



### Project Summary Information

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| Date of Document Preparation/Updating: 11/23/23 17:15 PM |  |
| <b>Project Name</b>                                      | Domestic Resource Mobilization Program (Subprogram 1)  |
| <b>Project Number</b>                                    | P000802  |
| <b>AIIB member</b>                                       | Philippines  |
| <b>Sector/Subsector</b>                                  | CRF-Economic Resilience/PBF  |
| <b>Alignment with AIIB's thematic priorities</b>         | Other COVID-19 economic recovery   |
| <b>Status of Financing</b>                               | Approved   |
| <b>Objective</b>   | The Program objective is to support the Republic of the Philippines' economic and fiscal recovery from the COVID-19 pandemic through: (i) enhancing the domestic resource mobilization policies and legal frameworks; (ii) modernizing tax administration through digital transformation; and (iii) strengthening international tax cooperation and exchange of information.   |
| <b>Project Description</b>                               | <p>The Program will provide a policy-based financing under the COVID-19 Crisis Recovery Facility of the Bank and will be co-financed with the Asian Development Bank (ADB) as the lead financier.</p> <p>The Program focuses on the following reform areas:</p> <p>(i) Domestic resource mobilization policies and legal frameworks enhanced.<br/>This reform area seeks to sustain public spending for post-pandemic recovery by creating the legal frameworks for national and local tax policies. It focuses on approving the 2022–2028 Medium-Term Fiscal Framework to institute domestic resource mobilization as a national strategy to achieve the medium-term fiscal targets; submitting to Congress three critical tax reform laws (law on VAT on Digital Transactions, law that establishes a carbon emission trading system, law that simplifies compliance and reduces the costs of paying taxes); approving an executive order that mandates national/local tax agencies to adopt secure digital modes of revenue collection; and adopting a competency framework for local treasurers to strengthen local tax capacity and transparency.</p> <p>(ii) Tax administration modernized through digital transformation.</p> |

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|   | <p>This reform area aims to improve the quality and efficiency of taxpayer services envisaged in the Bureau of Internal Revenue (BIR)'s Digital Transformation Initiative. It focuses on operationalizing the Internal Revenue Integrated System to enable the BIR to use taxpayer data systematically to enhance gender-sensitive taxpayer services; establishing a Data Analytics Unit to undertake data analytics for promoting taxpayer compliance, formulating sex-differentiated tax policies, and strengthening tax audit functions; modernizing business processes for tax registration, filing, and payment through the development of an Online Registration and Update System; and upgrading BIR's electronic tax return forms to enable more taxpayers to file tax returns and pay taxes online.</p> <p>(iii) International tax cooperation and exchange of information strengthened.<br/>This reform area advances international tax cooperation to combat cross-border tax avoidance. It focuses on implementing a gender-responsive international tax competency program to strengthen tax audit functions; removing preferential tax incentives for regional operating headquarters and imposing a regular corporate income tax rate of 25% in accordance with the OECD/G20 Inclusive Framework on Base Erosion and Profit Sharing (BEPS); implementing tax transparency standards under the Asia Initiative of the Global Forum; and implementing the minimum standards of the OECD/G20 Inclusive Framework on BEPS for addressing international tax avoidance and enhancing tax certainty.</p> |
| <b>Expected Results</b>                     | The Program's expected outcome is enhancing a fair and efficient tax system that fosters inclusive and resilient economic growth.  |
| <b>Environmental and Social Category</b>    | Category C   |
| <b>Environmental and Social Information</b> | <p>The Program will be co-financed with ADB as the lead co-financier, and the Program's Environmental and Social (E&amp;S) risks and impacts have been assessed in accordance with the provisions of ADB's Safeguard Policy Statement (SPS) applicable to policy-based lending. AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to policy-based financing operations. Therefore, as permitted by a decision of the Board of Directors, AIIB will apply the provisions of ADB's SPS applicable to policy-based lending to this PBF in lieu of the ESP. This will provide for a harmonized approach to addressing the environmental and social risks and impacts of the Program.</p> <p>Based on the E&amp;S assessments carried out according to the SPS requirements, no adverse impacts have been identified with respect to involuntary resettlement, Indigenous Peoples, or the environment. Hence, ADB has categorized the Program as Category C with respect to all three aspects.</p> <p>This Program is categorized as <i>effective gender mainstreaming</i>. The government will implement a gender-responsive international tax competency program to strengthen tax audit functions, ensuring equity in access and provide capacity development and career advancement among female tax officials.</p>   |

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| <b>Cost and Financing Plan</b>              | Total proposed cost: USD800 m<br>Proposed AIIB amount: USD400 m<br>Proposed ADB amount: USD400 m |                                   |                                       |
| <b>Borrower</b>                             | Republic of the Philippines  |                                   |                                       |
| <b>Implementing Entity</b>                  | Department of Finance  |                                   |                                       |
| <b>Estimated date of loan closing</b>       | Q4 2024  |                                   |                                       |
| <b>Contact Points:</b>                      | <b>AIIB</b>  | <b>ADB</b>                        | <b>Borrower</b>                       |
| <b>Name</b>                                 | Anne Ong Lopez   | Aekapol Chongvilaivan             | Maria Edita Z. Tan                    |
| <b>Title</b>                                | Investment Operations Specialist - Transport   | Senior Economist (Public Finance) | Undersecretary, Department of Finance |
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| <b>Estimated Date of Concept Decision</b>   | Q4 2023  |                                   |                                       |
| <b>Estimated Date of Appraisal Decision</b> | Q4 2023  |                                   |                                       |
| <b>Date of Financing Approval</b>           | Nov 22, 2023   |                                   |                                       |

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| <b>Independent Accountability Mechanism</b> | AIIB's Policy on the Project-affected People's Mechanism (PPM) addresses issues raised under AIIB's ESP, which does not apply to this operation. Submissions to the PPM under this Program would, therefore, not be eligible for consideration by the PPM. Instead, pursuant to AIIB's agreement with ADB, complaints brought by third parties relating to compliance with ADB's SPS will be addressed by the Special Project Facilitator or Compliance Review Panel, each established under ADB's Accountability Mechanism Policy. Information on ADB's IAM is available at: <a href="https://www.adb.org/who-we-are/accountability-mechanism">https://www.adb.org/who-we-are/accountability-mechanism</a> |
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