
LOAN NUMBER 9743-PH

Loan Agreement

(Philippines Second 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 seventy-six million nine hundred and twenty-six thousand Euros (EUR 676,926,000), 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 1 and November 1 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 is that 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

- 5.01. The Additional Condition of Effectiveness is that 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: (63-2) 8523-9216 E-mail: 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 Ralph Recto

Title: _____ Secretary of Finance

Date: _____ 25-Nov-2024

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By:



Authorized Representative

Name: _____ Zafer Mustafaoglu

Title: _____ Country Director

Date: _____ 15-Nov-2024

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 A: Improve Access to Digital Connectivity and Digital Government Service Delivery

1. To improve competition and increase investment in data transmission, the Borrower, through NEDA, has submitted a proposed act to the Congress regulating open access, infrastructure sharing, and radio frequency spectrum management of data transmission networks, as evidenced by House Bill No. 6 approved on December 12, 2022, and Senate Bill No. 2699 dated May 22, 2024.
2. To improve public service delivery, the Borrower, through the DBM, DICT, and NEDA, has reconstituted MITHI with the mandate to harmonize electronic government systems in all government agencies, as evidenced by DBM-DICT-NEDA Joint Memorandum Circular No. 2024-01 (s. 2024) dated November 22, 2023.
3. To inform disaster risk financing and management of critical public assets based on data submitted to the NARS, the Borrower, through the Bureau of the Treasury, has adopted a governance framework regulating the exchange of asset information and data analytics among government agencies, as evidenced by the BTr Treasury Circular No. 1-2024 dated March 27, 2024.

Pillar B: Deepen Financial Inclusion by Enhancing Safety, Efficiency, and Increasing Usage of Digital Financial Services

1. To enhance safety of digital financial services and reduce their vulnerability to cybercrimes, the Borrower has defined and penalized payment fraud, provided legal basis for information sharing in fraud investigations, and regulated liability of non-compliant financial institutions, as evidenced by the enactment of the Anti-Financial Account Scamming Act (RA 12010).
2. To enhance safety and boost usage of digital financial services, the Borrower, through BSP, has improved transparency and customer protection for retail electronic fund transfers, as evidenced by: (i) BSP Circular No. 1195 (Series of 2024) dated June 1, 2024; and (ii) BSP Circular No. 1198 (Series of 2024) dated July 19, 2024.
3. To increase the usage of digital payments by improving the efficiency of payments infrastructure and promoting competition among providers, the Borrower, through

BSP, has enhanced and streamlined access to intraday liquidity, including to non-banks, in the Peso Real-Time Gross Settlement Payment System as evidenced by BSP Circular No. 1181 (Series of 2023) dated November 10, 2023.

Pillar C: Boost Growth in Digitally-Enabled Services

1. To increase trust in e-commerce transactions, the Borrower, through DTI, has enabled the establishment of a trustmark framework and an online dispute resolution system, and adopted e-commerce and online consumer codes of conduct, as evidenced by the IRRs of the Internet Transactions Act of 2023, dated May 24, 2024.
2. To improve logistics for e-commerce transactions, the Borrower, through CAB, has removed the foreign equity cap on the air transportation services sector, as evidenced by the CAB Guidelines implementing Commonwealth Act No. 146, as amended by Republic Act No. 11659, dated May 20, 2024.

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 EUR)
(1) Single Withdrawal Tranche	675,233,685
(2) Front-end Fee	1,692,315
TOTAL AMOUNT	676,926,000

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 Philippines 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 March 31, 2026.

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 1 and November 1 Beginning November 1, 2035 through May 1, 2053	2.70%
On November 1, 2053	2.80%

APPENDIX

Section I. Definitions

1. “BSP” means *Bangko Sentral ng Pilipinas* established pursuant to the provisions of the 1987 Philippine Constitution and the New Central Bank Act of 1993, as amended, or any successor thereto.
2. “Bureau of the Treasury” or “BTI” means the Borrower’s Bureau of the Treasury, a government line bureau under the Department of Finance, established under Executive Order No. 292, series of 1987, as amended, and Executive Order 449, series of 1997, or any successor thereto.
3. “Civil Aeronautics Board” or “CAB” means the Borrower’s Civil Aeronautics Board established pursuant to Republic Act No. 776, as amended by Presidential Decree No. 1462, or any successor thereto.
4. “Department of Budget and Management” or “DBM” means the Borrower’s Department of Budget and Management established pursuant to Executive Order No. 25 dated April 25, 1936, or any successor thereto.
5. “Department of Finance” or “DOF” means the Borrower’s Department of Finance established pursuant to Presidential Decree No.1397, and reorganized under the Executive Orders No. 127, No. 127-A, and No. 292 or any successor thereto.
6. “Department of Information and Communications Technology” or “DICT” means the Borrower’s Department of Information and Communications Technology, established pursuant to Republic Act No. 10844 dated May 23, 2016, or any successor thereto.
7. “Department of Trade and Industry” or “DTI” means the Borrower’s Department of Trade and Industry established pursuant to Presidential Decree No. 721, reorganized under Executive Order No. 133, Series of 1987, or any successor thereto.
8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
9. “ICT” means information and communication technology.
10. “IFMIS” means Integrated Financial Management Information System, established under Executive Order No. 55, S. of 2011 and strengthened under Executive Order No. 29, Series of 2023, dated 01 June 2023.
11. “Internet Transactions Act of 2023” means the Borrower’s Republic Act No. 11967 dated December 5, 2023.
12. “IRRs” means implementing rules and regulations.

13. “MITHI” means Borrower’s Medium-term Information and Communication Technology Harmonization Initiative, established under DOST-DBM-NEDA Joint Memorandum Circular No. 2012-01 dated 28 November 2012 and revived under DBM-DICT-NEDA JMC No. 2024-01 (s.2024).
14. “NARS” means the Borrower’s National Asset Registration System, as allowed by Administrative Order No. 4, series of 2017, as defined under the DOF-DBM-NEDA-JMC 2020-1.
15. “National Economic and Development Authority” or “NEDA” means the Borrower’s National Economic and Development Authority established pursuant to Presidential Decree No. 107 dated January 24, 1973, and reorganized under Executive Order No. 230, or any successor thereto.
16. “National Privacy Commission” or “NPC” means the Borrower’s National Privacy Commission established pursuant to Republic Act No. 10173 dated 15 August 2012, or any successor thereto.
17. “Philippine Peso” means the lawful currency of the Borrower.
18. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated September 27, 2024 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.
19. “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.
20. “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.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.01 (Front-end Fee; Commitment Charge, Exposure Surcharge) is modified to read as follows:

“Section 3.01. Front-end Fee; Commitment Charge

- (a) The Borrower shall pay the Bank a Front-end Fee on the Loan amount at the rate specified in the Loan Agreement. Except as otherwise provided in Section 2.05(b), the Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.
- (b) The Borrower shall pay the Bank a Commitment Charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement. The Commitment Charge shall accrue from a date sixty (60) days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. Except as otherwise provided in Section 2.05(c), the Borrower shall pay the Commitment Charge semi-annually in arrears on each Payment Date.”

2. Section 3.04 (*Prepayment*) is modified to read as follows:

“Section 3.04. Prepayment

- (a) After giving not less than forty-five (45) days’ notice to the Bank, the Borrower may repay the Bank the following amounts in advance of maturity, as of a date acceptable to the Bank (provided that the Borrower has paid all Loan Payments due as at such date): (i) the entire Withdrawn Loan Balance as at such date; or (ii) the entire principal amount of any one or more maturities of the Loan. Any partial prepayment of the Withdrawn Loan Balance shall be applied in the manner specified by the Borrower, or in the absence of any specification by the Borrower, in the following manner: (A) if the Loan Agreement provides for the separate amortization of specified Disbursed Amounts of the principal of the Loan the prepayment shall be applied in the inverse order of such Disbursed Amounts, with the Disbursed Amount which has been withdrawn last being repaid first and with the latest maturity of said Disbursed Amount being repaid first; and (B) in all other cases, the prepayment shall be applied in the inverse order of the Loan maturities, with the latest maturity being repaid first.
- (b) If, in respect of any amount of the Loan to be prepaid, a Conversion has been effected and the Conversion Period has not terminated at the time of prepayment, the provisions of Section 4.06 shall apply.”

3. Definitions in the General Conditions are modified as follows:

“73. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any surcharge, any transaction fee for a Conversion or early termination of a Conversion, any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

“79. “Payment Date” means each date specified in the Loan Agreement occurring on or after the date of the Loan Agreement on which interest, Commitment Charge and other Loan charges and fees (other than the Front-end Fee) are payable, as applicable.”

4. Definitions in paragraphs 4 (Allocated Excess Exposure Amount); 51 (Exposure Surcharge); 93 (Standard Exposure Limit) and 99 (Total Exposure) of the Appendix are deleted in their entirety and the subsequent paragraphs are renumbered accordingly.