



Project Summary Information

Date of Document Preparation/Updating: 07/12/23 10:46 AM	
Project Name	Domestic Resource Mobilization Program (Subprogram 1)
Project Number	P000802
AIIB member	Philippines
Sector/Subsector	CRF-Economic Resilience/PBF
Alignment with AIIB's thematic priorities	Other COVID-19 economic recovery
Status of Financing	Under Preparation
Objective	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.
Project Description	<p>The proposed Program will provide a policy-based loan 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. 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>

	<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. 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>
Expected Results	The Program's expected outcome is enhancing a fair and efficient tax system that fosters inclusive and resilient economic growth.
Environmental and Social Category	Category C under AIIB's Environmental and Social Policy
Environmental and Social Information	<p>The Program will be co-financed with ADB as the lead co-financier, and the Program's Environmental and Social (E&S) risks and impacts have been assessed in accordance with ADB's Safeguard Policy Statement (SPS) applicable to this Policy-based Loan (PBL). AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to PBL operations. Therefore, as permitted by the decision of the Board of Directors set forth in the Decisions to Support the Facility, AIIB will apply the provisions of ADB's SPS to this PBL in lieu of the ESP. This will provide for a harmonized approach to addressing the E&S risks and impacts of the Program.</p> <p>Based on the E&S assessments carried out according to the SPS requirements, no adverse impacts have been identified concerning involuntary resettlement, Indigenous Peoples or the environment. Therefore, ADB has categorized the Program as Category C for involuntary resettlement, indigenous peoples, and environment.</p> <p>This Program is categorized as <i>effective gender mainstreaming</i>. The government will implement a gender-responsive</p>

	international tax competency program to strengthen tax audit functions, ensuring equity in access and provide capacity development and career advancement among female tax officials.		
Cost and Financing Plan	Total proposed cost: USD800 m Proposed AIIB amount: USD400 m Proposed ADB amount: USD400 m		
Borrower	Republic of the Philippines		
Implementing Entity	Department of Finance		
Estimated date of loan closing	Q1 2024		
Contact Points:	AIIB	ADB	Borrower
Name	Anne Ong Lopez	Aekapol Chongvilaivan	Maria Edita Z. Tan
Title	Investment Operations Specialist - Transport	Senior Economist (Public Finance)	Undersecretary, Department of Finance
Email Address	anne.onglopez@aiib.org	achongvilaivan@adb.org	meztan@dof.gov.ph
Estimated Date of Concept Decision	Q4 2023		
Estimated Date of Appraisal Decision	Q4 2023		
Estimated Date of Financing Approval	Q4 2023		

Independent Accountability Mechanism	AIIB's Policy on the Project-affected People's Mechanism (PPM) addresses issues raised under AIIB's ESP, which does not apply to policy-based operations such as this one. Submissions to the PPM under the Program would, therefore, not be eligible for consideration by the PPM.
---	---