
LOAN NUMBER 9522-PH

Loan Agreement

(Philippines First Sustainable Recovery Development Policy Loan)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF THE PHILIPPINES (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of seven hundred fifty million United States Dollars (\$750,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”).
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
- (c) without limitation upon paragraph (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01 The Additional Event of Suspension consists of namely, a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of, namely, the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Secretary of Finance.
- 6.02. For purposes of Section 10.01 of the General Conditions:

- (a) the Borrower's address is:

Department of Finance
Department of Finance Building
Roxas Boulevard cor. Pablo Ocampo Sr. St.
Manila 1004
Philippines; and

- (b) the Borrower's Electronic Address is:

Facsimile: E-mail:
(63-2) 8523-9216 secfin@dof.gov.ph

- 6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex:

Facsimile:

E-mail:

248423(MCI) or
64145(MCI)

1-202-477-6391

PhilippinesCMU@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF THE PHILIPPINES

By



Authorized Representative

Name: Secretary Benjamin E. Diokno

Title: Secretary of Finance

Date: 25-Jun-2023

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Ndiame Diop

Title: Country Director

Date: 25-Jun-2023

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

- A. Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:

Pillar 1: Accelerate the economic recovery and boost long-term growth

1. To increase investment in infrastructure services, the Borrower has created the legal framework to open Public Service Sectors to 100 percent foreign ownership through the amendment of the Public Service Act (Commonwealth Act No. 146), as evidenced through the enactment of the Republic Act No. 11659 on March 21, 2022.
2. To attract private investment in public infrastructure and increase certainty in the PPP framework the Borrower has: (a) amended the Build-Operate-Transfer Law IRRs; and (b) approved the Guidelines and Procedures on Processing PPP Proposals for NEDA Board/ Investment Coordination Committee (ICC) Evaluation and Approval, as evidenced by the Certification of NEDA Board Approval of such Guidelines and Procedures on November 24, 2022.
3. To increase foreign direct investment in solar and wind energy, the Borrower, through the DOE, has amended Rules and Regulations Implementing the Renewable Energy Act to remove the 40 percent foreign equity cap on exploration, development, utilization and commercialization of natural resources, as evidenced by the DOE Department Circular DC 2022-11-0034.
4. To increase demand for renewable energy, the Borrower, through the DOE, has increased the minimum annual incremental generation required to be sourced from renewable energy resources from 1% to 2.52% starting 2023 for Mandated Participants, as evidenced by the DOE Department Circular DC2022-09-0030.

Pillar 2: Protect the environment and improve climate resilience

5. To enhance plastic waste management through reduction, recovery, and recycling of plastic waste, the Borrower has: (a) enacted the Extended Producer Responsibility Act (Republic Act No. 11898); and (b) through its Department of Environment and Natural Resources (DENR), issued accompanying IRRs, mandating large enterprises to recover up to 80 percent of plastic packaging waste by 2028 and to submit EPR programs describing a component on gender equality.
6. To provide an enabling environment for the development and use of electric vehicles and reduce dependence on fossil fuels, the Borrower, through the DOE, has issued IRRs to implement the Republic Act No. 11697, otherwise known as the Electric Vehicle Industry Development Act of 2022.

7. To incentivize public procurement of green goods, the Borrower, through the Government Procurement Policy Board (GPPB) has updated the GPP Roadmap by: (a) providing for a monitoring system based on green tagging; and (b) upgrading of green specifications; through GPPB Resolution No. 08-2022.
8. To mitigate climate-related disaster risks to the government budget and to insured farmers, the Borrower, through the DOF, has directed the Insurance Commission (IC) to conduct annual examinations of the Philippine Crop Insurance Corporation (PCIC)'s affairs, financial condition, and its method of business, as evidenced by Department Order No. 038-2022 and Circular Letter No. 2022-35.

Section II. Availability of Loan Proceeds

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan is allocated in: (a) a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds; and (b) the amounts requested by the Borrower to pay the Front-end Fee. The allocation of the amounts of the Loan to this end is set out in the table below:

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

D. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied with: (a) the Program being carried out by the Borrower; and (b) the adequacy of the Borrower's macroeconomic policy framework.

E. Deposit of Loan Amounts.

The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03(a) of the General Conditions; (b) the details of the account to which the Philippine Peso equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03(a) of the General Conditions.

F. Closing Date. The Closing Date is December 31, 2024.

SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule

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”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each May 15 and November 15 Beginning November 15, 2028 through May 15, 2041	3.7%
On November 15, 2041	3.8%

APPENDIX

Section I. Definitions

1. “DOE” or “Department of Energy” means the Borrower’s Department of Energy established pursuant to the Republic Act No. 7638 (Department of Energy Act of 1992), as amended by the Republic Act No. 9136, otherwise known as EPIRA.
2. “Department of Environment and Natural Resources” means the Borrower’s Department of Environment and Natural Resources, established pursuant to Executive Order No. 192 of 1987.
3. “FDI” means foreign direct investment.
4. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
5. “Government Procurement Policy Board” means the Borrower’s public procurement board established pursuant to Republic Act No. 9184 (R.A. 9184).
6. “GPP” means green public procurement.
7. “IRRs” means implementing rules and regulations.
8. “Mandated Participants” means electric power industry participants which are mandated to comply with the RPS annual requirement which includes entities enumerated in Rule 3, Section 11 of this RPS On-Grid Rules.
9. “NEDA” means the Borrower’s National Economic Development Authority established pursuant to the Presidential Decree No. 107 dated January 24, 1973, and reorganized under the Executive Order No. 230.
10. “Philippine Crop Insurance Corporation” means the implementing agency of the Borrower’s agriculture insurance program established pursuant to the Presidential Decree No. 1467 (June 11, 1978), (as amended by PD 1733 (October 21, 1980) and further amended by Republic Act No. 8175 (December 29, 1995)), and the Executive Order No. 148 series of 2021.
11. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated May 10, 2023, from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
12. “PPP” means public private partnership.

13. “Public Service Sectors” means those sectors of the economy offering certain public services, for general business purposes, and which are identified in the Public Service Act (Commonwealth Act No. 146, as amended), Section 13(b).
14. “RPS” means renewable portfolio standard.
15. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
16. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.