Dear President MALPASS:

The national development objectives of the Government are anchored on the collective long-term vision *Ambisyon Natin 2040*, which envisions a strongly-rooted, comfortable, and secure life for Filipinos by 2040. The Philippine Development Plan (PDP) 2017-2022 is the first plan that is guided by the *Ambisyon Natin 2040*, and is focused on laying a stronger foundation for inclusive growth, a high-trust society, and a globally-competitive economy. Specifically aligned with the thrust to expand economic opportunities, reduce vulnerability of individuals and families and ensuring sound macroeconomic policy, the Government has embarked on several high-impact reform measures that underpin our request for a new development policy loan (DPL) series on Promoting Competitiveness and Enhancing Resilience to Natural Disasters.

This development policy letter outlines our reform program under the new DPL series and expresses our interest in obtaining a USD400 million budget support loan to sustain progress already achieved under the first DPL subprogram (DPL1), and fund Government operations and priority reforms. The program highlights reforms aimed at (i) promoting competitiveness; (ii) enhancing fiscal sustainability; and (iii) enhancing resilience to natural disasters and climate change. It envisions a three-part program supported by three (3) DPL subprograms to be undertaken starting this year until 2022, providing for a strategic timeframe from where the present administration can lay strong foundations which the succeeding policy makers can further build on.

During the period for the DPL1, the Government was able to enact competitiveness reforms, such as the passage of landmark legislations and issuance of their respective implementing rules and regulations: (i) the Republic Act No. 11032 otherwise known as the Ease of Doing Business and Efficient Government Services Delivery Act – a legislation that will cut excessive bureaucratic red tape and address corruption and accountability within the government through streamlined processing of permits and other requirements; (ii) the Republic Act No. 11203 or the Rice Tariffication Law which seeks to provide affordable rice prices for consumers while raising the income of rice farmers; (iii) the Republic Act No. 11055 or the Philippine Identification
System Act that will provide a valid proof of identity as a citizen, as a means of simplifying public and private transactions, promote seamless service delivery, and strengthen financial inclusion; and (iv) the Republic Act No. 11127 or the National Payment Systems Act establishing an institutional framework to promote the safety and efficiency of payments systems. The succeeding subprograms of the present DPL series will further support the implementation of these legislations.

For the second pillar, the Government continues programs aimed at enhancing fiscal sustainability such as mandating national government agencies to adopt the Budget and Treasury Management System (BTMS) for transactions exceeding PhP1 million; and increasing excise taxes on tobacco and penalties for illicit trade through enactment of the Package 2+ of the Comprehensive Tax Reform Program. Initiatives that will further enhance and complement these measures are also under way and expected to be delivered within the DPL subprogram 2 period.

Further, to strengthen financial resilience to natural disasters and impacts of climate change, the Government introduces reform actions including the establishment of a standing body that will formulate and recommend public asset management policies; strengthening of the Insurance Commission’s supervisory and regulatory capacity to ensure a sustainable insurance and reinsurance market; and implementation of a risk layering strategy by setting up a combination of financial instruments to cost-efficiently meet funding needs during disasters of different frequencies and severities.

The measures presented as part of the DPL series comprise a key subset of the wider measures we are implementing in the context of the Ambisyon Nation 2040 and the PDP 2017-2022. The Government remains steadfast in fulfilling its commitment to promote competitiveness, and enhance fiscal sustainability and financial resilience to disasters through the succeeding DPL subprograms and other key avenues. We look forward to the Bank’s continued support in this endeavor and in meeting the Government’s overall development agenda.

Very truly yours,

CARLOS G. DOMINGUEZ
Secretary of Finance
NOV 13 2019
For: RONG QIAN
Senior Economist
World Bank Office Manila
26F One Global Place
Bonfacio Global City, Taguig City

Subject: Promoting Competitiveness and Enhancing Resilience to Natural Disasters Subprogram 1 Development Policy Loan

1 Original Set:
   a) Signed Minutes of Technical Discussions
   b) Attachment 1: List of Participants
   c) Attachment 2: Initialed Draft Loan Agreement
   d) Attachment 3: Signed Loan Choice Worksheet
   e) Attachment 4: List of Evidence for Prior Actions