



Project Summary Information

Date of Document Preparation/Updating: 11/23/23	
Project Name	First Digital Transformation Development Policy Financing
Project Number	P000771
AIIB member	Philippines
Sector/Subsector	CRF-Economic Resilience/PBF
Alignment with AIIB's thematic priorities	Connectivity and Regional Cooperation; Technology-enabled Infrastructure; Private Capital Mobilization
Status of Financing	Approved
Objective	The Program development objective is to support Government reforms to foster an enabling environment for greater digital technology adoption by (a) improving digital transformation of government and digital infrastructure policies, (b) expanding financial inclusion through digital finance and (c) boosting business growth in digital services.
Project Description	<p>The Program proposes to provide the GoP a policy-based financing under the COVID-19 Crisis Recovery Facility of the Bank (CRF) and will be co-financed with the World Bank (WB).</p> <p>The COVID-19 pandemic has interrupted the Government's developmental wave and has left long-term impacts. Aside from the economic contraction, the pandemic also resulted in significant social sector losses which mostly affected the poorest and most vulnerable. For the country to achieve economic recovery that is resilient, and inclusive, there is a need to focus on new development drivers including digitalization.</p> <p>Digitalization has a large potential to increase productivity by reducing firms' operational costs and allowing them to reap economies of scale. First, digitalization can increase the efficiency and transparency of government services and empower its constituents, especially those previously distant from the center of decision-making. Digital platforms and services offer great potential for helping build resilience and preparedness against future crises and for mitigating and adapting to climate change (World Bank Development Committee paper, 2022). Second, digital finance is a key enabler of financial inclusion and women's empowerment. Third, aggregate productivity can be raised by facilitating new and emerging firms to enter markets through disruptive innovations. Finally, digitalization expands firms' market access as it decreases</p>

	<p>information constraints and transaction costs, which are particularly binding for micro, small, and medium enterprises (MSMEs). Higher operational efficiency and access to wider and more diversified markets, in turn, render firms more resilient against shocks.</p> <p>The DPF builds on the nation’s long-term vision articulated in “AmBisyon Natin 2040”, and the recently launched Philippine Development Plan 2023-2028 to achieve inclusive growth. It is structured along the following three thematic pillars:</p> <ul style="list-style-type: none"> - Pillar A: Improve digital government service delivery, and pro-competition infrastructure policies. - Pillar B: Expand financial inclusion for individuals and businesses through digital finance. - Pillar C: Boost business growth in digital services.
Expected Results	<p>The development policy loan series is expected to achieve the following results:</p> <ul style="list-style-type: none"> • <u>Pillar A</u>: Increased share of government payments processed through the Integrated Financial Management Information System, more systems connected through a unified E-Government portal or mobile applications, multiple agencies gain access and utilizing the National Asset Registry System for climate and disaster risk management and financing, and lower costs of, increases access to, and improved quality of broadband services. • <u>Pillar B</u>: Increased volume of digital payments, increased number of transaction accounts onboarded, and decline in fraud rates involving the use of digital financial services. • <u>Pillar C</u>: Increased contribution of e-commerce to GDP, increased share of women-owned businesses that make online transactions, strengthened competition enforcement in digital markets, growth of creative industry export, and increased supply of skilled workers for the digital economy.
Environmental and Social Category	C
Environmental and Social Information	<p>This Program will be co-financed with the WB as lead co-financier, and the Program’s environmental and social (E&S) risks and impacts have been assessed in accordance with the WB’s Policy on Development Policy Financing (DPF Policy).</p> <p>AIIB’s Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to DPF operations. Therefore, as permitted by the decision of the AIIB’s Board of Directors, the WB’s DPF Policy will apply to this operation in lieu of AIIB’s ESP. This will provide for a harmonized approach to addressing the E&S risks and impacts of the Program.</p> <p>The WB has reviewed the specific policies under the Program to determine whether they are likely to have significant social and poverty consequences (especially on the poor and vulnerable groups) or to cause significant effects on the country’s environment, forests, and other natural resources. The WB has determined that these policies are likely to have positive overall environmental and social effects, as described in its Program Document. The reforms in Pillar A will have significant</p>

	<p>positive effects on poverty reduction by expanding access to digital services to the poor, creating opportunities, and protecting the poor against natural disasters and other shocks. Reforms under Pillar B will have significant positive effects on poverty reduction increasing the availability of and access to funds through increased outreach, financial market products, and long-term saving, particularly for women-owned Micro, Small and Medium-sized Enterprises. For Pillar C, increasing the competitiveness of digitally-led industries is expected to benefit poorer consumers and entrepreneurs.</p> <p>The preliminary assessment suggests that policy reforms supported under the DPF will likely bring positive effects on the environment, forest, and other natural resources. The reforms to promote efficient and inclusive government service delivery through the digitalization of government operations and improved digital infrastructure policies will likely lead to positive environmental outcomes. The expansion of financial inclusion for individuals and firms through digital finance will likely bring positive environmental effects. The reform that seeks to promote e-commerce uptake will likely increase the environmental footprint, but it can be partially mitigated through the country's robust environmental policy framework.</p> <p>The program aims to reduce the gender gap in digital payments, where 43 percent of men made at least one digital payment compared to 34 percent for women based on latest Global Findex 2021. Recognizing skills courses in higher education is expected to benefit women who often have additional commitments and career interruptions, enabling them to acquire skills for flexible and home-based work and re-enter the labor force after breaks. In addition, reforms that increase access to digital markets can help women-owned enterprises and SMEs gain a larger market share, while improvements in the digital services ecosystem can also contribute to reducing the gender gap.</p>														
Cost and Financing Plan	<table border="1"> <thead> <tr> <th>Source of Financing</th> <th>Amount (in USD million)</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>World Bank</td> <td>600.0</td> <td>60.0%</td> </tr> <tr> <td>AIIB</td> <td>400.0</td> <td>40.0%</td> </tr> <tr> <td>Total Project Cost</td> <td>1,000.0</td> <td>100.0%</td> </tr> </tbody> </table>	Source of Financing	Amount (in USD million)	Percentage	World Bank	600.0	60.0%	AIIB	400.0	40.0%	Total Project Cost	1,000.0	100.0%		
Source of Financing	Amount (in USD million)	Percentage													
World Bank	600.0	60.0%													
AIIB	400.0	40.0%													
Total Project Cost	1,000.0	100.0%													
Borrower	Republic of the Philippines														
Implementing Entity	Department of Information and Communications Technology, Civil Aeronautics Board, Intellectual Property Office of the Philippines, Bureau of the Treasury, National Economic and Development Authority, Philippine Competition Commission, Department of Finance, Commission on Higher Education, Technical Education and Skills Development Authority, Department of Trade and Industry, Bangko Sentral ng Pilipinas, Department of Budget and Management														
Estimated date of loan closing	Q1 2024														
Contact Points:	AIIB	World Bank	Borrower Republic of the Philippines												

Name	Sergio Perez	Smita Kuriakose	Maria Edita Z. Tan
Title	Senior Investment Officer, Digital Infrastructure and Industry	Senior Economist, Finance, Competitiveness & Innovation	Undersecretary Department of Finance,
Email Address	sergio.perez@aiib.org	skuriakose@worldbank.org	meztan@dof.gov.ph

Date of Single Review Decision	Jul 19, 2023
Date of Financing Approval	Nov 22, 2023

Independent Accountability Mechanism	<p>AIIB's ESP was designed to apply to investment projects and has no provisions for its application to DPF. Accordingly, AIIB's Policy on the Project-affected People's Mechanism (PPM) will not apply to this operation. Submissions to the PPM under the program would, therefore, not be eligible for consideration by the PPM. The WB's independent accountability mechanism (IAM) addresses issues raised by persons adversely affected by a WB-financed operation and allows them to report alleged non-compliance with the WB's operational policies and procedures, including its DPF Policy. The information of WB's IAM is available at:</p> <p>https://www.worldbank.org/en/programs/accountability</p>
---------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------