Australia-World Bank Philippines Development Trust Fund
Grant Agreement

(Co-financing for Kapitbisig Laban sa Kahirapan-
Comprehensive and Integrated Delivery of Social Services Project) 
(KALAHI-CIDSS)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION 
AND DEVELOPMENT
acting as Administrator of the Australia-World Bank Philippines Development Trust Fund

Dated May 30, 2012
AGREEMENT dated May 30, 2012, entered into between: REPUBLIC OF THE PHILIPPINES ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as administrator of grant funds provided by the Government of Australia, represented by the Australian Agency for International Development ("Donor") under the Australia-World Bank Philippines Development Trust Fund, for the purpose of co-financing certain activities under the Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS).

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank out of Various Funds, dated February 15, 2012 ("Standard Conditions"), constitute an integral 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 Standard Conditions, the Loan Agreement for the Additional Financing or in Appendix to this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objective of the Project described in Schedule 1 to this Agreement (the "Project"). To this end, the Recipient shall carry out the Project through DSWD, in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to ten million United States Dollars (US$10,000,000) ("Grant") to assist in co-financing Sub-projects and advisory services related to the construction of day care centers and school buildings/classrooms, as described in Part A.3, Part B.4, Part B.5, Part C.3 and Part D of Schedule 1 to this Agreement ("Activities").

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the above-mentioned trust fund for which the World Bank receives periodic contributions from the donor to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donor under the above-mentioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Recipient’s Representative; Addresses

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

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

Department of Finance
Department of Finance Building
Bangko Sentral ng Pilipinas Complex
Roxas Blvd.
Manila, Republic of the Philippines

Fax: (63-2) 523-9216

4.03. 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
AGREED at Manila, Republic of the Philippines as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as Administrator of the Australia-World Bank Philippines Development Trust Fund

By

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to empower Local Communities in targeted poor Municipalities and Selected Urban Areas, to achieve improved access to sustainable basic public services and to participate in more inclusive Local Government Unit planning and budgeting.

The Project consists of the “Project Description” in Schedule 2 of the Original Loan Agreement as modified in Schedule 1 of the Loan Agreement for the Additional Financing, and the following additional Activities to be specifically financed by the Grant and to be incorporated into Parts A, B, C and D of the Loan Agreement for the Additional Financing as follows:

A. Additional Activity to be financed by the Grant incorporated as Part A.3 of the Project as follows:

3. Carrying out of investment Sub-projects specifically related to the construction of day care centers and school buildings/classrooms to meet the needs identified in the preceding paragraph through the provision of Sub-grants to Barangays.

B. Additional Activities to be financed by the Grant incorporated as Part B.4 and Part B.5 of the Project as follows:

4. Mobilization of community volunteers for the preparation and updating of the program of work and technical plans, as well as the mobilization of local counterpart contributions for the construction and rehabilitation of day care centers and school buildings/classrooms.

5. Conduct hands-on training for community volunteers for Sub-project implementation, supervision, monitoring, operations and maintenance, all specifically related to the construction of day care centers and school buildings/classrooms.

C. Additional Activity to be financed by the Grant incorporated as Part C.3 of the Project as follows:

3. Carrying out of investment Sub-projects in Selected Urban Areas to address the specific concerns of urban poor communities related to the construction of day care centers and school buildings/classrooms, through the provision of Sub-grants to Barangays.
D. **Additional Activity to be financed by the Grant incorporated as Part D.3 of the Project as follows:**

3. Provide implementation support for the Sub-projects specifically related to the construction of day care centers and school buildings/classrooms, including the hiring of additional staff dedicated to carry out the activities described in Part A.3, Part B.4, Part B.5 and Part C.3 above, incremental cost of managing and monitoring proposed Sub-projects, functionality evaluation, annual reviews, and assessment of the Sub-projects.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

The provisions of Sections L.A, L.B and L.C, and Section II of Schedule 2 and Annexes 1 and 2 to Schedule 2 of the Loan Agreement for the Additional Financing are incorporated herein by reference and apply, mutatis mutandis, to the Grant, and the Recipient hereby undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement. The references to “the Borrower” and “the Bank” wherever they appear in said Sections shall be read as “the Recipient” and “the World Bank”, respectively.

B. Anti-Corruption

The Recipient shall ensure that the Activities are carried out in accordance with the provisions of 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”).

C. Donor Visibility and Visit

1. 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 Activities.

2. 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 to visit any part of the Recipient’s territory for purposes related to the Grant.

Section II. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works 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:

(a) 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”) in the case of goods and works, and 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

(b) the provisions of this Section III, 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”).

2. Definitions. The capitalized terms used below in 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.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Works. The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (a) Shopping; (b) Direct Contracting; (c) Community Participation; and (d) National Competitive Bidding, subject to the following additional procedures:

   Additional Procedures for National Competitive Bidding

   (i) Eligibility screening shall not be applied. However, bids that do not contain any of the following documents will not pass the documentary compliance check: (A) evidence of the required financial, technical or production capability; (B) audited financial statements; (C) credit line or cash deposit certificate; (D) bid security; and (E) authority of the bid signatory.

   (ii) A ceiling may be applied to bid prices provided the following conditions are met: (A) bidding documents are obtainable free of charge on a freely accessible website; (B) the implementing agency has procedures in place to ensure that the approved budget for the contract (ABC) is based on engineer’s estimate; (C) the implementing agency has trained cost estimators on estimating prices and analyzing bid variance; and (D) the implementing agency has established a system to monitor and report bid prices relative to ABC and Engineer’s estimate.
Domestic or regional preferences will not be applied in the evaluation of bids, and other preference in effect in the Philippines will not be used except with prior concurrence of the World Bank.

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. Moreover, 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.

Alternative procurement methods defined in the implementing rules and regulations such as Limited Source Bidding, Direct Contracting and Shopping as acceptable. The use of the other alternative methods will require prior Bank concurrence.

A period of at least thirty (30) days shall be provided for bid preparation.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Least-cost Selection; (b) Selection Based on Consultants’ Qualification; (c) Single Source Selection; and (d) Individual Consultants.

D. Review by the World Bank of Procurement Decisions

Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (a) each contract for goods estimated to cost the equivalent of two hundred thousand United States Dollars (US$200,000) or more; (b) each contract for goods procured through direct contracting; (c) each contract for consulting firms estimated to cost the equivalent of one hundred thousand United States Dollars (US $100,000) or more; and (d) each contract procured through single source selection. All other contracts shall be subject to Post Review by the World Bank.
Section III. **Withdrawal of Grant Proceeds**

A. **General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of 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 table in paragraph 2 below.

2. The following 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, Consultants’ Services and Incremental Operating Cost, under Part B.4, Part B.5 and Part D.3 of the Project</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Sub-grants under Part A.3 and Part C.3 of the Project</td>
<td>9,000,000</td>
<td>100% of Sub-grant amount disbursed</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>10,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed two million United States Dollars (US$2,000,000) equivalent may be made for payments made prior to this date but on or after September 1, 2011, for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2012.
Appendix
Definitions

For the purpose of this Agreement, the following terms have the meanings ascribed to them as follows:

1. “Additional Financing” means the additional financing provided under the Loan Agreement for the Additional Financing.

2. “Barangay” means an administrative unit within a city or municipality in the territory of the Recipient.

3. “Beneficiary” means a Barangay selected in accordance with the policies and procedures set forth in the Operations Manual, to receive financing for the carrying out of a Sub-project, and “Beneficiaries” means, collectively, all such Beneficiaries.

4. “DSWD” means the Recipient’s Department of Social Welfare and Development, and or any successor thereto.

5. “Incremental Operating Cost” means the reasonable and documented expenditures incurred by DSWD for hiring of contractual personnel (but excluding staff salaries); travel; materials and supplies; and advocacy activities, for purposes of implementing Part A.3, Part B.4, and Part B.5, Part C.3 and Part D.3 of Schedule I to this Agreement the Project, and which expenditures would not have been incurred absent the Project.

6. “Loan Agreement for the Additional Financing” means the agreement between the Republic of the Philippines and the World Bank for the Kapitbisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) (Loan No. 7959-PH), dated December 3, 2010, as may be amended from time to time.

7. “Local Communities” means small and distinct communities in Project Provinces and Municipalities, as described in the Operations Manual.

8. “Local Government Units” and “LGUs” mean the political subdivisions of the Recipient at the provincial, city, municipal or Barangay level; and “LGU” means any one of such LGUs.

9. “Municipalities” means LGUs, several of which constitute a Province and which are made up of several Barangays.

10. “Operations Manual” means the manual dated April 20, 2011, including sub operations manuals, prepared by the Recipient for the Project setting out the core operational approaches and systems for the Project, as revised pursuant to Schedule 2, Section 1, Paragraph B of the Loan Agreement for the Additional
Financing, as such manual may be amended or supplemented from time to time with the prior written agreement of the World Bank.

11. "Original Loan Agreement" means the agreement between the Republic of the Philippines and the World Bank for the Kapitbisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services Project (KALAHICIDSS) (Loan No. 7147-PH) dated October 7, 2002, as may be amended from time to time.

12. "Original Project" means the Project described in the Original Loan Agreement.

13. "Selected Urban Areas" means low income areas in Metro Manila, Luzon, Visayas and Mindanao whose Barangays have been selected in agreement between the Recipient and the World Bank to receive Sub-grants, pursuant to Schedule 2, Section I, Part C of the Loan Agreement for the Additional Financing.

14. "Sub-grant" means a grant made available by the Recipient out of the proceeds of the Grant and its own funds to a Beneficiary to finance the cost of a Sub-project under Part A.3 and Part C.3 as described in Schedule 1 of this Agreement, and "Sub-grants" means more than one Sub-grant.

15. "Sub-project" means a specific community development activity or activities, including but not limited to, investment in economic and social infrastructure, environmental conservation measures and capacity building, which has or have been selected to receive a Sub-grant.