

**Project Completion Note for co-financed Policy-Based Financings under the COVID-19 Crisis Recovery Facility (CRF)**  
Philippines: Philippines COVID-19 Active Response and Expenditure Support Program

**1. Project Information**

|                          |                                                                                                                                                                                                                                                                                                       |                |                    |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------|
| Project ID:              | P000392                                                                                                                                                                                                                                                                                               | Instrument ID: | L0392A             |
| Member:                  | Philippines                                                                                                                                                                                                                                                                                           | Region:        | South-Eastern Asia |
| Sector:                  | CRF-Economic Resilience/PBF                                                                                                                                                                                                                                                                           | Sub-sector:    | N/A                |
| Instrument type:         | Loan                                                                                                                                                                                                                                                                                                  | E&S category:  | C                  |
| Co-financier(s):         | Asian Development Bank                                                                                                                                                                                                                                                                                |                |                    |
| Borrower:                | Government of the Philippines                                                                                                                                                                                                                                                                         |                |                    |
| Guarantor:               | -                                                                                                                                                                                                                                                                                                     |                |                    |
| Implementing Agency:     | Department of Finance, Philippines                                                                                                                                                                                                                                                                    |                |                    |
| Other entities involved: | Asian Development Bank                                                                                                                                                                                                                                                                                |                |                    |
| Project Team Leader(s):  | Bo Zhang, PTL                                                                                                                                                                                                                                                                                         |                |                    |
| Project Team Members:    | Nicole Faith Blanco, Investment Analyst<br>Jinghui Li, Team Member<br>Liu Yang, Project Counsel<br>Kezia Paladin, Alternate Counsel<br>Rabindra Shah, OSD - Procurement Specialist<br>Yi Geng, OSD - Financial Management Specialist<br>Yang Shuai, OSD - Environment & Social Development Specialist |                |                    |
| Site Visits by AIIB:     |                                                                                                                                                                                                                                                                                                       |                |                    |

**2. Project Summary and Objectives**

On May 27, 2020, the AIIB Board of Directors approved the COVID-19 Active Response and Expenditure Support (CARES) Program (the "Program") under the COVID-19 Response Facility (CRF), a USD750 million sovereign-backed financing (the "Loan") to the Republic of the Philippines. The Loan was signed on June 5, 2020, and declared effective on June 30, 2020. The Program is co-financed with the Asian Development Bank (ADB) under ADB's Countercyclical Support Facility COVID-19 Pandemic Response Option (CPRO) with a total amount of USD1.5 billion.

In March 2020, the Philippine government announced several fiscal stimulus packages to respond to COVID-19 pandemic.. It covered several priority actions and measures, including: (i) enhanced quarantine to reduce the infection rate; (ii) expanded medical services to step up testing and care for the affected population; (iii) social protection and livelihood support to help mitigate the immediate impacts on

livelihoods and employment; (iv) a small business relief program; (v) support for agriculture and other economic sectors; and (vi) local government support.

This Program in the Philippines supported various government programs and initiatives to address the impacts of the COVID-19 pandemic. It provided critically needed budgetary support to assist the government of the Philippines (GOP) in mitigating the adverse health, social, and economic impacts of COVID-19. In particular, the Program's expected outputs were to (i) implement measures to combat the spread of COVID-19, (ii) allocate dedicated funds and implement a social protection and relief program for affected people, and (iii) deliver economic stimulus to affected sectors. Moreover, this Program was also supported by the Japan International Cooperation Agency (JICA), providing a total amount of around USD700 million.

### 3. Key Dates

|                     |               |                        |               |
|---------------------|---------------|------------------------|---------------|
| Approval:           | May 27, 2020  | Signing:               | June 04, 2020 |
| Effective:          | June 30, 2020 | Restructured (if any): | -             |
| Orig. Closing:      | May 31, 2021  | Rev. Closing (if any): | -             |
| Final Maturity Date | May 15, 2032  |                        |               |

### 4. Disbursement Summary (US Dollar million)

|                             |        |                                             |                      |
|-----------------------------|--------|---------------------------------------------|----------------------|
| a) Committed:               | 750.00 | b) Cancelled (if any):                      | -                    |
| c) Disbursed:               | 750.00 | d) Last disbursement:<br>(amount /date)     | 750.00 / July 6,2020 |
| e) Undisbursed<br>(if any): | 0.00   | f) Disbursement<br>Ratio (%) <sup>1</sup> : | 100.00               |

### 5. Estimated and Actual Costs

The estimated Program costs fully matched the actual costs, as a fast disbursement on a single tranche was provided to the client. The Loan was fully disbursed on July 6, 2020, and utilized to support government emergency expenditures.

### 6. Project Implementation, including major changes to the original Objective, Project Design, and Indicators

The Program was implemented swiftly in response to the COVID-19 pandemic, enhancing the government's COVID-19 response and recovery plan. It mainly supported the health sector, social protection programs, and economic recovery measures through various government programs and initiatives addressing the adverse impacts of COVID-19. Moreover, there were no changes in the indicators or objectives. AIIB's closing date did not change despite the change of ADB's Program's closing date from May 2021 to December 2021, allowing for continued monitoring and implementation of the government's COVID-19 response.

The Department of Finance (DOF) served as the executing agency for the Program. The Program

<sup>1</sup> Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e.,  $f = c / (a - b)$

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established a coordinating and monitoring framework to ensure effective implementation, as well as a policy committee and technical working groups to guide and monitor the Program's implementation.

**Design and Monitoring Framework:**

Overall, the Program has effectively managed the spread of the disease and contained poverty increase due to the pandemic. The doubling rate of confirmed COVID-19 cases was successfully reduced from every 3-4 days in April 2020 to 25.96 days by August 2021 and improved to 37.4 days in May 2022. The poverty rate stood at 18.1 percent based on the 2021 Family Income and Expenditure Survey, lower than the baseline of 20.7 percent in 2020. The implementation of the Economic Stimulus Program (ESP) more or less achieved the target of PhP205 billion (USD4 billion), with PhP195.7 billion (USD3.8 billion) disbursed to 17.6 million beneficiaries under the tranche one and to 14.3 million beneficiaries under the tranche two by December 2021.

**Output 1: Measures taken to combat the spread of the coronavirus disease pandemic in the Philippines.** *All the performance indicators under this output were achieved (see Table 1).*

- Output 1 of this Program focused on addressing the issues faced by the public health sector of the Philippines during the pandemic. After the government announced the first-ever recorded COVID-19 case, they declared a state of public health emergency in the entire country on March 8, 2020. This is followed by the implementation of stringent measures to reduce the spread of infection in the country, following the three levels depending on the risk level of each local government or region across the country until 2022. This includes Enhanced Community Quarantine (ECQ),<sup>2</sup> Modified ECQ,<sup>3</sup> GCQ,<sup>4</sup> and Modified GCQ.<sup>5</sup>
- During the first wave of the COVID-19 pandemic in March 2020, hospitals and facilities in the Philippines faced a patient surge, leading to a shortage of beds, medical equipment, medicines, and healthcare workers. It disrupted the routine of healthcare services such as hospital admissions, check-ups, and visits, resulting in delays in diagnosis and treatment for other health conditions. Also, financial strain placed significant pressure on the healthcare system, making it challenging to control the pandemic through testing, treatment, and immunization campaigns. Furthermore, the number of infected cases and fatalities had risen until the latter quarter of 2020.
- To help the healthcare system, our Program supported the government's responses in the health sector, allocating a total budget of PhP35,812.7 million (USD701,535) for scaling up medical response. This included the budget for the following activities: (i) purchase of medical equipment such as test kits and ventilators, rapid test kit production, and personal protective equipment (PPE) for frontline personnel; (ii) upgrading testing capacity, laboratories, and health facilities; (iii) medical coverage and assistance for patients and frontline personnel; (iv) clearance and tax exemption for PPE, medical equipment and supplies; and (v) compensation for private facilities used to fight against COVID-19.

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<sup>2</sup> ECQ – strictest level of community lockdown wherein the entire population except essential industries need to stay home; public transportation and mass gatherings are not allowed.

<sup>3</sup> MECQ – limited number of businesses are open; restaurants are open for delivery; individual outdoor exercise is permitted.

<sup>4</sup> GCQ – government offices may operate at full capacity; 25 percent to 50 percent venue capacity for public gatherings; recreational facilities and restaurants.

<sup>5</sup> MGCQ – public gatherings at 50 percent to 75 percent venue capacity; restaurants are fully operational.

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**Output 2: Dedicated funds and programs for social protection and relief to affected people allocated and implemented.** *Performance indicators under this output were substantially achieved (see Table 1).*

- Output 2 of the Program focused on supporting the government program centered on the provision of social protection through conditional cash transfers and emergency subsidy support. Conditional cash transfer was a program of the Department of Social Welfare and Development (DSWD) for identified poor households, which was expanded and enhanced to cope with the difficult situation brought by the ECQ.
- To address the multifaceted impact of COVID-19, the Program supported the government's social assistance programs, allocating PhP217,584.9 million (USD4 million) for social assistance. This included the following: (i) DSWD provided monthly cash grant transfers of up to PhP8,000 (USD156) per family for 4.4 million families under *the Pantawid Pamilyang Pilipino Program (4Ps)* and PhP13.6 million (USD266,410) for non-4Ps families, among other programs and beneficiaries, for two months; (ii) the Department of Labor and Employment (DOLE), through the COVID-19 Adjustment Measures Program, assisted for up to 1-2 months to 240,000 employees, 10 days paid assistance to 700,000 self-employed workers, and assistance to up to 250,000 Overseas Filipino Workers; unemployment benefits through the Social Security System (SSS) to workers registered with SSS; and scholarships and skills training through Technical Education and Skills Development Authority (TESDA) for re-skilling of displaced person.

**Output 3: Economic stimulus for affected sectors delivered.** *One of the three performance indicators was substantially achieved, and the other two were partially achieved (see Table 1).*

- One of the hard-hit sectors in the Philippines is the medium, small, and micro enterprises (MSMEs), which are major contributors to employment in the country. However, many MSMEs had to close their businesses temporarily or permanently, lay off employees, or reduce working hours due to strict lockdown measures of the Philippine government and to cope with the economic downturn. This led to a loss of revenue and financial instability for these enterprises.
- To help the MSMEs sector, the government allocated a total of PhP402,161 million (USD7 million) to implement economic stimulus. This includes the following: (i) small business relief program (i.e., wage subsidy to 3.4 million employees in the formal sector, credit guarantee facility to up to 1.5 million in accessing loans, tax relief to 1.5 million small businesses through carrying over losses to 5 years, and loan program); (ii) support to agriculture and other economic sectors (i.e., financial assistance to farmers and crop production, rice buffer stock); and (iii) local government support (i.e., emergency funding and loans).

**Government of the Philippines Response and Recovery**

The Program had supported various initiatives under the national government's response to the pandemic. Below were the two significant bills signed by the President to respond to the COVID-19 pandemic: (1) Bayanihan to Health as One Act (Bayanihan I) or Republic Act (RA) 11469 and (2) the Bayanihan to Recover as One Act or RA 11494. The Program provide partial support to the above bills under the Output 2 and Output 3 (Refer to the indicator 2.1, 2.2 and 3.1 of the Design and Monitoring Framework table).

- (1) **Bayanihan I** was implemented from March 24 to June 25, 2020, with a total of PhP369.1 billion (USD7 billion) to provide immediate measures needed in the health sector and mobilize social
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assistance to support families and individuals affected by the community quarantine. Bayanihan 1 did not specify a specific appropriation for the COVID-19 response, and instead granted temporary emergency powers to the President of the Philippines to repurpose and reallocate existing appropriations and savings from the 2019 and 2020 General Appropriations Acts (GAA)<sup>6</sup>. Bayanihan 1 covered the following activities: accreditation of testing kits and facilitation of needed health protocols, provision of financial support by PhilHealth, hiring of temporary human resources for health, provision of additional benefits and protection for health workers working during ECQ and Medium-Enhanced Community Quarantine (MECQ), and construction of new facilities/temporary transfer of operations. It also covered the donation, procurement, allocation and distribution of health productions, support to local government units (LGUs) and other LGUs-related provisions, protection of people's welfare from unfair practices and acts concerning the supply, distribution, and movement of goods (e.g., medical supplies, food, clothing), credit to the productive sectors, Social Amelioration Program (SAP), implement the expanded and enhanced 4Ps, and others.

- (2) **Bayanihan II**, in effect from September 15 to June 30, 2021, with a total of PhP165.5 billion (USD3 billion) worth of economic stimulus, facilitated economic recovery through livelihood assistance, particularly for pandemic-hit sectors. Measures for economic relief efforts were introduced while also retaining some of the provisions from Bayanihan I. Bayanihan II covered the implementation of immunization programs and other important health-related projects, information and communications technology (ICT), labor and employment (e.g., hiring of contact tracers, assistance to overseas Filipinos' repatriation, shipment of remains or cremains, or medical assistance), transportation and work scheme, SAP, and others on infrastructure, tourism, education.
- (3) The government also formulated the National Action Plan (NAP), which was implemented in three phases.
  - a. Phase 1 focused on reducing the risk of virus transmission through the Prevent-Detect-Isolate-Treat-Reintegrate (PDITR) strategy, improving testing and contact tracing, and implementing localized lockdowns when needed.
  - b. Phase 2 aimed to prevent transmission further while continuously promoting economic and social recovery. The PIDTR strategy is still implemented under phase 2, emphasizing the "national-government-enabled, LGU-led, and people-centered" approach. Stricter implementation of health protocols and localized lockdowns, as needed, remained under Phase 2.
  - c. Phase 3 focused on transitioning to the new normal and reviving the economy while remaining vigilant about the virus. The government adopted a whole-of-government and whole-of-nation approach to combat the pandemic and stimulate the economy.

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**7. Results Achieved (Against the original indicators and/or revised indicators. RMF table will be exported on the last page of this PCN.)**

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<sup>6</sup> Republic of the Philippines, Official Gazette. 2022. Republic Act No. 11520. See: <https://www.officialgazette.gov.ph/downloads/2020/12dec/20201229-RA-11520-RRD.pdf>

Table 1 below shows the Program’s design and monitoring framework. By the end of December 2021, six out of the eight output indicators (75 percent) had been fully or substantially achieved. The other two were deemed to be partially achieved due mainly to the limited availability of government data. Outputs for social assistance, economic stimulus, and health-related indicators were delivered.

Table 1. Design and Monitoring Framework (DMF)

| Results Chain                                                                                        | Performance Indicators                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Project Achievements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Effect of the Program</b><br/>Rate of spread of the disease managed and poverty contained.</p> | <p>a. By December 2020, COVID-19 confirmed cases doubling rate reduced to 30 days or more (baseline: every 3–4 days as of April 4, 2020)</p> <p>b. By April 2022, poverty incidence held to less than 18.0% (baseline: 20.7% projected as of April 4, 2020)</p> <p>c. By April 2021, the government reports on the implementation of ESP totaling ₱205 billion with the use of sex-disaggregated data (baseline: no cash transfers under ESP provided as of March 20, 2020)</p> | <p>a. <b>Substantially achieved.</b> As of January 31, 2021, the doubling rate was 17.47 days. However, within the extended program period, by August 2021 it further improved to 25.96 days. The doubling rate further improved to 37.4 days by May 2022.</p> <p>b. <b>Substantially achieved.</b> Based on the 2021 Family Income and Expenditure Survey, poverty incidence among population, defined as the proportion of Filipinos whose per capita income cannot sufficiently meet the individual basic food and non-food needs, was recorded at 18.1%.</p> <p>c. <b>Substantially achieved.</b> The initial estimate of the ESP funding was ₱205 billion for a cash subsidy between 5,000-8,000 to 18 million households (equivalent to 90 million persons) in two tranches. However, during implementation, the funding for eligible beneficiaries was ₱188.9 billion. This is because the exact subsidy per household is based on the regional minimum wage salary which differs across regions. As of June 30, 2021, the DSWD reported disbursements of ₱99.1 billion, covering 17.6 million beneficiaries under tranche 1 and ₱89.8 billion for 14.3 million beneficiaries under tranche 2 of the Bayanihan 1.</p> <p>Important to note that the first tranche release was quick with full disbursement realized by May 2020. By December 2021, the cumulative disbursement increased to ₱195.7 billion.</p> |

| Outputs                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Measures taken to combat the spread of the COVID-19 pandemic in the Philippines</p>                            | <p>1.1 By May 2020, testing capacity increases to 8,000 per day (baseline: 3,000 per day as of April 14, 2020).</p> <p>1.2 By July 2020, average turnaround time from sample collection to results reduced to 48 hours or less (baseline: more than 7 days as of April 4, 2020).</p> <p>1.3 By July 2020, all health care workers, of which 75% are female, and all COVID-19 cases are covered with PhilHealth inpatient and primary care COVID-19 related benefits (baseline: only PhilHealth inpatient COVID-19 benefits are provided to PhilHealth members as of April 4, 2020).</p> | <p>1.1. <b>Achieved:</b> By May 2020, testing capacity increased to 8,000 per day. By May 2022, the daily testing capacity had increased to 96,757.</p> <p>1.2. <b>Achieved.</b> As of July 2020, the turnaround time for COVID-19 testing was reduced to 2–3 days. By February 15, 2021, it was further reduced to 1.38 days (33.12 hours).</p> <p>1.3. <b>Achieved:</b> In April 2020, the government issued PhilHealth Circular 2020–0010 and 2020–0012, and in June 2020 PhilHealth Circular 2020–0017. Through these circulars, all health workers and PhilHealth members could access COVID-19 testing at certified testing laboratories as well as COVID-19 community isolation benefits. Those who were not registered in PhilHealth were automatically covered, provided they completed the PhilHealth member registration.</p> |
| <p>2. Dedicated funds and programs for social protection and relief to affected people allocated and implemented</p> | <p>2.1 By July 2020, the government, through the 4Ps Program, has provided conditional cash transfers and emergency subsidy support of ₱10,000–₱16,000 for 4.4 million vulnerable households, of which 85.3% of beneficiaries are women (baseline: subsidy support not provided as of April 4, 2020).</p> <p>2.2 By July 2020, the government has provided emergency subsidy support of ₱10,000–₱16,000 for 13.6 million households with collection of sex disaggregated data on beneficiaries through the Social Amelioration Program (baseline:</p>                                   | <p>2.1 <b>Substantially achieved.</b> As of December 31, 2021, the government disbursed ₱18.4 billion to 4.2 million 4Ps families (86% women) under tranche 1 of the Bayanihan 1; ₱6.8 billion to 1.3 million 4Ps families (88% women) under tranche 2 of the Bayanihan 1; and ₱104.5 million to 27,775 4Ps beneficiaries under Bayanihan 2.</p> <p>2.2 <b>Substantially achieved.</b> As of December 31, 2021, the government disbursed ₱81.3 billion to 13.4 million beneficiaries (49% women) under tranche 1 of the Bayanihan 1; ₱84.0 billion to 13 million beneficiaries (49% women) under tranche 2 of the Bayanihan 1; and ₱5.1 billion to 690,888 beneficiaries (49% women) under Bayanihan 2.</p>                                                                                                                              |

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                     | subsidy support not provided as of April 4, 2020).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 3. Economic stimulus for affected sectors delivered | <p>3.1 By December 2020, the government has delivered ₱30.6 billion of economic stimulus and support to highly affected and vulnerable sectors including agriculture (baseline: no support provided as of April 4, 2020)</p> <p>3.2 By December 2020, the government has provided wage subsidies for at least 1 million MSMEs (of which 58% are registered to women) (baseline: no wage subsidies provided as of April 4, 2020)</p> <p>3.3 By December 2020, the government has provided tax relief for at least 1 million MSMEs (of which 58% are registered to women) (baseline: no tax relief provided as of April 4, 2020)</p> | <p>3.1 <b>Substantially achieved.</b> As of December 31, 2020, the government disbursed ₱14.76 billion from its ₱17.64 billion budget for COVID-19 programs (₱8.5 billion allotment from Bayanihan 1 and ₱9.14 billion from its 2020 Regular Budget). As of June 30, 2021, the following had been disbursed: (i) MSME assistance including GFI capital infusions to support lending and loan guarantees (₱99.4 billion); (ii) agriculture (₱32.5 billion); (iii) education (₱15.9 billion); (iv) transport (₱9.4 billion); and (v) tourism infrastructure (₱576.7 million).</p> <p>3.2 <b>Partially achieved:</b> Wage subsidies were introduced to maintain existing employment as a job retention scheme during the crisis and to cushion household incomes. From April to June 2020, ₱45.3 billion was disbursed under the Small Business Wage Subsidy program with 3.1 million workers as beneficiaries (38% women). Data on number of MSME beneficiaries and those registered to women are not available as the wage subsidy scheme functioned as a benefit to workers. In 2020, the number of MSMEs were less than 1 million.</p> <p>3.3 <b>Partially achieved:</b> Net operating loss of businesses for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next consecutive 5 taxable years. Data on number of MSME beneficiaries and those registered to women not available.</p> |

Source: ADB Completion Report

## 8. Alignment to the objectives and principles of the principles of the COVID-19 Crisis Recovery Facility



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In general, the Program is consistent with the principles of CRFs and aligned with the Bank's Articles of Agreement. It effectively addressed urgent economic, financial, and public health pressures faced by the Philippines.

Like other CRFs in various countries, this financing reflects AIIB's commitment to the call for a coordinated international response to counter the COVID-19 crisis. It has provided crucial support to the Philippine government in protecting vulnerable population and curtailing the spread of the disease. It is also in line with the purposes of AIIB, particularly in (i) fostering sustainable economic development and (ii) promoting regional cooperation and partnership to address development challenges. Also, the Program promoted social protection and economic resilience to prevent long-term damage to the Philippine economy's productive capacity, including human capital.

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#### 9. Implementation of project-specific Environmental and Social instruments

As part of the COVID-19 Response Facility (CRF), the AIIB agreed to apply and assess the Program's Environmental and Social (E&S) risks and impacts following ADB's Safeguards Policy Statement (SPS) provisions applicable to policy-based lending. Under the SPS, the Program was classified as a Category C for the environment, involuntary resettlement, and indigenous peoples.

Overall, the Program had no adverse environmental and social impact, confirming Category C for environment, involuntary resettlement, and indigenous people.

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#### 10. Lessons Learned

The Program effectively implemented countercyclical measures on time, providing rapid and efficient support to those most vulnerable. The Program's comprehensive approach, combining financial assistance with knowledge support and policy advice, assisted the government in controlling the spread of COVID-19, strengthening resilience to future outbreaks, and protecting people's health and livelihoods. Among the yielded valuable lessons and recommendations during the Program implementation, below are some of the key lessons:

**Prompt and coordinated response.** Together with other Multilateral Development Banks (MDBs), AIIB responded immediately to the call for an international coordinated response to address the impacts of COVID-19. The Bank responded quickly and substantially to the government's request for assistance on April 7, 2020. AIIB's CRF applications were swiftly processed, allowing for timely support for the government. As part of the first CRF operations, the Program passed the Screening Committee on April 19, 2020. The Board approved the Program on May 27, 2020, taking only one month and one week to process the whole operation. Similar to other CRFs, this expedited timeline was also facilitated by the AIIB's decision to utilize the lead financier's project document, eliminating the need for a separate project document and minimizing errors and inconsistencies within the Program as the Bank also agreed to support the same priority programs. Also, the fund was immediately disbursed on July 6, 2020, to support the Philippine government's response to the impacts of COVID-19.

**Continuous engagement with the Philippine Government.** Besides providing quick disbursement of the needed financing, constant engagement with the Philippine Government was critical for implementing the activities under the Bayanihan I and II and other program activities. Maintaining a strong and long-standing policy engagement with the

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government and stakeholder consultations are crucial for effective response to crises, allowing for a better understanding of the government's priorities, challenges, dynamics, and capacities and tailoring the needed response based on the results of regular assessment of progress and identification of areas of improvement. The GOP has more CRF operations and has continuously been working with AIIB as a result of good experience with this first CRF operation, promoting sustainable and inclusive development, and designing immediate and long-term recovery measures for the country.

**Robust data management system.** The Philippines, like other Southeast Asian countries, faced substantial issues related to data governance, which significantly impeded the effective implementation of program activities. Among the challenges faced by the Program were: (i) limited availability of data and information (including gender-related data) hindering accurate assessment of progress and outcomes as well as monitoring of the impact of the Program on specific target groups (MSMEs); and (ii) lack of coordination and data sharing among the various government agencies involved in the Program, resulting in delays in the disbursement of financial assistance to many Filipinos, among others. Furthermore, the lack of data also made it more challenging to provide many beneficiaries with timely assistance, especially when delivering conditional cash transfers and social protection schemes, which required operational and logistical support. Following these challenges, below are some of the possible areas where AIIB can explore to assist the GOP:

- Assist the GOP to further streamline the online loan application system for the MSMEs to facilitate the submissions of application and provide more services for MSMEs. This involves dialogue and strong coordination with appropriate government agencies (e.g., DTI, Department of Information and Communication Technology-DICT) to carefully design a single online portal for public services catering functions where the end-users can easily navigate available services. This would also ensure that data and information are collected, including gender-data, well-monitored, and reported for analysis and improvement of different services. Also, dissemination of the portal to the public is equally important for people to have a common legitimate source of information for accessing COVID-19 related interventions, including MSMEs benefits or services.
- Facilitate more dialogues and discussions with the government in designing and updating the monitoring framework, particularly in ensuring that data required by indicators are available. This also provides various opportunities for AIIB to assist the GOP in achieving country objectives, such as providing technical expertise and support in data collection, analysis, e-governance, capacity building for monitoring and evaluation practices, and exploring innovative approaches to enhance data availability and quality. By actively engaging with the government, AIIB can contribute to the effective implementation of sector-specific development projects and help the GOP make informed decisions based on reliable data and evidence.

#### **11. Borrower's Feedback**

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The Borrower's feedback is attached as an annex.

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#### **12. Any Pending issues and Follow-up actions, if applicable**

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The Program has no pending or outstanding issues.

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#### **13. Achievement of Project Result**

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The Program was implemented successfully to assist the Philippine Government in managing the spread of COVID-19 and reducing poverty in the Philippines. It increased testing capacity, reaching 96,757 daily tests by May 2022, and provided frontline health workers with health insurance and risk allowances. It

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also delivered social protection measures, including conditional cash transfers and emergency subsidies. Regarding economic resilience, support was provided to highly affected sectors, such as MSMEs and agriculture. Moreover, it demonstrated a commitment to gender mainstreaming but was mainly constrained by data availability to measure the quantitative targets, achieving only four of six gender performance indicators based on the gender equality achievements and results<sup>7</sup>.

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<sup>7</sup> See Appendix 4. Gender Monitoring Matrix of ADB Completion Report.

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Annex: Client Feedback Questionnaire Philippines COVID-19 Active Response and Expenditure Support (CARES) Program

- 1. Are the services and support provided by AIIB's Project Team professional, sufficient and in time, during project preparation and project implementation? Please provide some specifics or examples as an illustration.**
- 2. Is it convenient to access the Project Team's services and support? Please provide some specifics or examples as an illustration.**
- 3. Does the Project Team demonstrate flexibility and efficiency during project preparation and project implementation? Please provide some specifics or examples as an illustration.**

Yes. During project preparation, the AIIB responded to the Government's request for a budget support loan in order to address the fiscal constraints arising from increased COVID-19 pandemic spending, and reduced revenue efforts. The Project Team's services and support were very accessible at every stage of project preparation, contributing to the efficient conduct and timely conclusion of the loan negotiations. While this modality was previously not offered by the AIIB, the loan was delivered in less than two months. In terms of project implementation, close coordination with the AIIB's Project Team allowed for the loan to be fully disbursed shortly after the declaration of loan effectiveness.

- 4. What is the value addition of AIIB's financing in the Project?**

The AIIB provided USD750 million in additional financing for the CARES Program, which supported the Government in mitigating the severe health, social, and economic impact caused by the COVID-19 pandemic.

- 5. Will you consider working with the AIIB again in infrastructure development? Please provide a few specific reasons.**

Yes. We recognize the AIIB's experience in co-financing programs and projects alongside our major development partners. In fact, a few AIIB financing operations are in the pipeline to support the country's Infrastructure Flagship Projects.

- 6. Do you have any suggestions to the Project Team and/or the AIIB for them to improve their operations in the future?**

We encourage the Bank to increase its presence in the Philippines to be able to effectively monitor projects, and support the development of projects to be financed by the AIIB on a standalone basis. Noting that the AIIB currently has no active grants, we likewise emphasize that mobilizing grants and technical assistance is also critical in the successful delivery of loan-supported programs/projects and in ensuring that they are implemented in a timely manner.

- 7. Other comments, such as comments on the reporting requirements, approval of project changes, etc.**

In terms of reporting requirements, we suggest that AIIB align with the standard practice of other MDBs so as to avoid any additional submissions on the part of the borrower.