July 28, 2014

Honorable Cesar Purisima  
Secretary  
Department of Finance  
6th Floor, DOF Building  
Roxas Boulevard, Manila

Dear Secretary Purisima:

PHILIPPINES: Implementation of the Extractive Industries  
Transparency Initiative Project (EITI Grant No. TF017249)

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, Belgium, Canada, Denmark, the European Commission, Finland, France, Germany, Japan, the Netherlands, Norway, Spain, Switzerland, the United Kingdom and the United States of America ("Donors") under the Multi-Donor Trust Fund for the Extractive Industries Technical Advisory Facility, proposes to extend to the Recipient a grant in an amount not to exceed one million eighty thousand United States Dollars (U.S.$1,080,000) ("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 Donor[s] 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.

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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement.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

Sincerely,

Motoo Konishi  
Country Director, Philippines  
East Asia and Pacific Region

AGREED:  
REPUBLIC OF THE PHILIPPINES

By  
Authorized Representative  
Name: Cesar V. Purisima  
Title: Secretary  
Date: 26 August 2014

Enclosures:  
Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** 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. **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.

(a) "Congress" means the lower chamber of the bicameral legislature of the Recipient.

(b) "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 "CSOs" means the plural thereof.

(c) "DOF" means the Department of Finance of the Recipient or any successor thereto.

(d) "EITI" means extractive industry transparency initiative.

(e) "MSG" means the multi-stakeholder group established pursuant to Executive order No. 147, Section 2.

(f) "National Secretariat" means the National Secretariat within DOF, as defined herein, to be maintained by the Recipient pursuant to paragraph 2.03 of this Annex to manage day-to-day implementation of the Project.

(g) "Operating Costs" means the reasonable and documented expenditures incurred by 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 costs of contractual staff, but excluding the salaries of the Recipient's civil servants.

(h) "Senate" means the upper chamber of the bicameral legislature of the Recipient.
(i) "Training and Workshops" means the costs associated with the 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 and workshop materials, and other costs directly related to training courses and workshops.

(j) "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: (a) support the Recipient in its effort to increase the transparency of its extractives sector, demonstrated by the completion of two EITI reports and the successful validation of the Recipient as an EITI compliant country; and (b) increase civil society engagement through its participation on the MSG through EITI outreach activities. The Project consists of the following parts:

(a) Institutionalization of the EITI process by: (i) addressing legal/legislative barriers to EITI implementation, (ii) engagement of Congress to legislate the creation of EITI and adopt its principles; (iii) developing a framework for subnational implementation of EITI; and (iv) formulating recommendations regarding monitoring mechanisms for transfer of revenues, adoption of a transparent licensing process, and increasing accountability of the extractive industry sector.

(b) Building the capacity of the MSG, TWG and the National Secretariat through training on all aspects of EITI implementation.

(c) Active engagement and training of relevant stakeholders by: (i) conducting training with national government agencies, local government units, and industry on how to complete the reporting template; (ii) organizing regional conferences with local governments regarding EITI implementation; (iii) organizing briefings with the oil, gas and mining companies including non-chamber members; (iv) monitoring and strengthening the capacity of CSOs; and (v) engagement of the Senate and the Congress as part of confidence building measures.

(d) Improvement of public access to extractive information and the findings of EITI process, through (i) publication of reference materials, primers, articles on extractive industries and EITI implementation, online trainings and digital presentations; (ii) conducting forums for the general public to
discuss extractive industry issues; (iii) release of statements and press briefings on the EITI activities including workshops conducted with the media; (iv) publication of EITI reports; (v) conducting regional conferences with local governments, CSOs, academia and host communities to explain EITI reports; (vi) creation and maintenance of the EITI website; and (vii) improving procedures and information infrastructures in relevant agencies and creating a knowledge hub.

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 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 end, 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 related 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 Donors 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 the 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 one month 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) A well-functioning and capable MSG that is well informed about the EITI processes, supporting the promotion of transparency and accountability in the extractive industry sector developed.

(ii) The first EITI report finalized and disseminated in accordance with the requirements set out in the new EITI standards as agreed by the EITI Board by December 2014.

(iii) The second EITI report finalized and disseminated by June 2015.

(iv) Legislation institutionalizing EITI introduced to the parliament.

(v) Public access to extractives information is improved and the findings of EITI reports and complementary products are widely and effectively communicated to the 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) 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 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.
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 [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**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods 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 for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting

(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, consultants’ services, Training and Workshops, and Operational Costs</td>
<td>1,080,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,080,000</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 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, 2015.

**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 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

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

Cable: INDEVAS
Telex: 248423 (MCI) or 1-202-477-6391
Facsimile: 64145 (MCI)
ATTACHMENT 1 TO THE ANNEX

Additional National Competitive Bidding Provisions

1. 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.

2. 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 agency has procedures in place to ensure that the ABC is based on Engineer’s Estimate; (c) The agency has trained cost estimators on estimating prices and analyzing bid variance; (d) the agency has established a system to monitor and report bid prices relative to ABC and Engineer’s estimate.

3. 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 Bank.

4. 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.

5. 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.