

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
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CONFORMED COPY

June 9, 2010

Honorable Margarito B. Teves
Secretary
Department of Finance
6/F DOF Building, BSP Complex
Roxas Blvd, Manila
Republic of Philippines

Dear Secretary:

***Re: Philippines: Encouraging More Resilient Communities in
Conflict-Affected Areas in the Philippines under the
State –and Peace-Building Fund (SPF)
Bank-Executed
SPF Grant Number TF096569***

I am writing on behalf of the International Bank for Reconstruction and Development/International Development Association (collectively the “World Bank”) to indicate the World Bank’s agreement to make a grant in an amount not exceeding one million seven hundred ninety nine thousand seven hundred eleven United States Dollars (US\$1,799,711) (the “Grant”) to the Republic of the Philippines (the “Recipient”), under the State-and Peace-Building Fund (SPF), on the terms and conditions set forth or referred to in this letter agreement (the “Agreement”), which includes the attached Annex and Attachment, to assist in the financing of the project described in the Annex (the “Project”).

The Grant is made in response to the Recipient’s request for financial assistance and for the purposes and on the terms and conditions set forth in the Annex to this Agreement. The Recipient hereby confirms its request that the World Bank carry out the activities described in paragraph 1 of the Annex to this Agreement, and represents that it is authorized to contract the Grant for the said purposes and on the said terms and conditions.

Please note that it is the World Bank’s policy to make publicly available this Agreement and any information related thereto, after this Agreement has become effective and the Recipient has given its consent to such disclosure. The Recipient, by countersigning this Agreement, confirms its consent to such disclosure.

Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by the World Bank of the copy of this Agreement countersigned by you, this Agreement will 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 the Pacific Region

**AGREED:
REPUBLIC OF THE PHILIPPINES**

By
Name Margarito B. Teves
Title Secretary
Date: 22 June, 2010

ANNEX

Purposes, Terms and Conditions of the Grant

I. Project Objectives

The purpose of the Project is to support the Recipient to effectively pursue peace and development for the benefit of communities in conflict-affected areas, specifically through the application of dynamic and coordinated strategic planning.

The components of the Project which will be carried out by the World Bank under this Agreement, as well as the components which will be carried out by the Asia Foundation and the Asia Institute of Management under separate recipient-executed grant agreements are listed as follows:

(a) Component 1: Data and Analysis for Dynamic Strategy Development (to be carried out by the World Bank in its entirety)

- 1.1. Conflict Monitoring System
- 1.2. Conflict Intensity Index
- 1.3. Assessment of Local Government Public Expenditure
- 1.4. On-demand Technical Assistance

(b) Component 2: Operational Review

- 2.1 Comparative Review of Community-Based Operations in Conflict-Affected Areas **(to be carried out by The Asia Foundation)**
- 2.2. Conflict-Sensitive Approaches to CDD **(to be carried out by the World Bank)**

(c) Component 3 Institutional Capacity for Sustainable Peace

- 3.1. Bridging Leadership **(to be carried out by the Asia Institute of Management Scientific Research Foundation, Inc.)**
- 3.2. Informing Post-Conflict Institutional Arrangements **(to be carried out by the World Bank)**

II. Detailed Description of Activities to be Carried out by the World Bank

The components and the description of the activities (the “Activities”) which are to be carried out by the World Bank for which the Grant is given are as follows:

1. Data and Analysis for Dynamic Strategy Development

- (a) **Conflict Monitoring System:** Collection of real-time, on-demand data and analysis through the development of a conflict monitoring system containing information on when and where a conflict occurs, its root causes, its characteristics and its impacts for the purpose of development and peace-building strategy planning.
- (b) **Conflict Intensity Index:** Development of conflict intensity indices showing the past and current impacts of violence at the municipal level.
- (c) **Assessment of Local Government Public Expenditure:** Carrying out an assessment of local government public expenditures in conflict affected areas, including provision of technical assistance to local governments to strengthen local government capacity in expenditure management and development planning.
- (d) **On-demand Technical Assistance:** Provision of on-demand technical assistance to OPAPP and the Steering Committee members on issues of high priority to peace and development, consistent with the World Bank’s development mandate and policies.

2. Operational Review

Conflict-Sensitive Approaches to CDD:

Provision of training and building the capacity of local communities to pilot and assess innovative operational approaches to enhance the conflict-sensitivity of selected community-based projects, including operations related to access to justice and gender equity, in conflict-affected areas.

3. Institutional Capacity for Sustainable Peace

Informing Post-Conflict Institutional Arrangements: Provision of technical assistance to the GRP-MILF (Government of the Philippines-Moro Islamic Liberation Front) peace process, particularly with respect to financial, development and related

governance arrangements if a peace agreement is secured, including (a) technical assistance by bringing international experts to the Philippines during strategic points of negotiations to provide input on governance arrangements and other unresolved issues related to economic development so that fresh ideas can be circulated to the negotiating parties; and (b) depending on progress of the negotiations, a written analysis of governance arrangements adopted in other post-conflict countries.

II. Definitions

- (1) “CDD” means Community Driven Development.
- (2) “OPAPP” means Office of the Presidential Adviser on the Peace Process, established under Executive Order No. 125 s. 1993 (September 15, 1993), as amended under Executive Order No. 3 s. 2001 (February 28, 2001).
- (3) “Steering Committee” means the Steering Committee established for the overall management of the Project and referred to in Section III, paragraph 3 of the Annex to this Agreement.

III. Project Implementation

1. The World Bank shall carry out the Activities on behalf of the Recipient. The Recipient shall cooperate with the World Bank to the extent necessary to permit the World Bank to carry out the Activities promptly and effectively, and to evaluate the results of the Activities. The Recipient shall indemnify the World Bank against any costs or liabilities incurred by the World Bank as a result of claims against the World Bank in connection with the Activities, except those resulting from the gross negligence or willful misconduct of its staff or external consultants.
2. The Grant shall be used to finance: external consultants’ services; other contractual services; travel costs; subsistence costs; office rent and utilities; office equipment; office supplies and consumables; vehicle rental; communication; printing and publication costs; media costs; training and workshops; the costs associated with training, study tours 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; but excluding salaries of officials of the Recipient’s civil service.
3. A Steering Committee consisting of participating donors and local organizations, co-chaired by OPAPP and the World Bank shall be maintained throughout the period of the Project for the overall management of the Project.

4. The Activities shall be completed by not later than April 30, 2013 or such later date as the World Bank may establish by notice to the Recipient (the Closing Date). After the Closing Date, the World Bank may at any time cancel the remaining balance of the Grant.

5. The engagement and supervision of the consultants required to assist in the carrying out of the Activities shall be the responsibility solely of the World Bank and shall be governed, except as otherwise decided by the World Bank, by the provisions of the Attachment to this Annex.

6. The Recipient may at any time request the World Bank in writing to terminate the Activities. Whether or not the Recipient has made such a request, the World Bank may at any time suspend or, after consultation with the Recipient, terminate the right of the Recipient to receive Grant funds for the Activities if any of the following events has occurred and is continuing: (a) the Recipient has failed to perform any of its obligations under this Agreement; or (b) the right of the Recipient, or any other entity to which the World Bank has made a loan with the guarantee of the Recipient, to make withdrawals under any loan agreement with the World Bank or any development credit, grant or financing agreement with the World Bank has been suspended.

7. The World Bank is not an agent of, or trustee for, the Recipient and shall not have any fiduciary relationship with the Recipient. The Recipient shall have no right to any portion of the Grant that is not expended by the World Bank pursuant to this Agreement.

Attachment

Consultants' Services

I. General

Consultants' services shall be procured in accordance with Sections I (except paragraph 1.24 thereof) and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 and revised in October 2006 (the Consultant Guidelines) and the provisions of this Attachment. The capitalized terms used below in this Attachment to describe particular procurement methods have the meanings ascribed to them in the Consultant Guidelines.

II. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. Other Procedures

1. Quality-based Selection. Services for assignments which meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection under a Fixed Budget. Services for assignments which meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection may be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured

under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.