the Program Action Plan dated 31 October 2014 and agreed between ADB and the Borrower, as updated from time to time;

(w) “PID” means the implementation document for the Program dated 31 October 2014 and agreed between the Borrower and ADB, as updated from time to time;

- (x) "PPP" means public-private partnership;
- (y) "PPP Center" means the unit attached to NEDA responsible for facilitating the coordination and monitoring of PPP programs and projects within the territory of the Borrower;
- (z) "Program Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means DepEd or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program;
- (aa) "Project Development and Monitoring Facility" means the revolving fund which is used for the preparation of prefeasibility studies, feasibility studies and tender documents for PPP projects, and provision of assistance in the bidding process within the territory of the Borrower;
- (bb) "SHS" means senior high school(s); and
- (cc) "SPS" means ADB's Safeguard Policy Statement (2009).

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of three hundred million Dollars (\$300,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 15 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR; and
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 June and 1 December in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. The Borrower shall ensure that no Loan proceeds are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Section 3.04. The Borrower shall ensure that the amount of Eligible Expenditures is at least equal to or exceeds the proceeds of the Loan withdrawn by the

Borrower under the Program. In the event that the Eligible Expenditures are less than the proceeds of the Loan withdrawn by the Borrower under the Program by the Completion Date, the Borrower shall, within six months of the Completion Date, refund to ADB the difference between such amounts.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2020 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. (a) The Borrower shall cause the Program to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. The Borrower shall make available, promptly as needed the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Program.

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Program are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. (a) The Borrower through the Program Executing Agency shall (i) maintain separate accounts and records for the Program; (ii) prepare financial reports for the Program in accordance with accounting principles acceptable to ADB, for FY2015, FY2016, FY2017, FY2018 and FY2019, and furnish these to ADB no later than 3 months after the close of each FY; (iii) have financial statements of the Program Executing Agency audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards on auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements) and a management letter (which sets out the deficiencies in the internal control of the Program that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than (A) 12 months after the end of FY2015 and FY2016, (B) 10 months after the close of FY2017, and (C) 9 months after the close of FY2018 and 2019, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements of the Program Executing Agency and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.



(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial reports for the Program, the financial statements of the Program Executing Agency, and the Borrower's financial affairs where they relate to the Program with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.05. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the DLIs and carrying out of the actions set out in the PAP.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the DLIs and carrying out of the actions set out in the PAP.

Section 4.06. (a) ADB and the Borrower shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) The Borrower shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Program, the performance of its obligations under this Loan Agreement, or the accomplishment of the purposes of the Loan.

(c) ADB and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Program or the Loan.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

**ARTICLE VI**

**Miscellaneous**

Section 6.01. The Secretary of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Department of Finance  
DOF Building  
Roxas Boulevard  
Manila, Philippines

Facsimile Numbers:

(632) 523-9216  
(632) 521-9495.

For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

(632) 636-2444  
(632) 636-2228.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

REPUBLIC OF THE PHILIPPINES

By  \_\_\_\_\_  
CESAR V. PURISIMA  
Authorized Representative

ASIAN DEVELOPMENT BANK

By  \_\_\_\_\_  
RICHARD S.M. BOLT  
Country Director  
Philippines Country Office

## SCHEDULE 1

### Description of the Program

1. The expected impact of the Program will be enhanced employment of both SHS graduates and those with some SHS education. The expected outcome of the Program will be an effective SHS system established and implemented.

2. The Program shall comprise the following outputs:

Output 1: Quality of DepEd SHS program upgraded

Under this Output, the Program shall support (a) SHS curriculum development and implementation, including content, learning outcomes, instructional materials, national assessment tools and career counseling; (b) the hiring or assignment of SHS teachers to allow DepEd to achieve the minimum service standards for the number of qualified mathematics and science teachers per student in DepEd SHS; and (c) the integration of technical-vocational education and training at the SHS level.

Output 2: Minimum service standard for school facilities in DepEd SHS achieved

Under this Output, the Program shall support the delivery of schools and classrooms required to accommodate students at the SHS level.

Output 3: SHS education voucher program developed and implemented

Under this Output, the Program shall support the development and implementation of an SHS voucher program to allow graduates from DepEd JHS, graduates from non-DepEd JHS who were receiving support under the Education Service Contracting scheme, and other eligible graduates of non-DepEd JHS to attend non-DepEd SHS.

Output 4: Basic education management, fiduciary, and safeguard systems strengthened

Under this Output, the Program shall support strengthening of the financial management, procurement, and other systems of the Program Executing Agency to ensure that they meet the performance targets of the Borrower.

3. The Program shall be completed by 31 December 2019.

**SCHEDULE 2****Amortization Schedule****(Senior High School Support Program – Results Based Lending)**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
1 June 2020	3.333333
1 December 2020	3.333333
1 June 2021	3.333333
1 December 2021	3.333333
1 June 2022	3.333333
1 December 2022	3.333333
1 June 2023	3.333333
1 December 2023	3.333333
1 June 2024	3.333333
1 December 2024	3.333333
1 June 2025	3.333333
1 December 2025	3.333333
1 June 2026	3.333333
1 December 2026	3.333333
1 June 2027	3.333333
1 December 2027	3.333333
1 June 2028	3.333333
1 December 2028	3.333333
1 June 2029	3.333333
1 December 2029	3.333333
1 June 2030	3.333333
1 December 2030	3.333333
1 June 2031	3.333333
1 December 2031	3.333333
1 June 2032	3.333333
1 December 2032	3.333333
1 June 2033	3.333333
1 December 2033	3.333333
1 June 2034	3.333333
1 December 2034	<u>3.333343</u>
<b>TOTAL</b>	<b>100.000000</b>

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be 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.

**SCHEDULE 3****Allocation and Withdrawal of Loan Proceeds**General

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

Deposit Account

2. Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate the Deposit Account at Bangko Sentral ng Pilipinas into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be managed and liquidated in accordance with terms and conditions satisfactory to ADB.

3. The Borrower shall maintain separate accounts and records in respect of the Deposit Account in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.

Basis for Withdrawal from the Loan Account

4. The initial application for withdrawal from the Loan Account shall be submitted after successful verification of achievement of prior results as stated in the DLI Matrix.

5. Except as provided in paragraph 9 of this Schedule 3, prior to submitting any application for withdrawal from the Loan Account for a DLI, the Borrower shall submit for ADB's approval satisfactory evidence as required under the DLI Verification Protocol that such DLI has been fully achieved. After ADB's confirmation that the DLI has been achieved, the Borrower may submit an application for withdrawal of the corresponding Loan proceeds for such DLI.

6. No withdrawal shall be made or permitted from the Loan Account for any DLI unless ADB is satisfied that the Borrower continues to comply with all DLIs that were previously met and for which Loan proceeds have been disbursed.

7. Throughout the Program period, the Borrower shall submit any information on the Program that ADB may require from time to time to assess and calculate the value of Eligible Expenditures.

Application for Withdrawal from the Loan Account

8. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Prior to the submission of the first withdrawal application, the Borrower shall submit to ADB sufficient evidence of the authority of the person(s) who shall sign the withdrawal applications on behalf of the Borrower, together with the authenticated specimen signatures of each authorized person.

Advanced Financing and Financing for Prior Results

9. (a) Prior to the achievement of any DLIs, withdrawals from the Loan Account may be made for the purposes of meeting the Program's financing requirements and supporting the achievement of DLIs. Withdrawals for such advanced financing may be made from time to time during Program implementation; provided that (i) the outstanding advanced financing amount shall not, at any time, exceed 25% of the Loan amount; and (ii) the aggregate outstanding advanced financing amount and the Loan amount withdrawn for financing prior results as set out in Attachment 2 of Schedule 3 to this Loan Agreement shall not, at any time, exceed 30% of the Loan amount.

(b) ADB shall deduct the withdrawn advanced financing amounts from the Loan proceeds allocated for subsequent DLIs once such DLIs have been achieved.

(c) In the event that any DLIs have not been achieved by the Completion Date, the Borrower shall, within 6 months of the Completion Date, refund to ADB any outstanding advanced financing amount or part thereof which corresponds to the Loan amount allocated under Attachment 2 of Schedule 3 to this Loan Agreement for the DLIs which have not been achieved.

Reallocation

10. Notwithstanding the allocation of Loan proceeds set forth in the Allocation and Withdrawal Table, if the amount of Loan proceeds allocated to any DLI appears to be insufficient or excessive for any reason whatsoever, the Borrower and ADB may by agreement reallocate such shortfall or excess amount to any other DLI.

Disbursement Procedures

11. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook. The Borrower shall submit the supporting documents specified in paragraph 5 of this Schedule 3 in lieu of the supporting documents required under the Loan Disbursement Handbook.



DLI Matrix

DLI 1: Learning outcomes in DepEd SHS mathematics and science subjects improved.

Prior Results (2014)	2016	2017	2019
DepEd SHS curriculum that includes specific learning outcomes for mathematics and science in the core subjects and all 4 tracks, as applicable, promulgated.	Minimum service standard for teacher:student ratio for qualified mathematics teachers achieved in at least 85% of DepEd SHS.	Minimum service standard for teacher:student ratio for qualified science teachers achieved in at least 50% of DepEd SHS.	Grade 12 exit assessment mean percentage score in DepEd SHS is at least (i) 50% for mathematics (with a mean percentage score for males and females of at least 45%); and (ii) 45% for science (with a mean percentage score for males and females of at least 40%).

DLI 2: Learning outcomes in DepEd SHS technical-vocational and livelihood subjects improved.

2015	2016	2019
DepEd SHS curriculum that includes specific learning outcomes for all technical-vocational and livelihood subjects promulgated.	DepEd policy on SHS technical-vocational and livelihood track, including a strategy and action plan to promote female enrollment, issued.	The exit assessment passing rate for technical-vocational and livelihood students in DepEd SHS is at least 50% (passing rate of at least 45% for males and females).

DLI 3: Minimum service standard for student:classroom ratio in DepEd SHS achieved.

Prior Results (2014)	2016	2018
Minimum service standard for DepEd SHS student:classroom ratio in instructional and specialized classrooms promulgated.	Minimum service standard for DepEd SHS student:classroom ratio achieved in at least 25% of DepEd SHS.	Minimum service standard for DepEd SHS student:classroom ratio achieved in at least 50% of DepEd SHS.

DLI 4: Use of PPP modality considered for a portion of DepEd SHS infrastructure delivery.

Prior Results (2014)	2015	2017
Prefeasibility study on the use of PPP modality for SHS infrastructure delivery reviewed and submitted by DepEd to the PPP Center as a concept note for the Project Development and Monitoring Facility.	Feasibility study on the use of PPP modality for SHS infrastructure delivery completed and submitted to the PPP Center.	Successful preparation and tendering of PPP-based procurement package for SHS infrastructure delivery on the basis of positive value for money proposition.

DLI 5: DepEd targets for SHS enrolments in non-DepEd schools achieved.

Prior Results (2014)	2015	2017	2018	2019
DepEd SHS voucher policy brief announced and DepEd policy for establishing non-DepEd SHS promulgated.	Institutional arrangements for SHS voucher operation and administration defined and initiated.	At least 30% of SHS enrolments are in non-DepEd schools.	At least 35% of SHS enrolments are in non-DepEd schools.	At least 40% of SHS enrolments are in non-DepEd schools.

DLI 6: Performance targets in procurement monitoring achieved.

2015	2017	2018
Proportion of DepEd divisions and regions submitting on time the APCPI report for the previous year is at least 25%.	Proportion of DepEd divisions and regions submitting on time the APCPI report for the previous year is at least 30%.	Proportion of DepEd divisions and regions submitting on time the APCPI report for the previous year is at least 35%.

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Senior High School Support Program – Results Based Lending)</b>							
DLIs	<b>Total Amount Allocated for ADB Financing (\$)</b>						
	<b>Financing of prior results</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
DLI1	5,000,000		25,000,000	25,000,000		25,000,000	80,000,000
DLI2		12,500,000	12,500,000			15,000,000	40,000,000
DLI3	3,750,000		22,500,000		20,000,000		46,250,000
DLI4	2,500,000	2,500,000		5,000,000			10,000,000
DLI5	3,750,000	25,000,000		30,000,000	30,000,000	25,000,000	113,750,000
DLI6		3,300,000		3,300,000	3,400,000		10,000,000
<b>TOTAL</b>	<b>15,000,000</b>	<b>43,300,000</b>	<b>60,000,000</b>	<b>63,300,000</b>	<b>53,400,000</b>	<b>65,000,000</b>	<b>300,000,000</b>

## **SCHEDULE 4**

### **Execution of Program**

#### Implementation Arrangements

1. The Borrower shall ensure that the Program is implemented in accordance with the detailed arrangements set forth in the PID. Any subsequent change to the PID shall become effective only after approval of such change by the Borrower through the Program Executing Agency and ADB. In the event of any discrepancy between the PID and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

#### DLI Actions and Dialogue

2. The Borrower shall ensure that all DLIs under the Program, as set forth in the DLI Matrix, continue to be in effect for the duration of the Program.

3. The Borrower shall share with ADB information concerning policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.

#### Procurement

4. The Borrower shall ensure that the Program includes no activities which involve (a) procurement of works, turnkey, supply or installation contracts estimated to cost \$50,000,000 equivalent or more per contract; (b) procurement of goods contracts estimated to cost \$30,000,000 equivalent or more per contract; (c) information technology or non-consulting services contracts estimated to cost \$20,000,000 equivalent or more per contract; and (d) consultants' services contracts estimated to cost \$15,000,000 equivalent or more per contract.

#### Safeguards

5. The Borrower shall ensure that the safeguards actions specified in the PAP are implemented in a timely and efficient manner.

6. The Borrower shall ensure that construction or rehabilitation works under the Program do not involve significant adverse environmental impacts which may be classified as category A under the SPS or its related rules/manuals.

7. The Borrower shall ensure that the preparation, design, construction and implementation of all activities under the Program comply with (a) all applicable laws, regulations and guidelines of the Borrower relating to land acquisition and resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the PAP.

8. The Borrower shall ensure that the preparation, design, construction, implementation, operation of all activities under the Program comply with (a) all applicable laws, regulations and guidelines of the Borrower relating to Indigenous People; (b) the Indigenous People Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the PAP.

9. The Borrower shall ensure that the preparation, design, construction, implementation, operation and decommissioning of all activities under the Program comply with (a) all applicable laws, regulations and guidelines of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the PAP.

#### School Delivery

10. The Borrower shall ensure that the schools to be delivered under the Program shall be constructed on the land owned or controlled by the Borrower through DepEd.

#### Governance and Anticorruption

11. The Borrower shall cause DepEd to (a) ensure that the Program complies with the provisions of the Anti-Corruption Guidelines and shall take all appropriate and timely measures to prevent, detect and respond to allegations of fraud, corruption, or any other prohibited activities in accordance with the Anti-Corruption Guidelines; and (b) promptly inform ADB of any allegations of fraud, corruption, or any other prohibited activities relating to the Program.

12. The Borrower shall cooperate fully with any investigation by ADB relating to allegations of fraud, corruption, or any other prohibited activities and extend all necessary assistance, including providing access to all relevant books and records, for satisfactory completion of such investigation.

13. Within 90 days of the Effective Date, the Borrower shall cause DepEd to update its website to (a) provide information on bidding procedures, bidders, contract awards, and physical progress of the Program; (b) post the annual audited financial statements for the Program, as such audited financial statements become available; and (c) disseminate other relevant information on the implementation of the Program.