September 14, 2016

Honorable Carlos G. Dominguez
Secretary
Department of Finance
6th Floor, DOF Building
Roxas Boulevard, Manila

PHILIPPINES: Second Philippines Extractive Industries Transparency Initiative Support Project - Grant No. TF0A2761
Grant Agreement

Dear Secretary Dominguez:

In response to the request for financial assistance made on behalf of the Republic of the Philippines ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by Australia, Germany, Finland, Norway and Switzerland ("Donors") under the Multi-Donor Extractive Global Programmatic Support, proposes to extend to the Recipient, a grant in an amount not to exceed one million five hundred thousand United States Dollars (U.S.$1,500,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World 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.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
This Letter Agreement replaces and supersedes the letter dated July 11, 2016 on the same matter signed by the World Bank, which is hereby declared null and void. Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Mara K. Warwick
Country Director, Philippines
East Asia and Pacific Region

AGREED:
REPUBLIC OF THE PHILIPPINES

By_____________________
Authorized Representative

Name: Carlos G. Dominguez
Title: Secretary
Date: 24 October 2016

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
cc: Hon. Salvador Medialdea, Executive Secretary, Office of the President
Hon. Ernesto Pernia, Secretary for Socio-Economic Planning and Director-General, National Economic and Development Authority
Hon. Benjamin Diokno, Secretary, Department of Budget and Management
Hon. Ismael Sueno, Secretary, Department of the Interior and Local Government
Mr. Roberto Tan, National Treasurer, Bureau of Treasury
Mr. Rolando Tungpalan, Deputy Director-General, National Economic and Development Authority
Ms. Laura Pascua, Undersecretary, Department of Budget and Management
Mr. Austere Panadero, Undersecretary, Department of Interior and Local Government
Ms. Maria Edita Tan, Assistant Secretary and Officer-in-Charge, International Finance Group, Department of Finance
Ms. Stella Laureano, Director, Department of Finance
Mr. Herminio Runas Jr., Director, Department of Finance
Mr. Jonathan Uy, Director, National Economic and Development Authority
Mr. Roderick Planta, Director, National Economic and Development Authority
Mr. Otaviano Canuto, Executive Director for the Philippines, World Bank Group
Ms. Rosalia de Leon, Alternate Executive Director for the Philippines, World Bank Group
EGPS Grant No. TF0A2761
ANNEX

Article I
Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(i) “CSO” means a civil society organization legally established and operating in the Recipient’s territory and selected according to criteria agreed between the Recipient and the World Bank; and the “CSOs” means the plural thereof;

(ii) “EITI” means extractive industry transparency initiative;

(iii) “MSG” means the Recipient’s multi-stakeholder group established pursuant to Executive order No. 147, Section 2;

(iv) “National Secretariat” means the National Secretariat within the Department of Finance of the Recipient, to be maintained by the Recipient pursuant to paragraph 2.03 of this Annex to management day-to-day implementation of the Project;

(v) “Operating Costs” means the reasonable and documented expenditures incurred by the Recipient on account of the Project implementation, monitoring and evaluation, which expenditures would not have been incurred absent the Project, including costs for office supplies, repair of equipment and vehicles, staff travel, rental of office space, fuel costs, and cost of contractual staff, but excluding salaries of the Recipient’s civil servants;

(vi) “Training and Workshops” means the costs associated with training and workshop participation of personnel involved in Project supported activities, including travel and subsistence costs for training participants, rental of training facilities, preparation and reproduction of training workshop materials, and other costs directly related to training courses and workshops; and

(vii) “TWG” means technical working group established pursuant to Executive Order No. 147, Section 8.

Article II
Project Execution

2.01. Project Objectives and Description. The objectives of the Project are to enhance transparency and accountability in the management of the Recipient's mineral and hydrocarbon wealth through an inclusive and sustainable EITI process. The Project consists of the following parts:

Part 1: Improving public understanding of the management of material and hydrocarbon resource reserves

a. Development, production and dissemination of the third and fourth EITI Reports, including the development/circulation of reporting templates, production of summary reports, translations, printing, and national launch conference.

b. Dissemination of print and visual media campaigns on EITI implementation through broadcast and print media.

c. Organization of events to increase understanding on specific themes in resource wealth management in the Philippines, including round tables, press conferences, conferences and workshops.

d. Maintenance and further development of EITI website and social media campaigns, as well as integration of EITI's ongoing open contracts portal, and other potential open data tools.

Part 2: Capacity-building activities for the MSG, TWG, National Secretariat and other EITI stakeholders

Building capacity of MSG, TWG, National Secretariat, and other EITI stakeholders, on EITI implementation, including conducting report analysis workshops, communication and public engagement training, international outreach, training of local-level stakeholders (government, regional offices, community groups and industry), and capacity building specific to MSG and National Secretariat staff.

Part 3: Strengthening the long-term sustainability of the EITI process

a. Developing capacity for stakeholders to implement the EITI and to develop issue-specific studies on emerging EITI focus areas (inter alia, beneficial ownership disclosures and artisanal small-scale mining transparency), including financing of logistics costs for regular MSG meetings and other fora;

b. Development of draft legislation reflecting best practices in EITI implementation via an inclusive and transparent consultative process.

Part 4: Project Administration through the National Secretariat

Provision of technical and operational support for the day-to-day management of Project activities.
2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project, through its National Secretariat, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** (a) The Recipient shall maintain the National Secretariat throughout the period of Project Implementation, with functions and resources satisfactory to the World Bank, and with competent staff in adequate numbers, for the purposes of carrying out day-to-day implementation of the Project, and for ensuring close cooperation with CSOs and MSGs.

   (b) The Recipient shall ensure that the terms of reference for any consultants’ services in respect of any activity under the Project shall be satisfactory to the World Bank following its review thereof, and to that extent, such terms of reference shall duly incorporate applicable environmental and social standards equivalent to the World Bank Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

   (c) The Recipient shall ensure that the proceeds of the Grant are not used for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import, to the Recipient’s knowledge or belief, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and relevant resolutions.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

   (b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor(s) to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

   (b) The performance indicators referred to above in paragraph (a) consist of the following:

      (i) Production and dissemination of the third and fourth EITI reports by December 2016 and December 2017, respectively, in accordance with the EITI Standard.
(ii) Maintenance of a well-functioning and capable multi-stakeholder group that is well-informed about the EITI process, and supports the promotion of transparency and accountability in the sector.

(iii) Legislation strengthening transparency and accountability in the management of mineral resource wealth in the Philippines is developed and submitted for approval by the Recipient’s national congress.

(iv) Public access to extractives information is improved and the findings of EITI reports and complementary products are widely and effectively communicated to the general public.

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

(d) The Recipient shall: (i) prepare and furnish to the World Bank for its approval, not later than November 30 of each year during the implementation of the Project, an annual work and financial plan containing all eligible Project activities and expenditures planned for the following fiscal year of the Borrower, including the expenditures to be financed by the Recipient; (ii) ensure that the Project is implemented in accordance with the approved annual work and financial plans; provided, however, that in case of any conflict between the annual work and financial plans and the provisions of this Agreement, the provisions of this Agreement shall prevail; and (iii) not make or allow to be made any change to the approved annual work and financial plan without prior approval in writing by the World Bank.

2.07. **Procurement**

(a) **General.** All goods, non-consultant services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(ii) 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 (revised July 2014) (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described 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.

(c) Particular Methods of Procurement of Goods and Non-consultants Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures referred to in the Attachment to this Annex.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consultant services, consultants’ services, Training and Workshops, and Operating Costs</td>
<td>1,500,000</td>
<td>46%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,500,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2018.

Article IV
Recipient’s Representative; Addresses

4.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Secretary of Finance.

4.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Department of Finance
Department of Finance Building
Bangko Sentral Complex
Roxas Boulevard
Manila, Philippines
4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

**Telex:**  
248423 (MCI) or 64145 (MCI)

**Facsimile:**  
(63-2) 523-9216  
1-202-477-6391
ATTACHMENT TO THE ANNEX

Additional National Competitive Bidding Provisions

The procedures to be followed for the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those set forth in the Philippine Procurement Law (RA 9184), subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the "Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 and revised July 2014 ("the Procurement Guidelines") and the following provisions:

(a) eligibility screening shall not be applied, provided however that bids that do not contain any of the following documents shall not pass the documentary compliance check: (i) evidence of the required financial, technical or production capability; (ii) audited financial statements; (iii) credit line or cash deposit certificate; (iv) bid security; and (v) authority of the bid signatory;

(b) a ceiling may be applied to bid prices provided the following conditions are met: (i) bidding documents are obtainable free of charge on a freely accessible website; (ii) the agency has procedures in place to ensure that the Approved Budget for Contract (ABC) is based on Engineer’s Estimate; (iii) the agency has trained cost estimators on estimating prices and analyzing bid variance; and (iv) the agency has established a system to monitor and report bid prices relative to ABC and Engineer’s Estimate;

(c) domestic or regional preferences shall not be applied in the evaluation of bids, and other preference in effect in the Philippines shall not be used except with prior concurrence of the Bank;

(d) foreign suppliers and contractors shall be allowed to participate, if interested, without first being required to associate with, or enter into joint venture, with local firms, and foreign bidders shall be allowed to bid, even without registration, licensing, and other government authorizations, leaving these requirements for after award and before signing of contract;

(e) alternative procurement methods defined in the implementing rules and regulations such as Limited Source Bidding, Direct Contracting and Shopping as acceptable, and the use of the other alternative methods shall require prior Bank concurrence; and

(f) the e-bulletin board, e-catalogue of prices, subscriber’s registry and e-payments features of the Recipient’s government electronic procurement system (PhilGEPS) may be used with prior Bank concurrence as described in the PIP.