
LOAN NUMBER 9171-PH

Loan Agreement

(Philippines Customs Modernization Project)

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"). The Borrower and the Bank 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 eighty-eight million two hundred eighty thousand Dollars (\$88,280,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. 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.
- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower, through the Bureau of Customs ("BOC"), shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.
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ARTICLE IV —TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is its Secretary of Finance.

5.02. 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

(b) the Borrower's Electronic Address is:

Facsimile:	Email:
(63-2) 8523-9216	secfin@dof.gov.ph

5.03. 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:

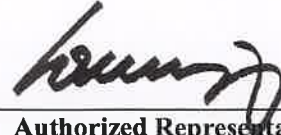
Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	PhilippinesCMU@worldbank.org



AGREED as of the Signature Date.

REPUBLIC OF THE PHILIPPINES

By



Authorized Representative

Name: CARLOS G. DOMINGUEZ

Title: Secretary of Finance

Date: DEC 03 2020



**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Ndiamé Diop

Title: Country Director

Date: DEC 03 2020

SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency of the Bureau of Customs and reduce trade costs.

The Project consists of the following parts:

Part 1 – Modernization of Customs Operations

1.1 *Customs Processing System*

Supporting the development, implementation, operation and maintenance by the BOC of a Custom Processing System (“CPS”) and related infrastructure, and strengthening of value-added functions, through:

- (a) customizing the CPS’ core functionalities to the BOC’s operating environment;
- (b) providing capacity building to relevant agencies in receiving, processing, and reconciling information for implementation, operation and maintenance of the CPS; and
- (c) operationalizing modern compliance management functions.

1.2 *Non-Intrusive Inspection Modernization*

Supporting the modernization of non-intrusive inspection, through:

- (a) setting up two (2) remote image analysis centers at BOC; and
- (b) providing technical assistance to BOC in developing a scanning usage policy, optimizing scanners deployment program, and managing and operating the modern non-intrusive inspection technology and process.

1.3 *Data Centers and Network Connectivity*

Upgrading BOC’s information and communications facilities for operationalization of CPS, remote image analysis centers, and back-office systems, through:

- (a) providing BOC’s offices with equipment and connectivity to link to the new systems; and
- (b) setting-up data centers to BOC in seismic and typhoon proof areas to serve as disaster recovery centers.

Part 2 – Organizational Development

2.1 Administrative Systems Enterprise Resource Planning System

Developing a back-office Enterprise Resource Planning System (“ERP”) for financial management, staff payroll, human resource management, and asset management solution.

2.2 Organizational Modernization

Providing technical and operational support for operating the modernized systems, through the development of: (a) an organizational model and staffing requirements; (b) a gender-informed and competency-based human resource management strategy; and (c) a training program to improve competencies required for BOC’s modernized organization.

Part 3 – Project Management and Implementation Support

Providing technical and operational support for: (a) strengthening quality assurance during the implementation of CPS and ERP; (b) analyzing gender-related data, and facilitating citizen engagement mechanisms; and (c) financial management, procurement, environmental and social safeguards management, and monitoring, reporting and evaluation.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower, through BOC, shall maintain, throughout the period of implementation of the Project, Project implementation structures at the national and sub-national levels, all with composition, functions, staffing and resources satisfactory to the Bank and set out in the Project Operations Manual ("POM").
2. Without limitation to foregoing, the Borrower, through BOC, shall:
 - (a) establish and thereafter maintain a Project Steering Committee, chaired by the Commissioner of the BOC, which shall be responsible, *inter alia*, for overseeing and facilitating coordination of the Project implementation;
 - (b) maintain a Project Management Unit within the BOC, which shall be responsible, *inter alia*, for the overall day-to-day implementation of the Project, including preparing annual work plans and budgets, procurement, financial management, environmental and social safeguards management, and monitoring and evaluation of the Project; and
 - (c) maintain a Project Supervision and Quality Assurance ("PSQA") Contractor on terms of reference and with qualifications acceptable to the Bank to provide quality assurance support for the implementation of the Project.

B. Project Operations Manual

The Borrower, through BOC, shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the POM (provided, however, that in the event of any conflict between the arrangements and procedures set out in the POM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and shall not amend, abrogate or waive any provision of the POM unless the Bank has provided its prior no-objection thereof in writing.

C. Annual Work Plans and Budgets

1. The Borrower, through BOC, shall prepare and furnish to the Bank for its no-objection not later than October 31 of each fiscal year during the implementation of the Project (or such later date as the Bank may agree), a consolidated Annual Work Plan and Budget ("AWPB") containing all Project activities and expenditures proposed to be included in the Project in the following fiscal year, including a specification of the sources of financing for all expenditures, and environmental and social safeguard measures taken or planned to be taken in accordance with the provisions of Part D of this Schedule.

2. The Borrower, through BOC, shall ensure that the Project is implemented in accordance with the AWPB accepted by the Bank for the respective fiscal year; provided, however, that in the event of any conflict between the AWPB and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. The Borrower, through BOC, shall not make or allow to be made any change to the AWPB without the prior written no-objection of the Bank.

D. Safeguards.

1. The Borrower, through BOC, shall ensure that:
 - (a) the Project is carried out with due regard to appropriate health, safety, social, and environmental standards and practices, and in accordance with the Safeguards Instruments;
 - (b) for each activity under the Project for which the Environmental and Social Management Framework (“ESMF”) provide for the preparation of a site-specific Environmental Management Plan (“EMP”):
 - (i) proceed to have such EMP: (A) prepared and disclosed in accordance with the ESMF; (B) consulted upon adequately with people affected by the Project as per the ESMF, and submitted to the Bank for review and approval; and (C) thereafter adopted, prior to implementation of the activity; and
 - (ii) take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such EMP in a manner satisfactory to the Bank.
2. The Borrower, through BOC, shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results could have environmental, social and health and safety implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Bank; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable Bank Safeguards Policies and EHS Guidelines.
3. The Borrower, through BOC, shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of Safeguard Instruments; (b) adopt and implement measures to assess and manage the risks and impacts of labor influx and workers’ camps; and (c) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures on environmental, social, health and safety, gender-based violence and violence against children; all as applicable to such civil works commissioned or carried out pursuant to said contracts.
4. Except as the Bank shall otherwise agree in writing, the Borrower, through BOC, shall ensure that none of the provisions of the Safeguard Instruments be abrogated, amended,

repealed, suspended or waived. In case of any inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

5. Without limitation upon its other reporting obligations under this Agreement, the Borrower, through BOC, shall:
 - (a) take all necessary measures on its part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, and promptly in a separate report whenever the Bank may require, information on the status of compliance with the Safeguards Instruments, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the Safeguards Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the Safeguards Instruments; and (iii) corrective and preventive measures taken or required to be taken to address such conditions;
 - (b) promptly furnish to the Bank a copy of each progress report prepared and submitted by any entity (including any engineer) supervising the Project's civil works, the Project's contractors and/or subcontractors; and
 - (c) promptly notify the Bank of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers.
6. The Borrower, through BOC, shall maintain and publicize, throughout Project implementation, the availability of a grievance mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower, through BOC, shall furnish to the Bank each Project Report not later than sixty (60) days after the end of each calendar semester, covering the calendar semester.

B. Mid-term Review

The Borrower, through BOC, shall: (a) on or about the date twenty-seven (27) months after the Effective Date, or such other period as may be agreed with the Bank, prepare and furnish to the Bank a mid-term report, in such detail as the Bank shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to Part A of this Section, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objectives during the period following such date; and (b) review with the Bank such mid-term report, on or about the date forty-five (45) days after its submission, and thereafter take all measures required to ensure the continued efficient

implementation of the Project and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the Bank's views on the matter.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, and Training under Parts 1 and 2 of the Project	81,700,000	100%
(2) Goods, non-consulting services, consulting services, Training, and Incremental Operating Costs under Part 3 of the Project	6,580,000	100%
TOTAL AMOUNT	88,280,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date; or
 - (b) under Category (1) unless the Borrower, through BOC, has: (i) established a Project Steering Committee with composition, functions, staffing and resources acceptable to the Bank; and (ii) appointed a PSQA Contractor on terms of reference and with qualifications acceptable to the Bank to provide quality assurance support for the implementation of the Project.
2. The Closing Date is June 30, 2025.

SCHEDULE 3

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 April 15 and October 15 Beginning October 15, 2031 through April 15, 2049	2.7%
On October 15, 2049	2.8%

APPENDIX

Definitions

1. “Annual Work Plan and Budget” and the acronym “AWPB” each means the plan and budget referred to in Section I.C of Schedule 2 to this Agreement; as said plan may be modified from time to time with the prior written no-objection of the Bank.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
3. “Bureau of Customs” or “BOC” means the Borrower’s bureau of customs established and operating under its Department of Finance.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “CPS” means the Customs Processing System.
6. “EHS Guidelines” means the World Bank Group Environmental, Health and Safety Guidelines published on www.ifc.org/ehsguidelines, as said guidelines are updated from time to time.
7. “Environmental and Social Management Framework” or “ESMF” means, environmental and social management framework prepared and adopted by the Borrower, through the BOC, satisfactory to the Bank, dated February 3, 2020 disclosed in-country, and the Bank’s website on March 2, 2020 setting out the principles, rules, guidelines and procedures to screen and assess the potential adverse environmental and social risks and impacts (including health and safety issues) of Project activities, including the risks of gender-based violence and sexual exploitation and abuse, adopt measures to avoid, reduce, mitigate or offset environmental and social adverse risks and impacts, including measures that endeavor to prevent and respond to gender-based violence, sexual exploitation and abuse, procedural, budget and institutional arrangements and actions needed to implement these measures, and information on the agency or agencies responsible for addressing the Project’s risks and impacts; as well as for the preparation of Environmental Management Plans, as such framework may be amended by the Borrower, through the BOC, from time to time, with the prior written agreement of the Bank.
8. “Environmental Management Plan” or “EMP” means the instrument to be prepared for a site-specific activity under the Project, as applicable in accordance with the procedures and requirements under the ESMF, satisfactory to the Bank, which details: (a) the measures to be taken during the implementation and operation of the said activity to avoid, minimize, mitigate or offset adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, as said instrument may be amended from time to time with the Bank’s prior written agreement; and “EMPs” means, collectively, all such EMP.

9. "ERP" means the BOC's Enterprise Resource Planning System.
10. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated December 14, 2018.
11. "Incremental Operating Costs" means the incremental operating costs of the Project, considered to be reasonable by the Bank and included in an Annual Work Plan and Budget, incurred by BOC for purposes of Project management, implementation, and monitoring and evaluation on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, office space rental, building and equipment maintenance, domestic and international travel, lodging, and subsistence allowances, and salaries and salary supplements of contractual and temporary staff, but excluding salaries, salary supplements and overheads of members of the Borrower's civil service.
12. "Procurement Regulations" means, for purposes of paragraph 85 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.
13. "Project Management Unit" means the unit established by the Borrower, through the BOC, for the Project pursuant to BOC's Customs Special Order 43-2020 dated May 4, 2020 and referred to in Section I.A.2(b) of Schedule 2 to this Agreement.
14. "Project Operations Manual" or "POM" means the manual adopted by the Borrower, through BOC, dated August 27, 2020 for the implementation of the Project referred to in Section I.B of Schedule 2 to this Agreement, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) disbursement and financial management; (c) procurement; (d) environmental and social safeguard implementation measures; (e) monitoring and evaluation, reporting and communication; (f) an integrity action plan, and (g) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; as said manual may be modified from time to time with the prior written approval of the Bank, and such term includes any schedules to such manual.
15. "Project Steering Committee" means the committee to be established by the Borrower, through the BOC, for the Project as referred to in Section I.A.2(a) of Schedule 2 to this Agreement.
16. "PSQA Contractor" means a Project Supervision and Quality Assurance Contractor referred to in Section I.A.2(c) of Schedule 2 to this Agreement, or any successor thereto which the Bank has confirmed in writing is acceptable for the purposes of providing quality assurance support for the Project.
17. "Safeguard Instruments" means collectively, the ESMF and any site-specific EMPs; and "Safeguard Instrument" means any of such Safeguards Instruments.
18. "Safeguard Policies" means, the Operational Policies (OPs) and Bank Procedures (BPs) of the Bank, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural

Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams); they can be found at <https://policies.worldbank.org>.

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. “Training” means the reasonable costs of training under the Project, based on the Annual Work Plans and Budgets, and attributable to seminars, workshops, and study tours, along with domestic and international travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.