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RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
NATIONAL SECTOR SUPPORT FOR HEALTH REFORM PROJECT  
LOAN  
{October 3, 2006}

IN THE INITIAL AMOUNT OF  
US\$ 110 MILLION

AND

A RESTRUCTURED AMOUNT OF  
US\$ 110 MILLION

TO THE  
REPUBLIC OF THE PHILIPPINES

{DATE OF RESTRUCTURING}

## ABBREVIATIONS AND ACRONYMS

- a) "Convergence Provinces" means provinces designated by the Borrower as priority provinces for the implementation of its health sector reform program implementation plan, as described in DOH Administrative Order No .2005-0023, dated August 30, 2005, and "Convergence Province" means any of the "Convergence Provinces."
- b) "DOH" means the Borrower's Department of Health, and any successor thereto.
- c) "DPT" means diphtheria, pertussis and tetanus vaccine
- d) "DSWD" means the Borrower's Department of Social Welfare and Development, and successor thereto.
- e) "FDA" means the Borrower's Food and Drug Administration, and any successor thereto. FDA used to be called the Bureau of Food and Drugs or BFAD.
- f) "HiB" means Hemophilus influenza B vaccine
- g) "Sponsored Program" means the indigent program of NHIP to provide health insurance for Indigents, established by the National Health Insurance Act of 1995, February 14, 1995 (R.A.7875) as amended by R .A.9241, under which Indigents are subsidized partially by LGUs where said Indigents reside.
- h) "MMR" refers to measles, mumps, and rubella vaccine
- i) "National Health Insurance Program" and "NHIP" mean the Borrower' s compulsory health insurance program established pursuant to the Borrower's National Health Insurance Act of 1995 (R .A.7875), as amended by R .A.9241, for the provision of universal health insurance coverage and ensuring affordable, acceptable, available and accessible health care services for all citizens of the Philippines .
- j) "NHTS-PR" means the National Household Targeting System for Poverty Reduction implemented by DSWD to determine the indigents who will be provided various government social protection programs including subsidized enrolment into the Sponsored Program
- k) "PHIC" means the Philippine Health Insurance Corporation, a tax -exempt government corporation attached to the DOH, established pursuant to the Borrower's National Health Insurance Act of 1995, February 14, 1995 (R .A.7875), as amended by R.A.9241, and designated by the Borrower as a provider of health insurance services under Part A of the Project, and any successor thereto.

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**PHILIPPINES — NATIONAL SECTOR SUPPORT FOR HEALTH REFORM  
P075464**

**Restructuring Paper**

I. Proceeds for *Philippines, National Sector Support for Health Reform Project, P075464* will be reallocated as follows:

<b>Category of Expenditure</b>		<b>Allocation</b>		<b>% of Financing</b>	
Current	Revised	Current	Revised	Current	Revised
(1) National Contribution Subsidy for Indigents under Part A of the Project		40,000,000	40,000,000	100% of the amount for National Contribution Subsidy for Indigents Disbursed for Qualified LGUs	100% of the amount for National Contribution Subsidy for Indigents Disbursed for Qualified LGUs
(2) Goods under Part B .1 of the Project		38,000,000	58,225,000	100%	100%
(3) Goods, consultants' services, training, workshops, and operating costs under Parts C, D.1 and D.2 of the Project		1,225,000	500,000	100%	100%
(4) Performance-based Public Health Awards under Part B .2 of the Project		500,000	1,000,000	100% of the amount for Performance-based Public Health Awards Disbursed	100% of the amount for Performance-based Public Health Awards Disbursed
(5) Local Health Systems Reform Grants under Part D .2 of the Project		10,000,000	10,000,000	100% the amount for Local Health Systems Reform Grants disbursed	
(6) Front end fee		275,000	275,000	Amount due under Section 2.04 of this Agreement	Amount due under Section 2.04 of this Agreement

Unallocated		20,000,000	0		
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## II. Project implementation progress summary.

As a national program support loan, the implementation progress of the different project components is directly linked to the pace and progress of the reform areas the components are supporting.

The reforms on expanding public health service delivery or component B have exceeded our projections and expectations with the country tripling its spending for vaccines by fully covering all eligible children with polio, DPT, measles and Hepatitis B vaccinations, and introducing MMR and HiB vaccines in the county. The public health performance grants have also progressed. We are about to fully utilize all allocations for this component.

The reforms on local health systems or component D have moved ahead with the convergence provinces preparing and implementing their province-wide investment plans for health. As such, up to 70% of the local health system reform grants have either been disbursed or have been advanced by the DOH and being readied for reimbursement.

The component A reforms on improving the targeting of the poor that would be subsidized into the Sponsored Program of the National Health Insurance Program had been delayed as PHIC found it difficult in determining the appropriate means test methodologies. PHIC eventually accepted the National Household Targeting System (NHTS) for Poverty Reduction's proxy means test in 2008 as an appropriate means test but it then took a year of negotiations before PHIC and DSWD finally signed a MOA last December 16, 2009 that would allow PHIC to validate its members enrolled in the Sponsored Program against the listing of poor. Both agencies are now cross-matching the PHIC Sponsored Program database with the DSWD's listing of poor. Nonetheless, although the delayed reforms had lead to no disbursement against this component, we now expect this reform and project component to move given the recent pronouncements by both the President and the Secretary of Health that the government shall immediately subsidize the enrolment of the DSWS's list of poor into PhilHealth.

The reforms that component C supports have moved ahead but the approval of income retention for the then BFAD in 2008 lead DOH and BFAD to defer utilizing this component. Subsequent re-affirmation of this income retention in 2009 with the FDA law further delayed this utilization of this component. Nonetheless, FDA has finally requested that the project support quality assurance innovations.

Given the progress of the reforms and project implementation, only 34.5% or around 38 million USD of the 110 million USD loan had been disbursed with 95% or 35.6 million USD of the allocated 38.5 million USD for component B has been disbursed. However, as earlier discussed, we expect disbursements of the 40 million USD component supporting PHIC reforms to soon happen.

The project has a 20 million unallocated amount which was expected to be used to support the reforms that moved the quickest. As determined and agreed in the last

mission, component B or the public health reform reforms have moved the quickest and now needs the re-allocation of the unallocated amount to support the vaccine needs for calendar year 2010.

III. Justification for re-allocation

The proposed reallocation of an additional \$20,725,000 to component B is primarily to provide funding cover for the 2010 vaccines with \$20,225,000 of the re-allocated amount to finance the vaccines. The funding for vaccines has increased from 6 million USD to 18 million USD brought about by the full coverage to all eligible children of polio, DPT, measles and Hepatitis B vaccines and expansion of the vaccine and the introduction of HiB and MMR vaccines. The \$500,000 additional allocation to the performance-based public health awards is expected to support further scaling up of the said performance grants. The re-allocated amount shall be primarily coming from the unallocated 20 million USD. There will be no extension of the project closing date.

IV. ISR ratings

ISR date	Over-all Implementation Progress	Attainment of Project Development Objectives
June 9, 2010	MS	S
July 8, 2009	MS	S
September 29, 2008	MS	S