Honorable Jejomar C. Binay  
Vice President, Republic of the Philippines  
and Chairman, Housing and Urban Development Coordinating Council  
Manila, Philippines

Re: Philippines: Cities Alliance Multi-Donor Trust Fund: Development of the  
National Slum Upgrading Strategy  
Grant No. TF099881

Dear Vice President Binay:

In response to the request for financial assistance made on behalf of the Republic of the Philippines (the “Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (collectively, the “World Bank”), acting as administrator of grant funds provided under the Cities Alliance Multi-Donor Trust Fund proposes to extend to the Recipient, a grant in an amount not to exceed four hundred fifty five thousand United States Dollars (US$455,000) (the “Grant”) on the terms and conditions set forth or referred to in this letter agreement (the “Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (the “Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds 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.

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. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

/s/ Zoubida Allaoua  
Director  
Finance, Economics and Urban Development Department  
Sustainable Development Network
AGREED:

REPUBLIC OF THE PHILIPPINES

By: /s/ Jejomar C. Binay
Title: Vice President, Republic of the Philippines
and Chairman, Housing and Urban Development Coordinating Council

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 ("Standard Conditions") constitute an integral part of this Agreement.

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.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to develop a national slum upgrading strategy to guide the national government and local government units (LGUs) in the preparation and implementation of effective policies and programs on slum upgrading.

The Project consists of the following parts and the Project activities will be undertaken in three phases, described as follows:

(A) **Phase 1. Preparatory Activities**

   (i) Develop the readiness of institutions involved in the Project.

   (ii) Establish the Project implementation arrangements.

   (iii) Conduct a preparatory workshop to launch the Project.

   (iv) Obtain local and global insights that could feed into the design and implementation of the different Phases of the Project.

(B) **Phase 2. Comprehensive Assessment**

   Review the conditions, issues, opportunities and risks confronting slum communities to provide the necessary information and serve as anchor for the formulation of a national slum upgrading strategy, including carrying out inventory and assessment of policies, programs, processes and institutions and inventory and assessment of slum issues. Based on such reviews and assessments, establish the baseline information and prepare a comprehensive report about Philippine slum communities and serve as reference for further interventions related to slum upgrading.

(C) **Phase 3. Strategy Formulation**

   Formulation of the national slum upgrading strategy taking into account the findings and recommendations of the comprehensive assessment report under Phase 2, including the preparation of the final version of the national slum upgrading strategy, presentation of the draft and final versions of the national slum upgrading strategy to the Philippine urban consortium and concerned stakeholders, development of a communications plan and a national slum upgrading...
strategy community of practice website; and the conduct of regional presentations and investment forum with development partners and private sector organizations.

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 the Housing and Urban Development Coordinating Council 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.  **Implementation Arrangements.** The Recipient shall, ensure that the national slum upgrading strategy that will be prepared under the Project include appropriate safeguards to mitigate any adverse environmental and/or social impacts.

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, 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 (i.e., activities, results and deliverables) agreed with the World Bank. Each Project Report shall cover the period of one (1) calendar semester and clearly specify the activities, results, and deliverables achieved for such period, and shall be furnished to the World Bank not later than forty-five (45) calendar days after the end of the period covered by such report.

(b) 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 (6) months after the Closing Date. The Recipient shall furnish to the World Bank a copy of all deliverables produced under the Project. If the deliverable is a conference or workshop, the Recipient shall provide the World Bank with an agenda of the event and any reports or papers resulting from the event on a timely basis as agreed with the World Bank. The World Bank may make these deliverables available to Cities Alliance members. The Cities Alliance shall be clearly identified as a sponsor on all Project deliverables.

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 as part of the Project Report not later than forty five (45) days 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 audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for
each period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods 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 (“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 Section 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.** Goods shall be procured under contracts awarded on the basis of 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 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 under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) 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) Consultant Services, Training and Audit Costs</td>
<td>425,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Administrative Costs</td>
<td>30,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>455,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

For the purpose of this Section 3.01, the terms: (i) “Training” means the costs associated with training, workshops and seminars carried out under the Project, including travel and subsistence costs for participants, fee and travel costs associated with speakers and trainers, rental of facilities, preparation and reproduction of materials as well as related meetings, and other costs directly related to training and workshop preparation and implementation; and (ii) “Administrative Costs” means the incremental costs directly related to the implementation, management and monitoring of the Project (which expenditure would not have been incurred absent the Project), such as expenditure for travel and per diem of Project staff linked to the implementation of the Project, communication expenses, and salaries of Project staff.

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 of 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, 2012.

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.
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 Blvd.
- Manila, Philippines

  **Cable address:** SECFIN  
  **Facsimile:** (63-2) 526-9990
  **Cable:** Manila  
  **Facsimile:** (63-2) 523-9216

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
- International Development Association
- 1818 H Street, N.W.
- Washington, D.C. 20433
- United States of America

  **Cable:** INTBAFRAD  
  **Telex:** INDEVAS 248423 (MCI) or 1-202-477-6391
  **Cable:** INTBAFRAD  
  **Telex:** INDEVAS 64145 (MCI)