
LOAN NUMBER 9592-PH

Loan Agreement

(Philippines First Digital Transformation 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 six hundred million US Dollars (US\$ 600,000,000), 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 March 15 and September 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 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:

248423(MCI) or
64145(MCI)

Facsimile:

1-202-477-6391

E-mail:

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: 08-Nov-2023

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Ndiame Diop

Title: Country Director

Date: 05-Oct-2023

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

The actions taken by the Borrower under the Program include the following:

Pillar A: Improve Digital Government Service Delivery and Pro-competition Infrastructure Policies

1. To improve public financial management and reporting, the Borrower, through its President, has mandated the roll-out of Integrated Financial Management Information System to all departments and national agencies (including GOCCs), as evidenced by the Executive Order No. 29 issued by the President on June 1, 2023.
2. To strengthen climate and disaster risk management and financing and facilitate disaster risk-based budgeting, the Borrower, through DBCC and its Technical Working Group on Asset Management, has mandated all government agencies and instrumentalities under the executive branch to digitally map their critical and strategically important non-financial assets into the National Asset Registry System, as evidenced by the DOF-DBM-NEDA Joint Memorandum Circular No. 2023-1 dated May 15, 2023.

Pillar B: Expand Financial Inclusion for Individuals and Businesses through Digital Finance

3. To promote the adoption of digital payments by government institutions and businesses, the Borrower has submitted a proposed act adopting digital payments for all collections and disbursements of the Government to the Congress, as evidenced by Senate Bill Number 811 dated July 25, 2022, and House Bill Number 8262 dated May 22, 2023.
4. To promote secure access to financial services, the Borrower, through BSP, has strengthened requirements on conducting electronic Know-Your-Customer using digital identity system, as evidenced by Circular Number 1170 (Series of 2023) issued by BSP on March 30, 2023.

Pillar C: Boost Business Growth in Digital Services

5. To strengthen the trustworthiness of “business to business” and “business to consumer” e-commerce transactions, the Borrower has submitted a proposed Internet Transactions Act introducing merchant obligations vis-a-vis online consumers, and online supplier protection provisions vis-a-vis online platforms to the Congress, as evidenced by the Senate Bill Number 1846 dated February 6, 2023, and the House Bill Number 4 dated November 28, 2022.
6. To promote competition in digital markets, the Borrower, through PCC, has strengthened the regulatory framework applied to digital operators in mergers and abuse of dominance cases as evidenced by: (i) the Resolution Number 07-2023 adopting Guidelines on Abuse of Dominance, dated May 11, 2023; and (ii) the Resolution Number 08-2023 adopting Rules on Merger Procedure, dated May 25, 2023, both issued by the PCC.
7. To foster firm growth in digital services, the Borrower, through DTI, has strengthened the enabling ecosystem for digital services, as evidenced by the Implementing Rules and

Regulations of the Philippine Creative Industries Development Act issued by DTI on November 11, 2022.

8. To expand digital skills in the economy, the Borrower, through CHED and TESDA, has recognized digital skill courses in higher education through the implementation of the Philippine Credit Transfer System, as evidenced by the Joint CHED-TESDA Memorandum Circular Number 01 (Series of 2023) issued by CHED and TESDA on April 14, 2023.

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 | 598,500,000 |
| (2) Front-end Fee | 1,500,000 |
| TOTAL AMOUNT | 600,000,000 |

C. Withdrawal Tranche Release Conditions.

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

D. 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.

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

SCHEDULE 2

Repayment Schedule

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 September 15 and March 15 Beginning September 15, 2034, through March 15, 2052 | 2.7 % |
| On September 15, 2052 | 2.8 % |

APPENDIX

Definitions

1. “BSP” means the Borrower’s central bank, *Bangko Sentral ng Pilipinas*.
2. “CHED” means the Commission on Higher Education, a government agency attached to the Borrower’s Office of the President.
3. “Congress” means the Borrower’s Congress which is composed of the Senate and the House of Representatives.
4. “DBCC” means the Borrower’s Development Budget Coordination Committee.
5. “DBM” means the Borrower’s Department of Budget and Management.
6. “DOF” means the Borrower’s Department of Finance.
7. “DTI” means the Borrower’s Department of Trade and Industry.
8. “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).
9. “GOCCs” means the Borrower’s Government-Owned or Controlled Corporations.
10. “NEDA” means the Borrower’s National Economic and Development Authority.
11. “PCC” means the Borrower’s Philippine Competition Commission.
12. “Philippine Peso” means the lawful currency of the Borrower.
13. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated August 17, 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.
14. “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.
15. “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.
16. “TESDA” means the Technical Education and Skills Development Authority, a government agency attached to the Borrower’s Department of Labor and Employment.