

November 21, 2018

GRANT FOR THE NORTH-SOUTH COMMUTER RAILWAY (NSCR) EXTENSION PROJECT

EMBASSY OF JAPAN

MANILA

Manila, November 21, 2018

Excellency,

I have the honour to confirm the following understanding recently reached between the representatives of the Government of Japan and of the Government of the Republic of the Philippines concerning a Japanese loan to be extended with a view to promoting the economic stabilization and development efforts of the Republic of the Philippines:

1. A loan in Japanese yen up to the amount of one hundred and sixty-seven billion one hundred and ninety-nine million yen (¥167,199,000,000) (hereinafter referred to as "the Loan") will be extended, in accordance with the relevant laws and regulations of Japan, to the Government of the Republic of the Philippines by the Japan International Cooperation Agency (hereinafter referred to as "JICA") for the purpose of implementing the North-South Commuter Railway Extension Project (I) (hereinafter referred to as "the Project") .

2. {1) The Loan will be made available by a loan agreement to be concluded between the Government of the Republic of the Philippines and JICA. The terms and conditions of the Loan as well as the procedures for its utilization will be governed by the said loan agreement, within the scope of the present understanding, which will contain, inter alia, the following principles:

(a) The repayment period will be twenty-eight (28) years after the grace period of twelve (12) years;

(b) The rate of interest will be nought point one per cent (0.1%) per annum;

(c) Notwithstanding sub-paragraph (b) above, where a part of the Loan is made available to cover payments to consultants of the Project, then the rate of interest of the said part will be nought point nought one per cent (0.01 %) per annum; and

(d) The disbursement period will be ten (10) years after the date of coming into force of the said loan agreement.

(2) The loan agreement mentioned in sub-paragraph (1) above will be concluded after JICA is satisfied with the feasibility of the Project, including environmental consideration .

(3) The disbursement period mentioned in sub-paragraph (1)(d) above may be extended with the consent of the authorities concerned of the two Governments.

3. (1) The Loan will be made available to cover payments to be made by the Philippine executing agency to suppliers, contractors and/or consultants of eligible source countries under such contracts as may be entered into between them for purchases of products and/or services

required for the implementation of the Project, provided that such purchases are made in such eligible source countries for products produced in and/or services supplied from those countries.

(2) The scope of eligible source countries mentioned in sub- paragraph (1) above shall be agreed upon between the authorities concerned of the two Governments.

(3) A part of the Loan may be used to cover eligible local currency requirements for the implementation of the Project.

4. The Government of the Republic of the Philippines shall ensure that the products and/or services mentioned in sub-paragraph (1) of paragraph 3 be procured in accordance with the guidelines for procurement of JICA, which set forth, inter alia, the procedures of international competitive bidding to be followed except where such procedures are inapplicable or inappropriate.

5. With regard to the shipping and marine insurance of the products purchased under the Loan, the Government of the Republic of the Philippines shall refrain from imposing any restrictions that may hinder fair and free competition among the shipping and marine insurance companies.

6. Japanese nationals whose services may be required in the Republic of the Philippines in connection with the supply of the products and/or services mentioned in sub-paragraph (1) of paragraph 3 shall be accorded such facilities as may be necessary for their entry into the Republic of the Philippines and stay therein for the performance of their work.

7 . (1) The Government of the Republic of the Philippines shall, by itself or through its executing agency, assume:

(a) all fiscal levies and taxes imposed in the Republic of the Philippines on JICA on and/or in connection with the Loan as well a interest accruing therefrom;

(b) all duties and related fiscal charges imposed in the Republic of the Philippines on Japanese companies operating as suppliers, contractors and/or consultants with respect to the import and re-export of their own materials and equipment needed for the implementation of the Project;

(c) all fiscal levies and taxes imposed in the Republic of the Philippines on Japanese companies operating as suppliers, contractors and/or consultants with respect to the payment carried out for and the income accruing from the supply of products and/or services required for the implementation of the Project; and

(d) all fiscal levies and taxes imposed in the Republic of the Philippines on Japanese employees engaged in the implementation of the Project with respect to their personal income derived from Japanese companies operating as suppliers, contractors and/or consultants for the implementation of the Project.

(2) In connection with such tax assumption, the Government of the Republic of the Philippines or its executing agency shall be responsible for the liquidation or settlement of such fiscal levies, duties, taxes and other similar charges.

8. The Government of the Republic of the Philippines shall take necessary measures to:

(a) ensure that the Loan be used properly and exclusively for the Project;

(b) ensure and maintain the safety of persons engaged in the implementation of the Project and of the general public of the Republic of the Philippines in constructing