

Document of
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Report No: {PP1784}

PROJECT PAPER

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$1.50 MILLION EQUIVALENT

TO THE

REPUBLIC OF THE PHILIPPINES

FOR A

SECOND PHILIPPINES EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
SUPPORT PROJECT

January 25 2016

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CURRENCY EQUIVALENTS

(Exchange Rate Effective January 25, 2016)

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CPF	Country Partnership Framework
CSO	Civil Society Organization
DOF	Department of Finance
EA	Executing Agency
EITI	Extractive Industries Transparency Initiative
FM	Financial Management
MSG	Multi-Stakeholder Group
PDO	Project Development Objective
PMU	Project Management Unit
TA	Technical Assistance

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PHILIPPINES
Second Philippines Extractive Industries Transparency Initiative (EITI) Support Project
(P157976)

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DATA SHEET

Philippines

Second Philippines Extractive Industries Transparency Initiative (EITI) Support Project (P157976)

Small RETF Grant Project Paper

East Asia and Pacific

Basic Information									
Date:	January 25, 2016			Sectors:	Other Mining and Extractive Industries (100%)				
Country Director:	Mara K. Warwick			Themes:	Other public sector governance (100%)				
Practice Manager/Global Practice Senior Director:	Paulo de Sa			EA Category:	C – Not Required				
Project ID:	P157976								
Instrument:	Grant								
Team Leader(s):	Bryan C. Land								
Recipient: Republic of the Philippines									
Executing Agency: Department of Finance									
Contact:	Teresa S. Habitan			Title:	Assistant Secretary				
Telephone No.:	+632523.5678			Email:	mhabitan@dof.gov.ph				
Project Implementation Period:	Start Date:			End Date: December 31, 2018					
Expected Effectiveness Date:	March 20, 2016								
Expected Closing Date:	December 31, 2018								
Project Financing Data(US\$M)									
Total Project Cost :	1.5			Total Financing :	1.5				
Financing Gap :									
Financing Source				Amount(US\$M)					
BORROWER/RECIPIENT				1.5					
Others				0.0					
Financing Gap				0.0					
Total				1.5					
Expected Disbursements (in USD Million)									
Fiscal Year	FY16	FY17	FY18						
Annual	.79	.47	.23						
Cumulative	.79	1.26	1.49						
Project Development Objective(s)									

The project development objective is to enhance transparency and accountability in the management of the Philippines' mineral and hydrocarbon wealth through an inclusive and sustainable EITI process.

Components

Component Name	Cost (USD Millions)
1. Improving public understanding of the management of natural resource revenue	1.02
2. Capacity-building activities for the MSG, technical working group, National Secretariat and other EITI stakeholders	.34
3. Strengthening the long-term sustainability of the PH-EITI process	.06
4. Project administration through the PH-EITI National Secretariat	.08

Compliance

Policy

Does the project depart from the CAS /CPS/CPF in content or in other significant respects?	Yes []	No [X]
Does the project require any exceptions from Bank policies?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No [X]
Is approval for any policy exception sought from the Board?	Yes []	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [Y]	No []

Safeguard Policies Triggered by the Project

	Yes	No
Environmental Assessment OP/BP 4.01		X
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12		X
Safety of Dams OP/BP 4.37		X
Projects on International Waters OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

Legal Covenants

Name	Recurrent	Due Date	Frequency
Description of Covenant			

Team Composition

Bank Staff

Name	Title	Specialization	Unit	UPI
Bryan Christopher Land	Team Leader (ADM Responsible)	Lead Oil and Gas Specialist	GEEX2	

Cecilia D. Vales	Procurement Specialist (ADM Responsible)	Lead Procurement Specialist	GGO08		
Tomas JR. Sta.Maria	Financial Management Specialist	Financial Management Specialist	GGO20		
Maria Consuelo Sy	Team Member	Program Assistant	EACPF		
Nathaniel Adams	Team Member	Consultant	GEEX1		
Non Bank Staff					
Name	Title	Office Phone	City		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Philippines	Manila				

I. STRATEGIC CONTEXT

A. Country Context

1. The extractives sector in the Philippines remains a source of massive untapped wealth as well as political friction. For mining in particular, industry-backed improvements to the investment climate are regularly opposed by large segments of the population claiming that the industry has exploited a weak and outdated legal framework to engage in irresponsible and unsustainable practices for decades. At the local level, strained relations between mining companies and community-based groups over land rights, environmental degradation and minimal perceived economic contribution have brought sector growth to a virtual standstill in recent years. Debate over the future of the extractives industry has suffered for many years due to conflicting (or complete lack of) public data regarding the sector's contribution to the economy, its geographic footprint and environmental impacts, making an informed debate on the net costs and benefits of the sector difficult to undertake.

2. Against this backdrop, the Extractives Industry Transparency Initiative (EITI) has received nearly universal endorsement from Government, industry and civil society as one of the few positive developments in the sector in recent years. Since joining the EITI as a candidate country in May 2013, the Philippines has made significant progress in establishing and running the requisite institutions, reporting activities, capacity-building and public engagement activities required under the EITI Standard. Strong commitment from the Government, civil society and industry, along with dedicated leadership within the National Secretariat, have resulted in a substantive multi-stakeholder process. The Philippines has quickly become an example for other EITI-implementing countries in the region. PH-EITI will undergo validation under the EITI Standard in July 2016 and all indications are that it will be declared EITI-compliant before the end of the year.

B. Sectoral and Institutional Context

3. The Philippines is rich in mineral resources, with an estimated untapped wealth of \$1.4 trillion. The country possesses the third largest gold reserves, the fourth largest copper and the fifth largest nickel reserves in the world, and roughly a third of its land has been identified as having high mineral potential. The mining sector is dominated by nickel production, accounting for 18% of global supply and nearly 46% of total national production value in 2013. The majority of mineral ores are exported primarily to Japan, China, the United States and Canada.

4. Despite considerable mineral wealth, the mining sector accounts for a relatively small share of the broader Philippine economy. Sector-wide production value amounted to just under \$3 billion in 2014, accounting for 6% of national exports and less than 0.7% of GDP. The industry generated \$590 million in national and local taxes, fees and royalties in 2014, and accounted for 235,000 jobs, or roughly 0.6% of employment nation-wide.

5. The Government has not promoted investments in the mining industry in recent years, instead imposing a moratorium on new mining projects to focus on an overhaul of the fiscal regime and laying the groundwork for an improved regulatory framework. Over the course of

2015 alone, at least three different legislative bills were debated by the legislature, all of which propose significant changes to the way mining-related revenues are collected and earmarked, as well as the authorities conferred on central/local governments to issue licenses, monitor sector activity, and collect revenues. In particular, the cabinet-level Mining Industry Coordinating Council (MICC) has proposed draft legislation raising taxes on mining activities significantly from prevailing levels, and has moved to expand the geographic “no-go” areas closed to mining applications. A raw materials export ban has also been proposed in an attempt to stimulate the mineral processing industry and generate additional revenue and employment. These proposals have been met with opposition from the mining industry, who argue that the current downturn in global commodity prices are already causing undue hardship on investors. Until a new fiscal regime is formalized and the moratorium lifted, it is unlikely that any new mining investments will be forthcoming.

6. The oil and gas sector is significantly larger than the mining sector, contributing over seven times the revenues of mining in recent years. Total oil production in 2013 was approximately 26,000 bbl/d, roughly one tenth of total national demand. Total gas production was roughly 125 bcf in 2013, all of which was consumed domestically. The majority of production activities take place offshore. Economic contribution from the oil and gas sector are modest, with 3% of government revenues and only 1,000 jobs generated by the sector in 2012 (falling to 500 in 2013). Though generally less controversial than the mining sector, the Government’s management of the national oil and gas sector has become the subject of increased scrutiny in recent years, particularly over the management of a national fund tied to proceeds from the Malampaya oil and gas field’s development. It has been widely alleged in the Philippine press that lax oversight of these funds allowed over Ph900 million to be siphoned off by politically connected NGOs over the late 2000s.

7. The establishment of the EITI in the Philippines has filled a vacuum in terms of providing a neutral forum for dialogue on the past, present and future of the extractives sector. Since becoming a candidate country, the MSG has enjoyed strong support by all three stakeholder groups, and this support has allowed the MSG to serve as a substantive platform for debate on resource wealth-related challenges and potential future reforms.

8. The MSG has introduced several innovations above and beyond the minimum activities required under the EITI Standard. In particular, the MSG has undertaken evaluation of Memoranda of Understanding between companies and indigenous peoples which address community benefits, made strong headway on universal contract disclosure (including an online contracts portal) as well as the disclosure of company-maintained environmental funds and sustained engagement with local governments to implement EITI-related activities at the subnational level. Over the course of 2015, PH-EITI stakeholders have advocated for the passage of a law to formalize the initiative's implementing structure, make participation mandatory, impose sanctions and provide incentives for participation among companies and public entities. It is expected that this advocacy will continue into 2016.

9. The grant would serve as a follow-on to the first EITI MDTF grant (effective March 2014 – December 2015). Under this program, the World Bank supported the institutionalization of PH-EITI, training for the National Secretariat and MSG, as well as funding for the production of

the second national EITI Report. Under MDTF support, the PH-EITI made significant progress over a relatively short period, reflecting strong commitment on the part of government, companies and civil society groups.

C. Higher Level Objectives to which the Project Contributes

10. Continued investment in PH-EITI contributes to several of the World Bank's broader goals outlined in the current Philippines Country Partnership Strategy (CPS) 2015-2018, particularly under Engagement Area 1: Transparent and Accountable Government. According to the CPS document, "...the Bank will support government efforts to strengthen social accountability, using information and communication technology, public resource allocation and service delivery priorities, and civil society/citizen demand side pressures" (p23).

11. More explicitly, the CPF states that "the WBG will support the Philippines as a candidate country in the Extractives Industry Transparency Initiative (EITI)" (p24).

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

12. The development objective of the project is to enhance transparency and accountability in the management of the Philippines' mineral and hydrocarbon wealth through an inclusive and sustainable EITI process.

B. Project Beneficiaries

13. The EITI is premised on the following: 1. Revenue from extractive industries should be regularly published and independently verified; 2. The collation and publication of data should be managed and overseen by a multi stakeholder group (MSG) composed of government, industry, and civil society; and 3. Data should be effectively shared with the country's citizens and stimulate an informed debate about how natural resources are governed. To operationalize this, oil, gas, and mining companies are required to publish what they pay to the government, while the government agencies are also required to publish what they collect from these industries. In addition to providing reconciliation of these figures, the Independent Administrator, who is appointed by the MSG, is tasked with providing a detailed overview of the extractives value chain to contextualize this data, and also provide meaningful recommendations for improving both the EITI reporting process and the broader sector policy environment in the country.

The specific beneficiaries include:

- **Government** (comprising Department of Finance, Department of the Interior and Local Government, Department of Environment and Natural Resources-Mines and Geosciences Bureau, Union of Local Authorities of the Philippines, Department of Energy, the MICC and members of Congress): The relevant government agencies that are mandated to monitor and regulate the extractive industries are expected to continue generating and

reporting the information necessary for the annual EITI Reports in an accurate and timely fashion. The government, through the MSG chairperson, likewise serves as the convener of the MSG and supervises the National Secretariat. Over the course of the previous MDTF grant, these entities demonstrated strong commitment to participating fully in the EITI process.

- **Business** (comprising the Chamber of Mines of the Philippines, Petroleum Association of the Philippines, and non-Chamber members): The business sector is expected to continue providing a full and accurate report of all payments made to the government, including social expenditures. It is also encouraged to continue disclosing contracts stating the terms attached to the exploration and production of oil, gas and minerals. In the process, the industry is expected to recommend policies and reforms to achieve the objectives of EITI implementation. Thus far, industry stakeholders have demonstrated strong commitment to the EITI process.
- **Civil Society Organizations** (represented by the umbrella organization Bantay Kita). Civil society's role is to monitor EITI implementation, evaluate the EITI report, and provide essential inputs to the EITI process through its involvement on the MSG. Civil society is expected to continue encouraging and leading the public debate on all matters related to EITI implementation in particular and extractive industry issues in general. It also plays a role in advocating for and representing the interests of vulnerable groups such as indigenous peoples and extractives-affected communities.

14. Women are well-represented in the MSG and the National Secretariat. As part of its ongoing supervision of the grant, GEEDR will ensure that gender representation is actively considered in all activities, particularly outreach and communication. Consultation and engagement with indigenous peoples (IPs) will be particularly crucial for these activities, given the historical marginalization of IPs from formal sector dialogue.

C. PDO Level Results Indicators

15. The EITI is still a work in progress in the Philippines; having successfully established the basic institutions and processes for implementation, PH-EITI is now well-positioned to go beyond merely checking the boxes for EITI validation. The grant aims to continue supporting core EITI activities where budget gaps persist, along with more long-term objectives around implementation of recommendations derived from the previous two EITI reporting cycles (the two PH-EITI reports were published in December 2014 and 2015 respectively).

16. Consistent with the aforementioned development objectives, the expected key results of the grant's implementation in the Philippines are as follows:

- a) Production and dissemination of the third and fourth PH-EITI Reports by December 2016 and 2017 respectively, in accordance with the EITI Standard;

b) Maintenance of a well-functioning and capable multi-stakeholder group, that is well-informed about the EITI process, and supports the promotion of transparency and accountability in the sector;¹

c) Legislation strengthening transparency and accountability in the management of mineral resource wealth in the Philippines is developed and submitted for approval by the national Congress;

d) Public access to extractives information is improved and the findings of EITI reports and complementary products (issue briefs, public online data portal, trainings, etc.) are widely and effectively communicated to the Philippines public.

III. PROJECT DESCRIPTION

A. Project Background

17. A previous grant to support EITI implementation was provided to the Department of Finance (DOF) from the Global EITI MDTF (managed by the Energy & Extractives GP) for a total of USD 1.48 million since 2014 following the Philippine's EITI candidacy in 2013. The grant financed core activities to meet the requirements of EITI in the Philippines, i.e. staffing and operations of the National Secretariat, production of the second PH-EITI Report by an Independent Administrator, and communications and outreach activities to publicize findings and recommendations from both the first and second PH-EITI Reports (the first Report had been financed by with other donor assistance). The first grant (TF17249) implementation status was **Satisfactory** and was closed at the end of 2015, along with the parent MDTF.

18. Under the support of the MDTF grant, the Philippines successfully established the EITI implementation mechanism and published two reports covering fiscal years 2012-2014, in addition to numerous socialization/communication activities around the country. PH-EITI's rapid progress in implementation, combined with particularly active and engaged MSG, has brought the PH-EITI process a degree of global recognition. The ultimate goal of these activities was to prepare PH-EITI for official EITI validation (i.e. conferral of "compliant" status), scheduled to be undertaken in the second half of 2016.

19. The propose grant is designed to support similar activities commenced under the first MDTF grant, while aiming to further strengthen and embed the EITI process into government systems and policies. The grant aims to offset the fiscal burden on DOF for these activities upfront, and annual grant support will decrease over the course of three years as DOF contributions increase. The grant is expected to close by 31 December 2018. By 2019, it is envisioned that the Government will fully finance the PH-EITI process.

¹ EITI implementation requirements are summarized in the *2016 EITI Standard* (<http://www.eiti.org/document/standard>). These include specific requirements for MSG composition and functions (Requirement 1).

B. Project Components

20. The project will encompass the following components:

- I. **Component 1: Improving public understanding of the management of mineral and hydrocarbon resource revenue.** This activity will include:
 - a. Development, production and dissemination of the third and fourth PH-EITI Reports, including the development/circulation of reporting templates, production of summary reports, translations, printing, and national launch conference.
 - b. Print and visual media campaigns to disseminate information on EITI implementation through broadcast and print media, in order to inform the public on the overall extractives industry and related revenue flows.
 - c. Organization of events including round tables, press conferences, conferences and workshops to increase understanding on specific themes in resource wealth management in the Philippines.
 - d. Maintenance and further development of EITI website and social media campaigns, as well as integration of PH-EITI's ongoing open contracts portal, and development of other data-related tools in alignment with Open Government Partnership commitments by the Philippines.

- II. **Component 2: Capacity-building activities for the MSG, technical working group, National Secretariat and other EITI stakeholders.** Over the next three years, the proposed grant intends to deepen the subject matter expertise of EITI stakeholders beyond these basic themes, including report data analysis workshops, communications and public engagement training, as well as continued training of local-level stakeholders (government, regional offices, community groups and industry) on EITI implementation, and capacity-building activities specific to the MSG (particularly newly appointed representatives) and National Secretariat staff.

- III. **Component 3: Strengthening the long-term sustainability of the PH-EITI process.** This component will support activities and outreach to be undertaken by the MSG and National Secretariat aiming towards full sustainability and government ownership of the process post-2018. Specifically, this will include:
 - a. Logistics costs for regular MSG meetings and other fora to continue implementation of PH-EITI, and technical experts to develop issue-specific studies on emerging EITI focus areas (inter alia, beneficial ownership disclosures and artisanal small-scale mining transparency).

 - b. Hiring of consultants to develop draft legislative language reflecting best practices in EITI implementation via an inclusive and transparent consultative process.

IV. Component 4: Project Administration through the National Secretariat

This component will encompass limited support for the project management salaries, operational budget and additional technical consultants where necessary.

C. Project Cost and Financing

Project Component	Grant Financing
1. Improving public understanding of the management of natural resource revenue	\$ 1,022,548
2. Capacity-building activities	\$ 339,702
3: Strengthening the long-term sustainability of the PH-EITI process	\$ 58,568
4: Project Administration	\$ 75,886
Total financing required	\$ 1,496,703

21. In addition, the Government will contribute an estimated US\$ 1.7 million in parallel financing for all components during the grant implementation period, with contributions to escalate each year. By the third year the Government is expected to contribute an estimated 78% of the total costs of the EITI Work Plan.

D. Lessons Learned and Reflected in the Project Design

22. Under the previous MDTF grant, much of the implementation efforts were focused on establishing core EITI processes and meeting the requirements of the EITI Standard, both in terms of reporting scope and processes. This grant is designed to support deeper capacity-building and outreach activities to promote wider public understanding of natural resource wealth management, and develop more efficient methods for collecting, analyzing and presenting this information to the public in ways which contribute to robust public dialogue.

23. During the implementation of the first recipient-executed MDTF grant, capacity constraints related to procurement and financial management within DOF contributed to significant delays. The World Bank will provide continued monitoring and (where possible) implementation support in these operational areas.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

24. The Implementing Agency will be the Department of Finance, which houses the National PH-EITI Secretariat. The grant implementation responsibility will be under the Assistant Secretary for Domestic Finance, and the National Secretariat will function as the PMU. The National Secretariat will be responsible for the day-to-day coordination and execution of grant-

funded activities, per the National PH-EITI Workplan developed and approved by the MSG, and undertake all procurements and financial management. This workplan is updated on an annual basis by the MSG. The Department of Finance will have overall fiduciary and coordination responsibility for the entire grant.

B. Results Monitoring and Evaluation

25. Monitoring project implementation and progress towards the achievement of the PDO indicators shall be the responsibility of the National Secretariat, with support from the World Bank. Monitoring is built into the PH-EITI process through regular reporting and the transparency of MSG proceedings. Regular reporting which will contribute to monitoring and evaluation of the grant will include: (a) routine reports to the MSG, (b) production of MSG and subcommittee minutes, and (c) timely publication of annual activity reports, per the EITI Standard.

26. In addition to the MSG and National Secretariat monitoring, the World Bank and International EITI Secretariat will also undertake regular monitoring of activities related to the grant. The World Bank will provide technical support during implementation, monitor the operational progress, and provide fiduciary oversight.

C. Sustainability

27. The Government's budget contribution for PH-EITI implementation will increase over the 2016-2018 grant implementation period, until the transition to full government financing and management of the PH-EITI is achieved in 2019. Although the future government budget allocated to EITI activities cannot be guaranteed in advance, the Implementing Agency has agreed that financial responsibility will increase in absolute terms each successive year, and the progressive reduction of the annual allocation of grant funds across the life of the project is fixed. During the lifetime of the grant, the Government will periodically undertake a review of progress towards institutionalization of PH-EITI, and the degree to which EITI reporting process can be further mainstreamed to reduce resources needed for annual data collection and reporting.

V. KEY RISKS AND MITIGATION MEASURES

28. Overall project design risk is *low*, as the grant broadly follows the tested approach for World Bank support for EITI in over 30 countries and demonstrated successfully under the first grant to PH-EITI. There is strong and sustained commitment for the PH-EITI process among Government, civil society and industry stakeholders, evidenced by the rapid progress that PH-EITI has made towards validation over the course of the current MDTF grant. Though disagreements between civil society and industry groups continue in public debate on a revised mining sector policy framework for the Philippines, all groups agree that PH-EITI has provided a useful platform for dialogue on these and other resource wealth management issues. High-level political support for the process remains high, and will likely be bolstered by a successful validation in 2016.

29. Implementation capacity risks are *moderate*. Numerous procurement-related bottlenecks within DOF led to delays for some activities under the first MDTF grant. To overcome these delays, an EITI-specific Bids and Awards Committee (BAC) has been established within DOF to administer the proposed grant. Nevertheless, unpredictability in the procurement of services may hinder the achievement of project objectives, given the time-sensitive nature of some activities' completion in order to achieve and retain compliance with EITI. Thus, there is a need to train new members of the BAC (including relevant procurement and technical staff) on the World Bank's procurement procedures.

30. Fiduciary risk is *moderate*.

- a. A financial management assessment was conducted at the Department of Finance (DOF) following the streamlined procedures for small grants. Based on the assessment, financial management risk is considered moderate. Department of Finance has the procedures and capacities to conduct FM operations in compliance with World Bank procedures. However, the previous project experienced problems/delays due to highly bureaucratic processes (at DBM) in the release of funds. Work and Financial Plan shall be finalized and will be used as basis in requesting Special Allotment Release Order (SARO) from DBM. The grant will be mainstreamed at the Accounting and Disbursement Units of DOF and will use the e-NGAS for recording transactions.
- b. An updated procurement assessment was conducted to measure the capacity of DOF. The period of the review is based on the results of 2012-2013 Agency Procurement Compliance and Performance Indicator (APCPI) system, summarized as follows:

No.	Pillar	2012 Score	2013 Score	Remarks
I	Compliance with Legislative and Regulatory Framework	1.33	1.42	
II	Agency Institutional Framework and Management Capacity	2.88	2.75	
III	Procurement Operation and Market Practices	1.64	2.50	
IV	Integrity and transparency of agency system	2.67	3.00	

	Overall score	2.13	2.42	
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Procurement will be handled following the latest version of the Bank’s Procurement and Consultants’ Guidelines.

31. Environmental risks are *low*. The project activities are designed improve the transparency of the extractive sector. The EITI process will not entail any physical activity, or produce a master plan or feasibility study of an investment project that may cause any environmental or social impact. The Bank’s role through this grant is solely to facilitate the EITI process. No advice on regulatory reform or investment climate issues will be provided through this grant. Safeguards-related risks were extensively examined during the preparation of the first grant, which received a Category C rating. Similarly, the proposed grant was reviewed during initiation stage and was rated Category C.

32. Social risks are *low*. The neutral and fact-based platform for dialogue on natural resource wealth management created by the EITI has benefitted all sides of the debate, evidenced by their continued strong support for EITI in the Philippines. The team will continue working closely with civil society groups to ensure that they play an active role in decision-making and voicing the concerns of indigenous peoples and mine-affected communities, where relevant. GEEDR will continue to work closely with the World Bank Philippines Country Office to ensure that the Bank’s role in supporting – but not leading – the EITI process is clearly articulated and that the Bank is not perceived as being ‘pro-mining’.

VI. APPRAISAL SUMMARY

33. The project is not amenable to cost-benefit analysis due to the main objective being to support the Recipient’s efforts to promote transparency and good governance in natural resource wealth management. Economic benefits from the project supporting the EITI implementation in the Philippines are potentially derived from contributions to: (a) improved revenue monitoring and oversight; and (b) strengthened systems and procedures for accountability of revenue from the Philippines extractives sector.

A. Other Safeguards Policies Triggered

34. The Project will provide only TA and there are no physical investments on the ground. Consultations, trainings and dissemination activities will take place in both the capital as well as regions affected by extractive industries, with a broad set of stakeholders, including communities and civil society and community-based organizations and oil/gas and mining companies. The proposed grant will only support the multi-stakeholder group and government agencies to make recommendations related to improving transparency and reporting on financial and sector-specific information and will not make recommendations related to investments for specific sites. Studies or reports developed under this grant will not contribute to further infrastructure investments or policy interventions related to investment promotion in the oil, gas, or mining

sectors.

a. World Bank Grievance Redress

35. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Financial Management

36. The financial management system of DOF meets the financial management requirement as stipulated in OP/BP 10.00. The proposed financial management arrangement for the project is considered adequate and will be periodically reviewed to ensure its effectiveness during implementation. The assessed financial management risk is moderate and implementation of the following proposed FM arrangements will help ensure satisfactory FM performance:

- a. Maintenance of separate books of accounts for the project.
- b. Opening of a Designated Account at Land Bank of the Philippines (LBP) for the grant proceeds.
- c. Submission of semi-annual unaudited Interim Financial Reports (IFR) within 45 days after the end of each calendar semester.
- d. Annual audit by the Commission on Audit (COA), and submission to the Bank of the Annual Audit Report together with a Management Letter (report on issues and recommendations) within six (6) months after the end of each fiscal year.

37. FM supervision frequency of every twelve months is proposed for this project. It may cover any of the following: (1) review of the continuous maintenance of adequate FM system by DOF; (2) follow up of timeliness of FM reporting and actions taken on issues raised by external auditors; (3) review of financial reports of the project; (4) follow up of the status of the agreed actions; and (5) review of compliance with the financial covenants. In addition, the FM implementation review shall include desk review of the Semiannual IFRs, and audited financial statements and management letter submitted to the Bank. Procurement methods will include shopping for procurement of goods and non-consulting services; QCBS, QBS, CQS, SSS for firms, and IC and IC-SS for individual consultants.

Funds Flow

38. The grant recipient shall open and maintain a Designated Account in US\$ at Land Bank of the Philippines. A peso checking account will also be maintained for project disbursements which are normally based in local currency. Regular monthly bank reconciliations are undertaken for all accounts.

39. Funds will flow from the Bureau of Treasury to be downloaded to the Designated Account specifically maintained for the project. This will facilitate monitoring of funds. Prompt submission of withdrawal application and IFR shall be made by DOF to avoid fund run out due to delay in crediting the grant to the project's Designated Account.

Annex 1: Results Framework and Monitoring
Country: Philippines
Project Name: Second Philippines EITI Support Project

Project Development Objective (PDO):

The development objective of the project is to enhance transparency and accountability in the management of the Philippines' mineral and hydrocarbon wealth through an inclusive and sustainable EITI process.

PDO Level Results Indicators*	Core	Baseline	Cumulative Target Values**			Frequency	Data Source/ Methodology	Responsibility for Data Collection
			YR 1	YR 2	YR3			
Indicator One: Third and Fourth PH-EITI Reports are published on time, in compliance with minimum requirements of EITI Standard		First & Second PH-EITI Reports are published	Third PH-EITI Report published	Fourth PH-EITI Report published	N/A	Annual	MSG confirmation	PH-EITI National Secretariat
Indicator Two: Maintenance of a well-functioning and capable multi-stakeholder group, that is well-informed about the EITI process, and supports the promotion of transparency and accountability in the sector		Compliance with EITI Standard	MSG functioning continues in compliance with EITI Standard	MSG functioning continues in compliance with EITI Standard	MSG functioning continues in compliance with EITI Standard	Annual	EITI validation process, EITI International Secretariat	PH-EITI National Secretariat
Indicator Three: Legislation strengthening transparency and accountability in the management of mineral resource wealth in the Philippines developed and submitted for approval by the national Congress		No long-term legal formalization of PH-EITI implementation, funding, or institutions	Draft legislative language developed which promotes the long-term implementation of EITI via an open and transparent consultative process	Draft legislative language developed which promotes the long-term implementation of EITI via an open and transparent consultative process	Draft legislative language developed which promotes the long-term implementation of EITI via an open and transparent consultative process	Annual	PH-EITI annual activity reports	PH-EITI National Secretariat
Indicator Four: Public access to extractives information is improved and the findings of EITI reports and complementary products are widely and effectively communicated to the		Public access to EITI Reports, associated laws/regulations, and PH-EITI activity summaries; supplemented by socializations and report launch	Centralization of information on company payments	Collaboration with OGP on efforts to mainstream EITI into Government reporting	Expansion of online contracts portal to include 80% of all existing contracts	Annual	PH-EITI annual activity reports	PH-EITI National Secretariat

Philippines public.		conferences						
INTERMEDIATE RESULTS								
Intermediate Result (Component One – Increasing public understanding of natural resource wealth management):								
<i>Intermediate indicator #1:</i> Development/expansion of public data availability connected to PH-EITI website		Current website containing public reports, non-machine readable data	Uploading of all data sets in machine-readable format	Development/ launch of full PH-EITI data portal	Data literacy training activities	Annual	PH-EITI National Secretariat	PH-EITI National Secretariat
<i>Intermediate indicator #2:</i> Website is maintained and traffic increased		832,344 hits (2015)	1 million	1.1 million	1.1 million	Annual	PH-EITI National Secretariat	PH-EITI National Secretariat
<i>Intermediate indicator #3:</i> Number of public outreach activities/events focusing on improving public understanding of natural resource revenue/data (i.e. road shows, press briefings, community fora)		9 (2015)	9	9	9	Annual	PH-EITI National Secretariat	PH-EITI National Secretariat
Intermediate Result (Component Two - Capacity-building activities for the MSG, technical working group, Secretariat and other EITI stakeholders):								
<i>Intermediate indicator #1:</i> Number (disaggregated) of training activities targeting skills development among CSOs; Government; MSG members; parliamentarians; media (i.e. data analysis workshops, template socializations, peer learning activities, international trainings)		5 (2015)	6	6	7	Annual	PH-EITI National Secretariat	PH-EITI National Secretariat
Intermediate Result (Component Three: Strengthening the long-term sustainability of the PH-EITI process)								
<i>Intermediate indicator #1:</i> Level of government co-financing for PH-EITI		Government funding at 33% of PH-EITI workplan in 2016	Government commits to funding between 40-60% of PH-EITI workplan in 2017	Government commits to funding between 60-80% of PH-EITI workplan in 2018	Government commits to funding 100% of PH-EITI workplan in 2019	Annual	PH-EITI annual activity reports	PH-EITI National Secretariat

*Please indicate whether the indicator is a Core Sector Indicator (see further <http://coreindicators>)

**Target values should be entered for the years data will be available, not necessarily annual

