Honoriable Cesar V. Purisima
Secretary
Department of Finance
DOF Building, BSP Complex
Manila, Philippines

Dear Secretary Purisima:

Philippines: Japan Social Development Fund
Grant for Improving Livelihood Opportunities for Vulnerable Urban Communities Project
Grant No. TF097254

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 the Government of Japan under the Japan Social Development Fund ("JSDF"), proposes to extend to the Recipient, a grant in an amount not to exceed three million United States Dollars (U.S.$3,000,000) ("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. 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 original of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned original, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Bert Hofman

Country Director, Philippines
East Asia and Pacific Region
AGREED:
REPUBLIC OF THE PHILIPPINES

/s/ Cesar V. Purisima
By __
Name
Title_Secretary
Date: 14 January, 2011

Enclosures:


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 as follows:

(a) "DSWD" means the Recipient’s Department of Social Welfare and Development, or any successor thereto;

(b) "Cash-for-Work Program" means DSWD’s temporary employment scheme through public works, targeting poor and vulnerable individuals under which work areas include but are not limited to repairing and cleaning roads, clearing debris or re-building infrastructure;

(c) "Environmental Impact Assessment Guidelines" means the Recipient’s Environmental Impact Assessment Guidelines dated September 24, 2010, publicly disclosed on October 4, 2010, and referred to in Section 2.03(a) of the Annex to this Agreement;

(d) "Sub-grants" means a grant made, or proposed to be made by the Recipient to a community out of the proceeds of the Grant, for the carrying out of a sub-project, and the term “Sub-grants” means, collectively, all of such Sub-grants;

(e) "Sub-project" means a specific project carried out by a community or local organization, financed in part or in full out of the proceeds of a Sub-grant;

(f) "Sub-grant Agreement" means the agreement to be entered into between the Recipient and a selected community for carrying out of sub-projects, and the term “Sub-grant Agreements” means, collectively, all of such Sub-grant Agreements;

(g) "Community" means a group of individuals responsible for carrying out a sub-project, and the term “Communities” means, collectively, all of such Communities; and

(h) "Project Operations Manual" means the manual acceptable to the World Bank, aimed at assisting the Recipient and Communities in the implementation of the Sub-projects, and to be developed by the Recipient pursuant to paragraph 2.03(a) of this Annex, as such manual may be revised from time to time with the approval of the World Bank.
2.01. **Project Objectives and Description.** The objective of the Project is to improve employment and livelihood opportunities for approximately 3,750 households in targeted poor urban communities affected by the financial crisis.

The Project consists of the following parts:

**Part 1. Sub-grants**

Provision of Sub-grants to cover the costs of: (i) Cash-for-Work Program of DSWD; and (ii) start-up community enterprise interventions or community business plans, based on the business advisory services provided under Part 2 below.

**Part 2: Community capacity building and implementation support**

Provision of training activities to community groups/associations, in project planning, technical feasibility of Sub-projects, budgeting and supervision for small-scale public works that would be supported through DSWD’s Cash-for-Work Program under Part 1 above, as well as capacity building opportunities for the urban poor, to enhance their access to business development services.

**Part 3: Project monitoring and evaluation**

Establishment of relevant systems to monitor on-going implementation, and to carry out impact evaluations using quantitative and qualitative methods, including participatory approaches that engage community associations, NGOs and the media.

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 DSWD 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 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Agreement; and (c) this Article II.

2.03. **Institutional and Other Arrangements.** In carrying out the Project, the Recipient shall:

(a) adopt and maintain the Environmental Impact Assessment Guidelines, which sets out, *inter alia*: (i) key policy principles for environmental management; (ii) measures to guide the screening of activities for significant environmental impacts, and to assist in the mitigation of such impacts; (iii) procedures to ensure that these principles and measures are appropriately applied; and (iv) guidelines for capacity building and monitoring.

(b) prepare, adopt, and thereafter maintain a Project Operations Manual, in a manner and substance satisfactory to the World Bank, which manual, *inter alia*, shall include the description of: (i) implementation arrangements; (ii) the procurement procedures and standard procurement documentation; (iii) reporting requirements, financial management and audit procedures; (iv) key guidelines and principles for environmental management; (v) maintenance provisions for works to be carried out under a sub-project; and (vi) the criteria for the selection of Sub-projects and conditions of Sub-grants.
(c) not amend, suspend, abrogate, repeal or waive any provisions of the Environmental Impact Assessment Guidelines and the Project Operations Manual without the prior agreement of the World Bank.

(d) ensure that, under no circumstances are any funds under the grant used to finance salaries and salary supplements for civil servants.

(e) select communities on the basis of fair and transparent procedures acceptable to the World Bank as set out in the Project Operations Manual.

(f) enter into Sub-grant Agreements with selected Communities, under terms and conditions satisfactory to the World Bank and in accordance with the Project Operations Manual and the Environmental Impact Assessment Guidelines, for the purposes of financing the activities to be carried out under a Sub-grant, and furnish to the World Bank copies of said fully executed Sub-grant Agreements as and when the World Bank shall reasonably request.

(g) ensure, and cause all selected Communities to ensure, that the activities under the Sub-grants are carried out with due diligence and efficiency in accordance with appropriate administrative practices, acceptable to the World Bank, and in accordance with the procedures set forth in the Project Operations Manual.

(h) terminate the right of any Community to use the proceeds of a Sub-grant, which is suspended or terminated upon the failure to perform its obligations under the Sub-grant Agreement.

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 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 (1) calendar semester, and shall be furnished to the World Bank not later than one (1) 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) Number of participating households earning an average income of more than $20/month from Cash-for-Work, up to a maximum of $1,000 per household (Target Value: 3,750 households).

(ii) Number of business plans developed for enhancing livelihood opportunities approved and implemented (50) (Target Value: 50).

(iii) Percentage of targeted communities that have developed community-based response plans for engaging with local governments and other stakeholders to address the Global Economic Crisis (100%) (Target Value: 100% of targeted communities).
(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 (6) 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 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, works and 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:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 ("Procurement Guidelines"), in the case of goods and works;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 ("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 1.16 of the Procurement Guidelines and paragraph 1.24 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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Works**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works shall be procured under contracts awarded on the basis of shopping.

(ii) The following methods, other than shopping, may be used for procurement of goods and works for those contracts specified in the Procurement Plan which the
World Bank agrees to meet the requirements set forth in the Procurement Guidelines for their use: Community Participation procedures which have been found acceptable to the World Bank.

(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 which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection; (D) Selection of Individual Consultants; and (E) Sole 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</td>
<td>60,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services</td>
<td>590,430</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Sub-Grants</td>
<td>2,137,500</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Training</td>
<td>158,430</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Incremental Operating Costs</td>
<td>53,640</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>3,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this paragraph the terms (i) “Training” means the costs associated with training and workshop participation of personnel involved in the implementation of the Project including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation; and (ii) the term “Incremental Operating Costs” means operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of the Recipient’s civil servants.

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, 2013.

**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, Department 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 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  
   **Cable:** INDEVAS  
   **Cable:** INDEVAS
   **Telex:** 248423 (MCI) or 64145 (MCI)  
   **Facsimile:** 1-202-477-6391
APPENDIX
 Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

"... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the World Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

2. Section 11(a) is modified to read as follows:

"... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the World Bank, if at any time the World Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the World Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

Footnotes:

"13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the World Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

"14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines."
“15. The World Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the World Bank. In addition, the World Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the World Bank’s website and otherwise be made known to staff and other stakeholders.”