

LOAN NUMBER L0392A

Loan Agreement

(COVID-19 Active Response and Expenditure Support Program)

between

REPUBLIC OF THE PHILIPPINES

and

ASIAN INFRASTRUCTURE INVESTMENT BANK

Dated **JUNE 05**, 2020

LOAN AGREEMENT

Agreement dated JUNE 05, 2020 ("Loan Agreement"), between the REPUBLIC OF THE PHILIPPINES ("Borrower") and ASIAN INFRASTRUCTURE INVESTMENT BANK ("Bank").

WHEREAS

- (A) AIIB has received from the Borrower a development policy letter dated May 11, 2020 ("Policy Letter"), setting forth certain objectives, policies and actions forming the Borrower's countercyclical development expenditures related to the 2019 Coronavirus disease (COVID-19) pandemic, as described in Schedule I to the Loan Agreement (the "Program");
- (B) the Borrower has requested the Bank to extend a Loan for the purposes of the Program;
- (C) policy-based financing provides general budgetary support to the Borrower, and thus, the proceeds of the Program are not intended to finance any specific expenditures in any particular area of the Borrower; and
- (D) the Bank has agreed, on the basis, inter alia, of the foregoing to extend a Loan to the Borrower upon the terms and conditions set forth in this Loan Agreement.

NOW THEREFORE, the Borrower and the Bank hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Loan Agreement) constitute an integral part of this Loan Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Loan Agreement.

ARTICLE II - LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Loan Agreement, the amount of seven hundred and fifty million Dollars (\$750,000,000) ("Loan"), to assist in financing the program described in Schedule I to this Loan Agreement.

- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Loan Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one-quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Fee payable by the Borrower shall be equal to one-quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion, subject to Section 3.02(d) of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the Borrower shall pay the Default Interest Rate on such overdue amount, in lieu of the Variable Rate, or such interest rate that may be applicable as a result of a Conversion, as provided as provided in Section 3.02(d) of the General Conditions.
- 2.06. The Interest Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Loan Agreement.

ARTICLE III - PROGRAM

- 3.01. The Borrower declares its commitment to the objectives of the Program. To this end, the Borrower shall carry out the Program through the Program Implementing Entity in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Loan Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure or cause to ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Loan Agreement.

ARTICLE IV- EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Loan Agreement.

ARTICLE V - REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's representative designated for purposes of Section 9.02 of the General Conditions is Carlos G. Dominguez, Secretary, Department of Finance.

5.02. The Borrower's address for purposes of Section 9.01 of the General Conditions is:

Department of Finance
Department of Finance Building
Roxas Boulevard corner Pablo Ocampo Sr. Street
Manila 1004, Philippines

Facsimile: +63-2-8523-9216

Email: secfin@dof.gov.ph

5.03. The Bank's Address is:

Asian Infrastructure Investment Bank
Tower A Building 1 No.1 Tianchen East Road
Chaoyang District, Beijing 100101 China

Facsimile: +86-10-8358-0002

AGREED at Manila, Republic of the Philippines and Beijing, the People's Republic of China, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By 
Authorized Representative

Name: Carlos G. Dominguez

Title: Secretary of Finance

JUN 05 2020



ASIAN INFRASTRUCTURE INVESTMENT BANK

By 
Authorized Representative

Name: RAJAT MISRA

Title: ACTING DIRECTOR GENERAL

SCHEDULE 1

Program Description

The objective of the Program is to provide fiscal stimulus, including by mitigating the severe negative impact on economy and poverty caused by the COVID-19 pandemic.

The scope of the Program includes implementation of measures to: (i) combat the spread of the pandemic; (ii) provide social protection and relief to affected people; and (iii) mitigate shocks to the economy. The Program is described in more detail in the Policy Letter.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through the Program Implementing Entity, shall be responsible for the implementation of the Program, including the monitoring and reporting.
2. The Borrower, through the Program Implementing Entity, shall ensure that the activities with respect to the carrying out of the Program are conducted and coordinated in accordance with sound administrative policies and procedures.

B. Policy Dialogue

1. The Borrower, through the Program Implementing Entity, shall promptly discuss with the Bank, problems and constraints encountered during the implementation of the Program and the appropriate measures to overcome and mitigate such problems and constraints.
2. The Borrower, through the Program Implementing Entity, shall keep the Bank informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program, and shall provide the Bank with an opportunity to comment on any resulting policy proposals. The Borrower, through the Program Implementing Entity, shall take into account the view of the Bank before finalizing and implementing any such proposal.

C. Use of Counterpart Funds

The Borrower shall ensure that the Counterpart Funds in the form of budget support, are used to finance the implementation of certain programs and activities consistent with the objectives of the Program.

D. Prohibited Practices

The Borrower (a) shall comply with AIIB's Policy on Prohibited Practices and acknowledges that AIIB reserves the right to investigate directly, or through its agents, any alleged Prohibited Practices relating to the Program; and (b) shall cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

Section II. Program Monitoring Reporting and Evaluation

A. Program Reports

1. The Borrower, through the Program Implementing Entity, shall monitor, provide regular reports and engage in dialogue with the AIIB throughout the implementation period of the Program, including on: (a) macroeconomic and financial sector conditions; (b) implementation of its COVID-19 response plan; (c) expenditures to support countercyclical measures, including expenditures on medical response activities, social protection and industry support; and (d) tracking of beneficiaries of social assistance programs with gender indicators (with sex-disaggregated data).
2. For purposes of Section 4.08 (c) of the General Conditions, the Completion Report shall be furnished to the Bank not later than six months as of the Closing Date.

Section III. Withdrawal of Loan Proceeds

A. General

The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower.

B. Withdrawal Conditions; Withdrawal Period

1. *Allocation of Loan Amounts.* The Loan is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals from the Loan Account. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in USD)
Single Withdrawal Tranche	748,125,000
Front-end Fee	1,875,000
TOTAL AMOUNT	750,000,000

2. *Deposits of Loan Amounts.* Except as the Bank may otherwise agree:
 - (a) all withdrawals from the Loan Account shall be deposited by the Bank into a Deposit Account, designated by the Borrower and acceptable to the Bank;

- (b) the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower's budget management system, in a manner acceptable to the Bank.
- 3. No proceeds of the Loan shall be withdrawn to finance any item specified in Attachment 1 to this Schedule 2.
- 4. For purposes of Section 2.04(c) of the General Conditions, and paragraph 8 of the Appendix thereto, the Closing Date is May 31, 2021.

C. Financial Statements; Audits

- 1. The Borrower shall maintain, or cause to be maintained, accounts and records in respect to the Deposit Account in accordance with consistently applied accounting standards acceptable to the Bank, and in a manner to reflect the accounts and records of the Deposit Account.
- 2. The Borrower shall, upon request by the Bank, have financial statements of the Deposit Account ("Financial Statements") audited by independent auditors, whose qualifications, experience, and terms of reference are acceptable to the Bank, in accordance with consistently applied auditing standards or the national equivalent acceptable to the Bank. The Borrower shall furnish the Financial Statements and the opinion of the auditors to the Bank, in the English language, promptly after their preparation but in any event no later than six (6) months as of the Banks request.

Negative List

No withdrawals of proceeds of the Loan will be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev.3) or any successor groups or sub-groups under future revisions to the SITC, as designated by AIB by notice to the Borrower:

Table: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations

- (ii) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the AIIB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and
- (vii) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

SCHEDULE 3
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 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 the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date.

Principal Payment Date	Installment Share (Expressed as a Percentage)
November 15, 2023	5.56%
May 15, 2024	5.56%
November 15, 2024	5.56%
May 15, 2025	5.56%
November 15, 2025	5.56%
May 15, 2026	5.56%
November 15, 2026	5.56%
May 15, 2027	5.56%
November 15, 2027	5.56%
May 15, 2028	5.56%
November 15, 2028	5.56%
May 15, 2029	5.56%
November 15, 2029	5.56%
May 15, 2030	5.56%
November 15, 2030	5.56%
May 15, 2031	5.56%
November 15, 2031	5.56%
May 15, 2032	5.48%

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn 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 the Bank by multiplying the amount

of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date.

3. (a) Amounts of the Loan withdrawn within two (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.
- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

APPENDIX

Section I. Definitions

1. "Borrower" means the Recipient, as said term is defined in the General Conditions.
2. "Counterpart Funds" means the local currency generated from the proceeds of the Loans under the Program.
3. "Deposit Account" means the deposit account designated by the Borrower, and agreed to by the Bank, into which withdrawals from the Loan Account are deposited, as set forth in Section III.B.3. of Schedule 2.
4. "Program Implementing Entity" means the Department of Finance of the Borrower or any successor thereto acceptable to AIIB, which is responsible for the carrying out of the Program.
5. "General Conditions" means the "Asian Infrastructure Investment Bank General Conditions for Sovereign-backed Loans", dated March 20, 2020, with the modifications set forth in Section II of this Appendix.
6. "Policy Letter" means the development policy letter referred to in Recital (A) of the Loan Agreement.
7. "Policy on Prohibited Practices" means AIIB's "*Policy on Prohibited Practices*", dated December 8, 2016.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Wherever the term "Project" is used in the General Conditions, the term shall be replaced with the term "Program".
2. Wherever the term "Project Implementing Entity" is used in the General Conditions, the term shall be replaced with the term "Program Implementing Entity".
3. Section 4.01 *Project Execution Generally* is modified to read: "Section 4.01. *Program Execution Generally*. The Borrower shall cause the Program to be carried out: (i) with due diligence and efficiency and in conformity with sound

administrative, financial, public policy, social, and governance practices; and (ii) in accordance with the provisions of the Loan Agreement.”

4. Section 4.09 *Financial Management; Financial Statements; Audit* is deleted.

