
LOAN NUMBER 3930-PHI

LOAN AGREEMENT
(Ordinary Operations)
(Expanded Social Assistance Project)

between

REPUBLIC OF THE PHILIPPINES

and

ASIAN DEVELOPMENT BANK

DATED 15 JUNE 2020

PHI 52257

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 15 JUNE 2020 between the 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 Project described in Schedule 1 to this Loan Agreement ("Project"); 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 ADB's Ordinary Operations Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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) "4Ps" means the Borrower's *Pantawid Pamilyang Pilipino Program*, or any successor program acceptable to ADB;
- (b) "DOF" means the Department of Finance of the Borrower or any successor thereto;
- (c) "DSWD" means the Department of Social Welfare and Development of the Borrower, or any successor thereto;
- (d) "Education Grants" means the grants funded under the Project which relate to education activities described in Schedule 1, to be delivered by the Borrower, through the Project Executing Agency, to Participating Beneficiaries;
- (e) "GAP" means the gender action plan prepared for the Project, including any update thereto, containing gender measures to be undertaken during Project implementation, and agreed to between the Project Executing Agency and ADB;

- (f) "Health Grants" means the grants funded under the Project which relate to health activities described in Schedule 1, to be delivered by the Borrower, through the Project Executing Agency, to Participating Beneficiaries;
- (g) "Implementing Units" means the DSWD through its NPMO and RPMOs, which are responsible for implementing the Project;
- (h) "Indigenous Peoples Safeguards" or "IPS" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (i) "IPP" means the indigenous peoples plan for the Project, including any update thereto, prepared and submitted by the Borrower, through the Project Executing Agency, and cleared by ADB;
- (j) "Listahanan" means the Borrower's national targeting system for poverty reduction established per the Borrower's Executive Order No. 867 of 2010, which employs a proxy means test model for identification, validation and registration of eligible poor households into the 4Ps database;
- (k) "Listahanan 3" means the Listahanan as updated not later than 2021, based on the accurate and objective targeting criteria, acceptable to ADB;
- (l) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (m) "NPMO" means the national program management office established within DSWD for purposes of implementing the 4Ps, and which is responsible for the implementation of the Project;
- (n) "PAM" means the project administration manual for the Project dated 22 April 2020 and agreed between the Project Executing Agency and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;
- (o) "Participating Beneficiaries" means those eligible qualified beneficiary households selected under the 4Ps to receive Education Grants and Health Grants under the Project;
- (p) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means DSWD or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (q) "RPMO" means a regional program management office established within the Project Executing Agency's field offices that is responsible for implementing Project activities as described in the PAM;

- (r) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (s) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower, through the Project Executing Agency, to ADB that describes progress with implementation of and compliance with the IPP, including any corrective and preventative actions.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of five hundred million Dollars (\$500,000,000), 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 21 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;
- (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; and
- (c) a maturity premium of 0.20% 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 May and 1 November 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(f) 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, through the Project Executing Agency, shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project 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 Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2024 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project, the Borrower, through the Project Executing Agency, shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. The Borrower, through the Project Executing Agency, shall make available, promptly as needed and on terms and conditions acceptable to ADB, the

funds and services, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. (a) The Borrower, through the Project Executing Agency, shall (i) maintain separate accounts and records for the 4Ps; (ii) prepare annual financial statements for the 4Ps, in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds for 4Ps, and a management letter (which sets out the deficiencies in the internal control of DSWD that were identified in the course of the audit, if any); and (v) furnish to ADB, within one month of the approval by the relevant authority or no later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements, the audit reports (including the auditors' opinion on the use of Loan proceeds) and management letter relating thereto, 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 information relating to the 4Ps in the annual audited financial statements and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) The Borrower, through the Project Executing Agency, shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Project Executing Agency's financial affairs where they relate to the Project 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 4.04. The Borrower, through the Project Executing Agency, shall enable ADB's representatives to inspect the Project, and obtain any relevant records and documents.

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) 8523-9216
(632) 8521-9495

For ADB


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

Facsimile Numbers:

(632) 8636-2444
(632) 8636-2331.

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 
CARLOS G. DOMINGUEZ
Secretary
Department of Finance
JUN 15 2020



ASIAN DEVELOPMENT BANK

By 
KELLY BIRD
Country Director
Philippines Country Office

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve health and education profile of poor children of the qualified beneficiary households.
2. The Project will fund the Education Grants and the Health Grants to Participating Beneficiaries subject to their meeting the eligibility criteria and conditions for entitlement under the 4Ps.
3. The Project is expected to be completed by 30 June 2024.

SCHEDULE 2

Amortization Schedule

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 Date</u>	<u>Installment Share</u> (Expressed as a %)
1 November 2028	2.380952
1 May 2029	2.380952
1 November 2029	2.380952
1 May 2030	2.380952
1 November 2030	2.380952
1 May 2031	2.380952
1 November 2031	2.380952
1 May 2032	2.380952
1 November 2032	2.380952
1 May 2033	2.380952
1 November 2033	2.380952
1 May 2034	2.380952
1 November 2034	2.380952
1 May 2035	2.380952
1 November 2035	2.380952
1 May 2036	2.380952
1 November 2036	2.380952
1 May 2037	2.380952
1 November 2037	2.380952
1 May 2038	2.380952
1 November 2038	2.380952
1 May 2039	2.380952
1 November 2039	2.380952
1 May 2040	2.380952
1 November 2040	2.380952
1 May 2041	2.380952
1 November 2041	2.380952
1 May 2042	2.380952
1 November 2042	2.380952
1 May 2043	2.380952
1 November 2043	2.380952

Schedule 2

1 May 2044	2.380952
1 November 2044	2.380952
1 May 2045	2.380952
1 November 2045	2.380952
1 May 2046	2.380952
1 November 2046	2.380952
1 May 2047	2.380952
1 November 2047	2.380952
1 May 2048	2.380952
1 November 2048	2.380952
1 May 2049	2.380968
Total	100.000000

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; and
- (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 2 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 (a) 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 (b) 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. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

5. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred in connection with the Education Grants and Health Grants with code designation "Fund 101" or such other account code designation, acceptable to ADB under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing \$	Basis for Withdrawal from the Loan Account
		Category	
1	Conditional Cash Grants	500,000,000	100% of total expenditure claimed
	TOTAL	500,000,000	

SCHEDULE 4

Execution of Project

Implementation Arrangements

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

Environment; Land Acquisition and Involuntary Resettlement

2. The Borrower, through the Project Executing Agency, shall ensure that the Project does not have any environmental or involuntary resettlement impacts, all within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower, through the Project Executing Agency, shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Indigenous Peoples

3. The Borrower, through the Project Executing Agency, shall ensure that the implementation of the Project complies with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the IPS; and (c) all measures and requirements set forth in the IPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Safeguards Monitoring and Reporting

4. The Borrower, through the Project Executing Agency, shall undertake the following:

- (a) submit semiannual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during implementation or operation of the Project that were not considered in the IPP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in IPP promptly after becoming aware of the breach.

Gender and Development

5. The Borrower, through the Project Executing Agency, shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

Grievance Redress Mechanism

6. The Borrower, through the Project Executing Agency, shall ensure that safeguards grievance redress mechanisms acceptable to ADB are established at the NPMO/RPMOs to consider safeguards complaints.

Counterpart Support

7. The Borrower, through the Project Executing Agency, shall ensure that all counterpart financing necessary for the Project, including cash advances, are provided as and when due to enable DSWD and the Implementing Units to discharge their responsibilities under the Project effectively, and to cover any shortfall of funds to ensure timely completion of the Project activities in the scheduled implementation period.

Operational Covenant

8. The Borrower, through the Project Executing Agency, shall ensure that the proceeds of the Loan are only used for financing, through reimbursement, of the Education Grants and Health Grants to the Participating Beneficiaries who meet eligibility criteria and compliance requirements.

9. The Borrower, through the Project Executing Agency, shall ensure that from 1 January 2022, (i) the list of Participating Beneficiaries has been updated based on Listahanan 3, (ii) the beneficiary households captured under such updated Listahanan 3 have been assigned unique identifiers for purposes of compliance verification system (CVS) and beneficiary updates system (BUS), and (iii) such updated Listahanan 3 serves as the basis for the Education Grants and the Health Grants to Participating Beneficiaries hereunder.

10. The Borrower, through the Project Executing Agency, shall ensure that the 4Ps is not modified to the extent that it materially and adversely affects the ability of the Borrower to support 4Ps key objectives, and that the list of Participating Beneficiaries is derived from an accurate and objective targeting exercise under the Listahanan or Listahanan 3, as the case may be, and that such Participating beneficiaries are qualified to receive the Education Grants and Health Grants, in accordance with the provisions of the PAM.

11. The Borrower, through the Project Executing Agency, shall: (a) use updating and verification procedures as agreed with ADB and as set out in the PAM to ensure compliance with conditions prior to making any payments; (b) ensure that payments to Participating Beneficiaries are paid in the manner agreed with ADB; and (c) ensure that actions are taken in a timely manner to suspend payments to Participating Beneficiaries who are not

complying with the 4Ps, in accordance with the PAM and sanctions and suspension procedures agreed with ADB.

Governance and Anticorruption

12. The Borrower, and the Project Executing Agency shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.