Mr. Lawrence Jeff Johnson  
Director  
ILO Country Office for the Philippines  
19th Floor, Yuchengco Tower RCE Plaza  
6819 Ayala Avenue, Makati City  
120 Philippines  

Dear Mr. Johnson:  

Republic of the Philippines. Mindanao Multi-Donor Trust Fund under the Mindanao  
Reconstruction and Development Program  
Mindanao Reconstruction and Development Project  
Grant No. TF013118  

I am writing on behalf of the International Bank for Reconstruction and Development  
(“Bank”) to indicate the Bank’s agreement, as administrator of grant funds provided by various  
donors (“Donor(s)”) under the Mindanao Reconstruction and Development Program Multi-donor  
Trust Fund, to make a grant in an amount not exceeding two million fifty-one thousand and fifty-nine  
United States Dollars (US$2,051,059) (“Grant”) to the International Labour Organization  
(“Recipient”) for the benefit of the Republic of the Philippines (“Member Country”), to support the  
implementation of the project described in the Annex (“Project”).  

The Grant is made in response to the Recipient’s request for financial assistance and for  
the purposes and on the terms and conditions set forth in the Annex to this Letter Agreement.  
Without limiting the generality of the foregoing, these terms and conditions include those of that  
certain Financial Management Framework Agreement between the World Bank and the United  
Nations, dated March 10, 2006 (“Financial Management Framework Agreement”), which are  
incorporated in this Letter Agreement to form a part hereof as if they were recited at length herein.  
The Recipient, by countersigning this Letter Agreement, acknowledges that it has received a copy  
of the Financial Management Framework Agreement and, if the Recipient was not an original  
party thereto, agrees that it is bound by the terms of the Financial Management Framework  
Agreement as if the Recipient had been an original party thereto. The Recipient represents, by  
confirming its agreement below, that (i) it is authorized to contract and withdraw the Grant for the  
said purposes and on the said terms and conditions, and (ii) the references in sub-paragraphs (a) and  
(d) of paragraph 5 of the Annex to this Letter Agreement to the Recipient’s financial regulations  
and rules are complete and accurate, and the Recipient makes this representation knowing that the  
Bank shall rely on it for purposes of deciding to make the Grant.  

This Grant is funded out of the abovementioned trust fund for which the Bank receives  
periodic contributions from the Donors. The Bank’s payment obligations in connection with this  
Agreement are limited to the amount of funds made available to it by the Donors under the  
abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to  
the availability of such funds. Accordingly, the Bank shall not have any liability whatsoever to  
the Recipient or to any third parties in respect of any expenditures or liabilities incurred in
connection with the Letter Agreement which exceed the amount made available to the World Bank for the purposes of the Grant.

Please note that it is the Bank's policy to make publicly available this Letter Agreement and any information related thereto, after this Letter Agreement has become effective and the Recipient has given its consent to such disclosure. The Recipient, by countersigning this Letter Agreement, confirms its consent to such disclosure.

Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by the Bank of the original of this Letter Agreement countersigned by you, this Letter Agreement will become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: Motoo Konishi
Country Director, Philippines
East Asia and Pacific Region

AGREED:
INTERNATIONAL LABOUR ORGANIZATION

By:

Name: Lawrence Jeff Johnson
Title:
Date: 3/10/14
ANNEX

Purposes, Terms, and Conditions of the Grant

1. Purpose and Activities

1.1. (a) The purpose of the Grant is to contribute to confidence and peace building efforts in conflict-affected areas in Mindanao, including the Autonomous Region in Muslim Mindanao, through demonstration of a model of local economic development and capacity building of the key local development agency, namely the Bangsamoro Development Agency ("BDA").

(b) The activities ("Activities") for which the Grant is given are as follows:

(i) Creation of sustainable livelihood opportunities centering on the development of community-based enterprises with higher level market linkages and enhanced support networks and services. This activity will include stakeholder inclusion, identification of priority sectors, training, including skills development, on-the-job training and job placement.

(ii) Capacity building of BDA, to implement, monitor, evaluate and upscale livelihoods interventions by developing networks and partnerships with national, regional, local, public and private institutions. This activity will include technical assistance and training activities focused on strengthening the leadership capacity of BDA to assume increasing responsibility for project implementation.

(iii) Enhancing community ownership of interventions, such as livelihoods interventions and community-based enterprises designs and implementations. This activity will involve participatory and consultative approaches, including engaging local communities and beneficiaries, social partners (employers and worker groups), relevant national and regional government offices, and NGOs.

2. Implementation General:

2.1. The Recipient shall: (a) carry out the Activities with due diligence and efficiency, in accordance with the provisions of this Annex and 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 the Operations Manual which shall be prepared by the Recipient no later than six (6) months after the countersignature date of this Agreement setting out Project implementation arrangements, including the selection criteria for target areas and beneficiaries; (b) promptly provide the funds, facilities, services and other resources required for that purpose; (c) furnish all information covering the Activities and the use of the proceeds of the Grant as the Bank shall reasonably request; (d) from time to time exchange views with the Bank's representatives on the progress and results of the Activities; (e) use its reasonable best efforts with the authorities of the Republic of the Philippines to enable the Bank to visit the territory of the Republic of the Philippines for purposes related to the Grant; and (f) cause all goods and services financed out of the proceeds of the Grant to be used exclusively for the purposes of the Grant. Without limitation on the foregoing, the Recipient shall, if the Bank shall so request, prepare and furnish to the Bank promptly upon completion of the Activities a report, in form and substance satisfactory to the Bank, on the results and impact of the Activities.
3. **Procurement**

3.1. Except as the Bank shall otherwise agree, procurement of the goods, non-consulting services and consultants’ services required for the carrying out of the Activities and to be financed out of the proceeds of the Grant shall be governed by the provisions of Attachment I to this Annex, as said provisions may be further elaborated in a procurement plan approved by the Bank (“Procurement Plan”), covering the initial twelve (12) months (or longer) period of implementation of the Activities. The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank’s approval.

3.2. The Recipient shall ensure that all imported goods to be financed out of the proceeds of the Grant shall be insured against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and that any indemnity for such insurance is payable in a freely usable currency to replace or repair such goods. The Recipient shall ensure that any facilities relevant to the Activities are at all times operated and maintained in accordance with appropriate practices and that any repairs or renewals of such facilities are promptly made as needed.

4. **Withdrawal of Grant Proceeds**

4.1. The amount of the Grant shall be credited to an account opened by the Bank on its books in the name of the Recipient (“Grant Account”), and may be withdrawn therefrom by the Recipient in accordance with the provisions of this paragraph 4, for expenditures in respect of the reasonable cost of goods and services required for the Activities and to be financed out of the proceeds of the Grant (sometimes hereinafter referred to as “eligible expenditures”). Withdrawals from the Grant Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Agreement.

4.2. The table below sets forth the Category of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to the Category, and the percentage of expenditures for items so to be financed in the Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (in US Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, consultants’ services, Training and Incremental Operating Cost</td>
<td>2,051,059</td>
<td>100%</td>
</tr>
</tbody>
</table>

**TOTAL** | 2,051,059 |

For the purposes of this paragraph, the term “Incremental Operating Cost” the reasonable costs of incremental expenditures under the Project, incurred by the Recipient for purposes of Project management, implementation, and monitoring and evaluation, on account of utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, public awareness-related publicity and media expenses, travel and subsistence, and salaries of contractual and temporary staff.
4.3. Notwithstanding the provisions of paragraph 4.2 above:

(a) No withdrawals shall be made from the Grant Account for payments made for expenditures prior to the date of signature of this Letter Agreement by the Bank.

(b) The Recipient may withdraw amounts of the Grant only to the extent that such amounts are available to the Bank from the Donors for the purposes of the Grant.

(c) No withdrawals shall be made from the Grant Account after December 31, 2015 or such later date that the Bank shall establish by notice to the Recipient ("Closing Date"). However, withdrawals may be made after the Closing Date for expenditures incurred prior to the Closing Date if the corresponding withdrawal application is received by the Bank within four (4) months after the Closing Date, after which time any amount of the Grant remaining unwithdrawn from the Grant Account shall be canceled.

(d) The use of any proceeds of the Grant to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the Grant, or on their importation, manufacture, procurement or supply, is subject to the Bank’s policy of requiring economy and efficiency in the use of the proceeds of grants such as this Grant. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any good or services to be financed out of the proceeds of the Grant is excessive or otherwise unreasonable, the Bank may, by notice to the Recipient, adjust the percentage of financing of such goods or services set forth in the table in paragraph 4.2 above.

4.4. When the Recipient shall desire to withdraw any amount from the Grant Account, it shall deliver to the Bank a written application for withdrawal of such amount in the form specified by the Bank. Withdrawal applications shall be: (a) signed on behalf of the Recipient by the Director, or such other person as he or she shall have authorized in writing; and (b) accompanied by such evidence in support of the application as the Bank shall reasonably request. Authenticated specimen signatures of the person authorized to sign withdrawal applications shall be provided with the first application bearing his or her signature. Each withdrawal application for an amount of the Grant and its supporting evidence must be sufficient in form and substance to satisfy the Bank that the Recipient is entitled to withdraw such amount from the Grant Account and that such amount is to be used in the carrying out of the Activities. The Bank shall pay the amounts withdrawn by the Recipient from the Grant Account only to or on the order of the Recipient.

4.5. Withdrawals from the Grant Account shall be made on the basis of the interim unaudited financial reports referred to in paragraph (c) of Section 5 and under such other terms and conditions as the Bank shall specify by notice to the Recipient contained in the Disbursement Letter addressed or to be addressed by the Bank to the Recipient for purposes of the Grant.

4.6. Withdrawals of the proceeds of the Grant shall be made in the currency of the Grant. The Bank, at the Recipient’s request and acting as an agent of the Recipient, shall purchase with the currency of the Grant withdrawn from the Grant Account such currencies as shall be required to pay for expenditures to be financed out of the proceeds of the Grant. Whenever it shall be necessary, for the purposes of this Letter Agreement, to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Bank.
5. **Accounts and Audits**

(a) The Recipient shall maintain or cause to be maintained a financial management system, including records and accounts, adequate to reflect the transactions related to the Activities, in accordance with the requirements of the document: International Labour Organization Financial Rules and Regulations¹ (hereinafter referred to as the Financial Regulations).

(b) The Recipient shall maintain in a separate account in its records ("Grant Control Account") a complete, true and faithful record of all the advances from the proceeds of the Grant and of all the expenditures paid from such advances.

(c) The Recipient shall prepare, on a semi-annual basis, interim unaudited financial reports, in accordance with accounting standards established pursuant to the Financial Regulations and in the format agreed with the Bank, adequate to reflect the operations, resources and expenditures related to the Activities. The first said interim unaudited financial reports shall be furnished to the Bank no later than sixty (60) days after the end of the first calendar semester (30 June or 31 December) after the effectiveness of this Letter Agreement, and shall cover the period from the incurrence of the first expenditure under the Grant through the end of such first calendar semester; thereafter, each interim unaudited financial report shall be furnished to the Bank not later than sixty (60) days after each subsequent calendar semester, and shall cover such semester.

(d) The Recipient shall ensure that the audit of the Activities is governed by: (i) Chapter VIII and IX of the Financial Regulations and Chapter XIV of the Financial Rules² and (ii) the Financial Management Framework Agreement.

(e) The Recipient shall retain, until at least one (1) year after the Bank has received the final interim unaudited financial report referred to in paragraph (c) of this Section 5 covering the semester in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing all expenditures in respect of which withdrawals from the Grant Account were made.

6. **Suspension and Cancellation**

6.1 The Bank may at any time, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals from the Grant Account if any of the following events has occurred and is continuing: (a) the Recipient has failed to comply with any of its obligations herein specified; or (b) the right of the Recipient or the Member country, or any other entity to which the Bank has made a loan with the guarantee of the Member country, to make withdrawals under any loan agreement with the Bank or any development credit, grant or financing agreement with the International Development Association has been suspended; or (c) if, by notice sent jointly to the United Nations and the Recipient pursuant to paragraph (iv) of Section 9 of the Financial Management Framework Agreement, the Bank confirms that it reasonably believes the actions taken previously in accordance with said Section 9 have not been sufficient to fulfill its fiduciary obligation to ensure that the proceeds of the Grant were used for eligible expenditures; or (d) if, by notice sent jointly to the United Nations and the Recipient pursuant to sub-paragraph (a) of paragraph (iii) of Section 10 of the Financial Management Framework Agreement, the Bank confirms that alternative financial management arrangements mutually acceptable to the Bank and the relevant UN Organization were not reached within the period stipulated therein; or (e) if the Bank determines at any time that a

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reference in sub-paragraph (a) or (d) of paragraph 5 of the Annex to this Letter Agreement to the Recipient’s financial regulations and rules is incomplete or inaccurate in any material respect.

6.2 The Bank may, by written notice to the Recipient, terminate the right of the Recipient to make further withdrawals from the Grant Account: (a) at any time after the right of the Recipient to make withdrawals from the Grant Account has been suspended pursuant to the provisions of paragraph 6.1 above; or (b) if the Recipient has failed to take action, satisfactory to the Bank, within six months after the effective date of this Agreement, to carry out the Activities.
Section I. General

A. All goods and non-consulting services shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), and with the provisions of this Attachment.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”), and with the provisions of this Attachment as the same may be elaborated in the Procurement Plan referred to in paragraph 3.1 of this Letter Agreement.

C. The capitalized terms used below in this Attachment to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods and Non-consulting Services

Shopping. Goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping.

Section III. Particular Methods of Procurement of Consultants’ Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. Other Procedures

The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (1) Quality-based Selection; (2) Selection under a Fixed Budget; (3) Least Cost Selection; (4) Selection based on Consultants’ Qualifications; (5) Single-source Selection of consulting firms; (6) Selection of Individual Consultants; and (7) Single-source procedures for the Selection of Individual Consultants.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan referred to in paragraph 3.1 of this Letter Agreement shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.
FOR INTERNAL USE ONLY, PLEASE DO NOT TRANSMIT.

Prepared by and cc: S. Berhanu (LEGES)

Cleared by and cc: M. Hrishtov (LEGES); R. Ramakrishnan (TACT); E. Onyenuma (CTRLD); O. Dione (EASPS); EAPVP

bcc: M. Konishi, C. Kanda, Y. Azarcon, L. Magdamo, V. Abrigo, M. Celestial (EACPF); S. Musiime (LEGES); M. Oliveira (CTRLD); M. Hollifield, X. Guo (EACPQ); J Roome, M. Stephens, R. Tordecilla, G. Parco, L. Soliven (EASPS); T. Sta. Maria (EASFm); R. Manuel (EASR1); TACT; R. Iyer (EASOS); CTRLN-Manila; MTF Secretariat Files; WBDocs P095173, Crossfile TF013118, TF054035