Dear Secretary Purisima:

PHILIPPINES: IDF Grant for Strengthening the Capacity of Procurement Institutions for Effective Implementation and Enforcement of the Procurement Law (IDF Grant No. TF011725)

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 ("World Bank") proposes to extend to the Recipient, a grant from the World Bank’s Institutional Development Fund ("IDF") in an amount not to exceed one hundred eighty thousand United States Dollars (US$180,000) ("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").

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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned original of this Agreement by the World Bank, unless the World Bank shall have established a later date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

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

By
Authorized Representative

Name: **Rosalia V. De Leon**
Title: **Undersecretary**
Date: **May 16, 2012**

Enclosures:

2. Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Honorable Cesar Purisima

IDF Grant No. TF011725

cc:  Hon. Florencio Abad, Secretary, Department of Budget and Management
     Ms. Lea De Leon, Undersecretary, Department of Finance
     Ms. Laura Pascua, Undersecretary, Department of Budget and Management
     Mr. Rolly Tungpalan, Deputy Director General, National Economic and Development Authority
     Mr. Dennis Santiago, Executive Director, Government Procurement Policy Board-Technical Services Office
     Mr. Roderick Planta, Director, National Economic Development Authority
     Mr. Rogerio Studart, Executive Director for the Philippines, World Bank
     Ms. Ma. Lourdes Recente, Senior Advisor to the Executive Director for the Philippines, World Bank
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 and the following terms shall have the following meanings:

(a) “Government Procurement Policy Board” or the acronym “GPPB” means the board established by virtue of the Republic Act No. 9184 (R.A. 9184) (Government Procurement Reform Act of 2003 or “GPRA”), as an independent inter-agency body, with private sector representation, to formulate and amend public procurement policies, rules and regulations and ensure the proper implementation of the public procurement system.

(b) “Government Procurement Policy Board Technical Support Office” means an office created by the GPPB to provide support in the performance of its duties and responsibilities specified in the GPRA and its implementing rules and regulations.

(c) “Guide in the Audit of Procurement” or the acronym “GAP” means the guide issued by the Commission on Audit in its Memo Circular 2010-003 in January 2010 used by auditors of COA in their procurement audit.

(d) “Commission on Audit” or the acronym “COA” means the Philippines’ Supreme Audit Institution created by virtue of Article IX D of the 1987 Constitution of the Philippines.

(e) “Government Procurement Professionals of the Philippines, Inc.” or the acronym “GPPPI”, means an association of public procurement practitioners that was launched on February 5, 2010, in support of the advancement of procurement reforms in the Philippines.

(f) “Financial and Operations Manual” means the operations manual dated March 2, 2012, prepared by the Recipient through GPPB for the implementation of the Project, and referred in Section 2.02(b) of the Annex to the Agreement.

Article II
Project Execution

2.0. Project Objectives and Description. The objective of the Project is to provide assistance to the GPPB in strengthening the implementation and enforcement of the public procurement law.

The Project consists of the following parts:

Part A: Monitoring and Evaluation of Agency Performance

Provision of technical assistance, including training and workshops: (i) to enhance and upgrade the online monitoring and evaluation system (“OMES”) and incorporate the agency procurement compliance and performance indicator system into the OMES; (ii) to develop
and pilot test a sustainability plan for OMES implementation; (iii) to develop a strategy for OMES implementation and communication plan; (iv) to develop policy and procedures for the validation of the OMES data; and (iv) to prepare an annual procurement report using the OMES data, analysis and statistics.

Part B: Review of the Effectiveness of the Public Procurement System

Provision of technical assistance for reviewing and updating the GAP, and thereafter provision of training on the updated GAP for COA auditors.

Part C: Capacity Development Program for Procurement Practitioners

Provision of technical assistance, including training and workshops in developing end of training course evaluation and quality control standards, including updating training modules and supporting the initial activities of the GPPPI.

2.02. Project Execution Generally. (a) The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Government Procurement Policy Board Technical Support Office in accordance with the provisions of: (i) Article II of the Standard Conditions; (ii) 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 (iii) this Article II.

(b) The Recipient shall: (i) carry out the Project through GPPB, in accordance with the Financial and Operations Manual, which manual, inter alia shall include the description of: (A) implementation arrangements; (B) reporting requirements, financial management and audit procedures, policies and procedures on accounting and establishment of accountability over transactions; (C) monitoring and evaluation arrangements; and (D) the procurement procedures and standard procurement documentation; and (ii) undertake not to amend, suspend, abrogate, repeal or waive any provisions of the Financial and Operations Manual without the prior agreement of the World Bank.

2.03. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, 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 such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one (1) month after the date of such request.

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

(i) At least 50% of national agencies are satisfied with the use of OMES;

(ii) At least 50% of COA auditors are satisfied with the updated GAP; and

(iii) At least 50% of the trainees are satisfied with the delivery of the training courses.
The Recipient shall prepare Semi-annual Project Reports and 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 five (5) months after the Closing Date.

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

(a) 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, in form and substance satisfactory to the World Bank.

(b) 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 (1) calendar year of the Recipient. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Procurement

(a) General. All goods 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 of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the World Bank in January 2011 (“Procurement Guidelines”), in the case of goods; and


(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. Goods and non-consulting services 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 the World Bank agrees meet the requirements set forth in...
the Consultant Guidelines for their use: (A) Selection based on Consultants’ Qualifications; (B) Single Source Selection; (C) Individual Selection and (D) Individual Selection Sole Source.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth the contracts which shall be subject to prior review. All other contracts are subject to post review.

Article III
Withdrawal of Grant Proceeds

3.0. Eligible Expenditures. 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 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>14,100</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services</td>
<td>133,500</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>32,400</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>180,000</td>
<td></td>
</tr>
</tbody>
</table>

The term “Training” for the purposes of GPPB staff means, reasonable expenditures incurred by the Recipient in connection with the holding of training and workshops under the Project, including rental of facilities and the production and/or acquisition and distribution of training materials; and “Training” for the purposes of COA staff means, reasonable expenditures incurred by the Recipient in connection with the holding of training and workshops under the Project, including domestic travel costs and per diems of trainers and trainees.

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 three (3) years after the date of countersignature of this Agreement by the Recipient.

**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 ng Pilipinas  
Roxas Blvd.  
Manila, Philippines

Cable Address: SECFIN  
Facsimile: (632) 526-9990

Manila  
Facsimile: (632) 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: INTBAFRAD  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391