

LOAN NUMBER L0490A

Loan Agreement

(Second Health System Enhancement to Address and Limit COVID-19 under the
Asia Pacific Vaccine Access Facility Project (HEAL 2))

between

REPUBLIC OF THE PHILIPPINES

and

ASIAN INFRASTRUCTURE INVESTMENT BANK

Dated *March 26*, 2021



LOAN AGREEMENT

Agreement dated March 26, 2021 ("Loan Agreement"), between the REPUBLIC OF PHILIPPINES ("Borrower") and ASIAN INFRASTRUCTURE INVESTMENT BANK ("Bank").

WHEREAS:

(A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule I to this Loan Agreement ("Project"), has requested the Bank to assist in the financing of the Project;

(B) by a separate loan agreement to be entered into between the Borrower and the Asian Development Bank (the "Co-financier"), the Co-financier intends to provide to the Borrower a loan in an amount of four hundred million Dollars (\$400,000,000), to assist in financing a part of the Project (the "Co-Financing Agreement"); and

(C) the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan provided for in Article II of this Loan Agreement 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.

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 three hundred million Dollars (\$300,000,000) ("Loan"), to assist in financing the Project.
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV 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. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 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.
- 2.06. The Interest Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Loan Agreement.

ARTICLE III -PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through the Department of Health ("DOH") 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 that the Project is carried out in accordance with the provisions of Schedule 2 to this Loan Agreement.

ARTICLE IV -EFFECTIVENESS

- 4.01. The Additional Condition of Effectiveness consists of the following:
 - (a) the Co-financing Agreement has been finalized in form and substance consistent with this Loan Agreement and executed on behalf of the Co-financier and the Borrower, and all conditions precedent to its effectiveness have been fulfilled; and
 - (b) The Project Co-financiers' Agreement has been executed on behalf of the Bank and the Co-financier, and all conditions precedent to its effectiveness (except for the effectiveness of this Loan Agreement) have been satisfied.



ARTICLE V - REPRESENTATIVE; ADDRESSES

5.01 The Borrower's representative designated for purposes of Section 9.02 of the General Conditions is the Secretary 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
Manila, Philippines

Facsimile Numbers: (632) 8523-9216 / (632) 8521-9495

5.03 The Bank's Address is:


Asian Infrastructure Investment Bank
AIIB Headquarters, Tower A, Asia Financial Center
No. 1 Tianchen East Road, Chaoyang District, Beijing 100101
People's Republic of China

Facsimile: +86-10-8358-0002



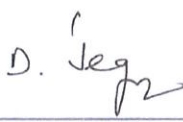
AGREED as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By 
Authorized Representative
Name: CARLOS G. DOMINGUEZ
Title: SECRETARY OF FINANCE



ASIAN INFRASTRUCTURE INVESTMENT BANK

By 
Authorized Representative
Name: D. J. Pandian
Title: Vice President, Investment Operations Region 1

SCHEDULE 1

Project Description

The objective of the Project is to vaccinate priority populations against COVID-19. The Project is described in more detail in the Governor's Letter.

The Project shall support the procurement and deployment of Eligible Vaccines through either the COVAX facility or bilateral arrangements with vaccine manufacturers or distributors.

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SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

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

B. Prohibited Practices

1. The Borrower, through the DOH, shall ensure that the Project is carried out in accordance with (i) the Co-Financier's Anticorruption Policy; and (ii) the Bank's Policy on Prohibited Practices, to the extent that such Prohibited Practices are not covered in the Co-financier's Anti-Corruption Guidelines.

2. The Borrower acknowledges and agrees that the Bank may give full force and effect to the Bank's Sanctions List and to the Co-financier's Sanctions List in relation to the Project.


C. Environmental and Social Requirements

1. The Borrower, through the DOH, shall ensure that the Project is carried out in accordance with the Co-financier's Safeguard Policy Statement ("SPS").

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

3. The Borrower, through the DOH, shall ensure, or cause the Project Executing Agency to ensure, that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

4. Without limitation to the provision of paragraph 1 above, the Borrower, through the DOH, understands and agrees that in case a complaint regarding compliance with the Co-financier's SPS is received by the Bank, the Bank shall refer such complaints for investigation to the Co-financier, which shall investigate through its independent accountability mechanism.



Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through the DOH, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Project Report shall cover the period of one (1) calendar semester and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through the DOH, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Borrower, through the DOH, shall prepare and furnish to the Bank not later than one (1) month after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower, through the DOH, shall have the Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. All goods and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with: (a) the applicable requirements set forth or referred to in Co-financier's Procurement Policy and Procurement Regulations; (b) the Procurement Plan; and (c) Sections 2 and 3 of Schedule 4 of the Co-financing Agreement.

2. No restriction shall be placed upon the procurement of goods and services from any country, so that firms and individuals from all countries may have the opportunity to offer the supply of goods and services.



B. Vaccine Selection, Vaccination Allocation Plan

1. The Borrower, through the DOH:

(a) represents that it has conducted its own due diligence, and made its own independent determination of, the quality, safety, and efficacy of the Eligible Vaccines to be procured under the Project;

(b) shall ensure that Loan proceeds allocated for financing of vaccines shall only be used for the procurement and deployment of a vaccine which has been confirmed by the Bank and the Co-financier to be an Eligible Vaccine, which confirmation shall not be unreasonably withheld by the Bank;

(c) assumes sole responsibility for the selection, importation, procurement, distribution, marketing or administration of any Eligible Vaccine under the Project, and that the Bank shall have no responsibility or liability in respect thereof;

(d) shall ensure that the deployment, distribution, and administration of the Eligible Vaccines are implemented in accordance with the Vaccination Allocation Plan; and

(e) shall (i) inform and exchange views with the Bank on, any changes to the Vaccination Allocation Plan, and any sector, legal, regulatory or policy reform discussions that may have implications on the implementation of the deployment, distribution, and administration of the Eligible Vaccines, and (ii) provide the Bank with a reasonable opportunity to comment on any resulting policy proposal.

2. The Borrower, through the DOH, shall ensure that the selection, importation, procurement, deployment, distribution, marketing, administration, and disposal of any Eligible Vaccine are conducted in accordance with the provisions set forth in the Loan Agreement and applicable laws and regulations of the Borrower.

3. The Borrower, through its Food and Drug Administration ("FDA") and any other relevant regulatory authorities, shall promptly take all such steps as may be necessary to facilitate the continuing authorization of Eligible Vaccines for distribution and administration within the territory of the Borrower, including through the prompt issuance or renewal of all the necessary authorizations, provided that the requisite quality, safety efficacy and other legal requirements for authorization continue to be met. The Borrower shall promptly inform the Bank of any event or circumstance which may arise that may prevent, hinder, delay or place conditions on such continuing authorization.



C. Vaccine Storage, Transportation and Waste Management

1. The Borrower, through the DOH, shall ensure that:

(a) Eligible Vaccines are properly stored, handled, and transported within the territory of the Borrower to preserve their quality, efficacy, and safety in accordance with, the relevant vaccine manufacturer's requirements, applicable laws and regulations of the Borrower and international good practice, including the effective vaccine management framework of the World Health Organization and the United Nations Children's Fund; and

(b) any medical or other waste generated in connection with the storage, transportation, distribution, or administration of Eligible Vaccines and associated medical equipment, is properly treated, disposed of, and managed in accordance with the Health Care Waste Management Manual.

D. No Liability

1. The involvement of the Bank in the Project and any confirmation by the Bank of any vaccine as an Eligible Vaccine does not constitute an endorsement, or warranty of the fitness, by the Bank of such vaccine for any particular purpose, including with regard to its quality, safety or efficacy, and the Borrower is exclusively responsible for authorizing the use of any Eligible Vaccines, for distribution and administration within the territory of the Borrower, including but not limited to quality monitoring throughout the supply chain, compliance with applicable treatment guidelines and application of measures to monitor and address adverse reactions; and

2. The Bank shall not be responsible or liable for any injury, death, loss, damage or other prejudice of any kind whatsoever that may arise as a result of or in connection with the selection, procurement, importation, manufacturing, fill and finish, distribution, marketing, administration or use of any vaccine under the Project or the treatment, disposal, or management of any medical or other waste generated in connection with the storage, handling, transportation, distribution or administration of any such vaccine.

E. Counterpart Funding.

1. The Borrower shall ensure that the counterpart funding required for successful Project implementation is allocated and provided on a timely basis. In addition to the foregoing, the Borrower shall ensure that the DOH has sufficient funds to satisfy its liabilities arising from any goods and services contract.



Section IV. Withdrawal of Loan Proceeds

A. General

1. 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, to finance Eligible Expenditures as set forth below in the table in paragraph A.2 of this Section.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Eligible Expenditures to be financed (exclusive of Taxes)
(1) Goods and services for the Project	\$300,000,000	42.9%
TOTAL AMOUNT	\$300,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) until the Bank has received payment in full of the Front-end Fee;
- (b) for payments made prior to the date of this Loan Agreement, except as otherwise provided below in paragraph 3 of this Part B; and
- (c) under Category 1, until the Bank has received evidence to its satisfaction that conditions for withdrawals under Section 8 of Schedule 3 the Co-financing Agreement have been fulfilled.

2. Advance payments to suppliers to secure Eligible Vaccines under Category 1, which comply with the requirements set forth in Section 8(a) of Schedule 3 of the Co-financing Agreement, may not exceed in aggregate a total amount of one hundred and twelve million five hundred thousand Dollars (\$112,500,000), or such other amount as the Bank and the Borrower may agree in writing.

3. For purposes of Section 2.06 of the General Conditions, withdrawals may be made for Retroactive Payments subject to the following limits.



- (a) the Retroactive Financing Date is twelve months prior to the date of the Loan Agreement; and
- (b) the Retroactive Financing Limit is ninety million Dollars (\$90,000,000).

4. Withdrawals from the Loan Account may be made under the advance fund procedure for up to 6 months of estimated Eligible Expenditures or 50% of the total Loan amount, whichever is lower, in accordance with the advance fund procedures described in the Co-financier's Loan Disbursement Handbook.

5. The aggregate of the outstanding balance of the advance financing amount and the percentage approved for retroactive financing shall not, at any time, exceed 60% of the Loan amount.

6. The Closing Date is September 30, 2024.



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.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a % based on 30% annuity)
September 15, 2024	1.32
March 15, 2025	1.52
September 15, 2025	1.75
March 15, 2026	2.01
September 15, 2026	2.31
March 15, 2027	2.66
September 15, 2027	3.06
March 15, 2028	3.51
September 15, 2028	4.04
March 15, 2029	4.65
September 15, 2029	5.34
March 15, 2030	6.15
September 15, 2030	7.07
March 15, 2031	8.13
September 15, 2031	9.35
March 15, 2032	10.75
September 15, 2032	12.36
March 15, 2033	14.02
Total	100%

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. "Anticorruption Policy" means the Co-financier's Anticorruption Policy (1998, as amended to date)
2. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Loan Agreement.
3. "Co-financier" means Asian Development Bank.
4. "Co-financing" means, for purposes of paragraph 10 of the Appendix to the General Conditions, an amount equal to four hundred million Dollars (\$400,000,000) to be provided by the Co-financier to assist in financing the Project.
5. "Co-financing Agreement" means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.
6. "COVAX" means COVID-19 Vaccines Global Access, one of three pillars of the Access to COVID-19 Tools Accelerator, which was launched in April by the World Health Organization, the European Commission and France in response COVID-19.
7. "COVID-19" means coronavirus disease.
8. "Department of Health" or "DOH" means the Borrower's Department of Health, or any successor thereto.
9. "Eligibility Criteria" means, with respect to a COVID-19 vaccine, a vaccine which satisfies the criteria set forth in the Co-financing Agreement.
10. "Eligible Vaccine" means a COVID-19 vaccine which has been confirmed by the Co-financier to be eligible under the Project.
11. "Food and Drug Administration" or "FDA" means the Borrower's Food and Drug Administration or any successor thereto.
12. "General Conditions" means the "*Asian Infrastructure Investment Bank General Conditions for Sovereign-backed Loans*", dated December 7, 2020.
13. "Governor's Letter" means the letter issues by the Government of the Philippines to the Co-financier, dated January 14, 2021.



14. "Health Care Waste Management Manual" or "HCWM Manual" means the Health Care Waste Management Manual, fourth edition, a comprehensive set of guidelines on the safe management of waste generated from health care activities in the territory of the Borrower, which incorporates the relevant requirements of all the Borrower's laws and regulations governing health care waste management and is aligned with international good practice as recommended by the World Health Organization.
15. "Loan Disbursement Handbook" means the Co-financier's Loan Disbursement Handbook (2017, as amended from time to time).
16. "Policy on Prohibited Practices" means the Bank's "*Policy on Prohibited Practices*" dated December 8, 2016, as amended from time to time.
17. "Project Administration Manual" or "PAM" means the project administration manual for the Project dated February 10, 2021 and agreed between the Borrower, the Co-financier and the Bank, as updated from time to time.
18. "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Non consulting and Consulting Services (2017, as amended from time to time).
19. "Procurement Plan" means the procurement plan for the Project dated February 11, 2021 and agreed between the Borrower, the Bank and the Co-financier, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with the Bank and the Co-financier.
20. "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Non consulting and Consulting Services (2017, as amended from time to time).
21. "Project Co-financiers' Agreement" means the agreement to be entered into between the Bank and the Co-financier relating to the Co-financing.
22. Safeguard Policy Statement or "SPS" means the Co-financier's Safeguard Policy Statement (2009).
23. "SRA" means entity designated by the World Health Organization as astringent regulatory authority for purposes of assessment and approval of COVID-19 vaccines; and
24. "Vaccination Allocation Plan" means the Borrower's vaccine allocation plan which is included in the National Deployment and Vaccination Plan for COVID19 vaccines, based on the National COVID-19 Vaccine Road map dated December 10, 2020 and approved by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases January 21, 2021, both attached to and endorsed in



the Governor's Letter, which, amongst others, indicate prioritization of COVID-19 vaccine access consistent with international norms and safeguards against exclusion of marginalized and vulnerable groups and set out the national policy in relation to vaccine selection, acquisition, procurement, distribution, deployment and administration in the territory of the Borrower.

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