

May 4, 2015

Mr. Mohammad Saleem Sethi
Secretary to the Government of Pakistan
Economic Affairs Division
Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization
Islamabad-Pakistan

**Grant Agreement for Islamic Republic of Pakistan's Readiness
Preparation Proposal
Readiness Fund of the FCPF
Grant No. TF018696**

Excellency:

I wish to refer to Resolution PC2008-2 of the Participants Committee of the Forest Carbon Partnership Facility ("FCPF") regarding Selection of REDD Country Participants ("Resolution PC2008-2"). Resolution PC2008-2 provides that subject to the availability of funds, eligible REDD Country Participants may receive grant funding of up to three million six hundred thousand United States Dollars (USD3,600,000) for formulating and carrying out a Readiness Preparation Proposal ("R-PP").

Islamic Republic of Pakistan ("Recipient") was selected as a REDD Country Participant. The Participants Committee of the FCPF ("PC") has reviewed the R-PP submitted by the Recipient and acknowledged the great efforts made by the Recipient in formulating its R-PP. Accordingly, the PC, through its Resolution PC/16/2013/8, decided to allocate grant funding to the Recipient in the amount of up to three million eight hundred thousand United States Dollars (USD3,800,000) ("Grant"), to enable it to move ahead with preparation for readiness, subject to the terms and conditions set out in said Resolution. The funds of up to two hundred thousand United States Dollars (USD200,000) out of this USD3,800,000 shall be used for the purpose of strengthening the Recipient's national feedback and grievance redress mechanism, subject to the terms and conditions set out in Resolution PC/Electronic/2012/1.

In response to the request for financial assistance made on behalf of the Recipient and the decisions of the PC referred to above, I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as trustee of the Readiness Fund for the FCPF, proposes to allocate to the Recipient the Grant in the amount of three million eight hundred thousand United States Dollars (USD3,800,000) 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 Readiness Preparation Activities described in the Annex.

This Grant is funded out of the abovementioned FCPF trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement),

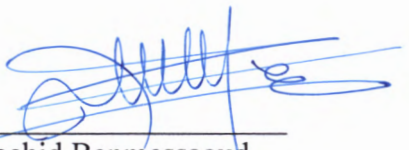
the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

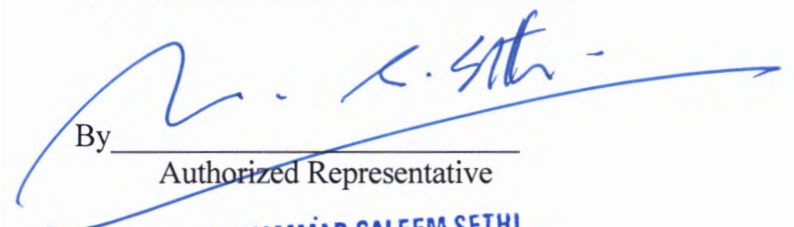
Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of the countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility

By 
Rachid Benmessaoud
Country Director, Pakistan

AGREED:
ISLAMIC REPUBLIC OF PAKISTAN

By 
Authorized Representative
Name: **MUHAMMAD SALEEM SETHI**
Secretary
Economic Affairs Division
Government of Pakistan
Islamabad
Title:
Date: *June 12, 2015*

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
- (2) Charter Establishing the Forest Carbon Partnership Facility, dated December 23, 2014.
- (3) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
- (4) Guidelines on Preventing and Combating Fraud and Corruption in Project Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011.
- (5) Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011, revised in July 2014.
- (6) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011, revised in July 2014.

**FCPF Readiness Fund Grant No. TF018696
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 February 15, 2012 (“Standard Conditions”), with the modifications set forth below, constitute an integral part of this Agreement:

(a) The following term and definition shall be added to the Appendix to the Standard Conditions as paragraph 18 bis to read as follows:

18bis “‘Readiness Preparation Activities’ means the activities, described in the Agreement, for which the Grant is made, as the description of said activities may be amended from time to time by agreement between the Recipient and the World Bank.”

(b) The term “Project” and its definition shall be deleted in their entirety from the Standard Conditions; and all references throughout the Standard Conditions to the term “Project” shall be deemed to refer to the “Readiness Preparation Activities.”

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, the Charter Establishing the Forest Carbon Partnership Facility (“Charter”), or in this Agreement.

- (a) “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework acceptable to the World Bank to be prepared as part of the REDD+ readiness process, which establishes the modalities and procedures to address potential negative environmental and social impacts from the implementation of REDD+ investments and demonstration activities as well as associated mitigation measures through employing best practices; and includes the screening criteria, procedures and institutional responsibilities for the safeguard policies that are triggered for subsequent REDD+ investments.
- (b) “Inspector General of Forests Office” means an office within the ministry responsible for climate change.
- (c) “National Steering Committee” means a committee established by the Ministry of Climate Change, which is responsible for coordinating REDD+ activities.
- (d) “REDD+” means reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.

- (e) “REDD+ Working Groups” means technical working groups established by the Ministry of Climate Change, which focus on: (1) governance and management of REDD+; (2) stakeholder engagement and safeguards; (3) national forest monitoring system and measurement, reporting and verification system; and (4) drivers of deforestation and forest degradation.
- (f) “Strategic Environmental and Social Assessment” or “SESA” means the strategic environment and social assessment to be conducted as part of the Readiness process to assess the potential impact from national REDD+ strategy, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the national REDD+ framework.

Article II

Execution of Readiness Preparation Activities

2.01. ***Objectives and Description.*** The objective of the Grant is to strengthen the capacity of the Recipient to monitor deforestation and reduce forest and land use change related greenhouse gas emissions through a socially, environmentally, and technically sound national REDD+ strategy. The Readiness Preparation Activities consist of the following parts:

Component 1: REDD+ Policy Analysis

The activities under this component will include: 1) conducting analytical work and developing national REDD+ strategy; and 2) conducting SESA, preparing an ESMF, and assessing existing feedback and grievance redress mechanisms (“FGRM”) and developing a FGRM framework for REDD+.

Component 2: REDD+ Technical Preparation

The activities under this component will include: 1) supporting the development of reference emissions levels; and 2) designing a national measurement, reporting and verification system for emissions reduction and a monitoring system for non-carbon benefits.

Component 3: REDD+ Readiness Management

The activities under this component will include: 1) supporting Inspector General of Forests Office in managing and implementing the REDD+ Preparation Activities; 2) building capacity of the relevant institutions involved in the implementation of the REDD+ Preparation Activities; and 3) conducting consultations on REDD+ relevant issues.

Component 4: Designing and testing of REDD+ Payment for Environmental Services

The activities under this component will include designing a REDD+ payment for environmental services scheme (PES) in a province. The selection of the province will be done in consultation with relevant stakeholders, and based on its relevance and importance for the national level REDD+ readiness process, including the development of REDD+ strategy. This Grant will not finance the implementation of the PES scheme, but solely the designing of the scheme.

2.02. **Execution Generally.** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities through the Inspector General of Forests Office under the Ministry of Climate Change, 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.** Without limitation upon the provision of paragraph 2.02 above, the Recipient shall ensure that, throughout the period of implementation of the Readiness Preparation Activities, the Inspector General of Forests Office, the National Steering Committee, and the REDD+ Working Groups, have assigned staff and resources in adequate number acceptable to the World Bank, in order to carry out the Readiness Preparation Activities.

2.04 **Safeguards.**

The Recipient shall ensure that:

(a) all (i) terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities and (ii) frameworks prepared on the basis of the SESA under the Readiness Preparation Activities pursuant to Section 2.01 of this Agreement will be consistent with, and will pay due attention to, the World Bank’s environmental and social safeguards policies, as well as the Recipient’s own laws relating to the environment and social aspects; and

(b) in drafting any laws or regulations under the Readiness Preparation Activities, due attention will be given to said policies and laws.

2.05. **Mid-term Progress Report and Completion Report.** The Recipient shall, not later than November 30, 2016, prepare and furnish to the World Bank a mid-term progress report on the Readiness Preparation Activities in accordance with terms of reference acceptable to the World Bank, including the provisions of Section 6.3(b) of the Charter and Resolutions PC/7/2010/3 and PC/12/2012/2.¹ The Recipient shall also prepare and

¹ Resolution PC/7/2010/3 requires the REDD Country Participant to submit a mid-term progress report to the PC according to a timetable that shall be jointly agreed in the Readiness Preparation Grant Agreement between the World Bank and the REDD Country Participant. When the World Bank receives the REDD Country Participant’s mid-term progress report in accordance with the timetable set out in Section 2.05 of this Agreement, it will forward the progress

furnish to the World Bank not later than six months after the Closing Date, a Completion Report in accordance with the provision of Section 2.06(b) (ii) of the Standard Conditions.

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 Readiness Preparation Activities are prepared and furnished to the World Bank not later 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 months after the end of such period.

2.07. *Procurement.*

(a) General. All goods, non-consulting services, and consultants' services required for the Readiness Preparation Activities 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" dated January 2011 (revised July 2014) ("Procurement Guidelines"), in the case of goods and non-consulting services;

(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 (revised July 2014) ("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 Readiness Preparation Activities 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

report to the PC for its review. Resolution PC/12/2012/2 specifies the process for the submission and review of mid-term progress report, including the format of such progress report.

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, and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Limited International Bidding; (B) Shopping; (C) Direct Contracting; and (D) National Competitive Bidding, subject to the following additional provisions:

- a. Invitations to bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for the submission of bids.
- b. Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- c. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process.
- d. Bidding shall not be restricted to pre-registered firms.
- e. Qualification criteria shall be stated in the bidding documents.
- f. Bids shall be opened in public, immediately after the deadline for submission of bids.
- g. Single bids shall also be considered for evaluation.
- h. Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the World Bank.
- i. Before rejecting all bids and soliciting new bids, the World Bank's prior concurrence shall be obtained.
- j. Contracts shall not be awarded on the basis of nationally negotiated rates.
- k. Contracts shall be awarded to the lowest evaluated and qualified bidder.
- l. Post-bidding price negotiations shall not be allowed with the lowest evaluated or any other bidders.
- m. Bids shall be solicited and works contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates.
- n. Draft contract would be reviewed by the World Bank in accordance with the Prior Review procedures.
- o. A firm declared ineligible by the World Bank, based on a determination by the World Bank that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing a World Bank-financed contract, shall be ineligible to be awarded a World Bank-financed contract during the period of time determined by the World Bank.

- p. Each contract financed from the proceeds of the Grant shall provide that the suppliers, contractors and subcontractors shall permit the World Bank, at its request to inspect their account and records audited by auditors appointed by the World Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.
- q. State-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient.
- r. The World Bank shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World Bank, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing a contract financed by 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, 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) Least Cost Selection; (C) Selection based on Consultants' Qualifications; (D) Single-source Selection of consulting firms; (E) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (F) 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) 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 100% of Eligible Expenditures consisting of goods, non-consulting services, consultants' services, Training and Workshops, and Operating Costs inclusive of Taxes.

For the purpose of Section 3.01, (i) the term "Workshops and Training" means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Readiness Preparation Activities, including tuition, 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 goods and consultant's services); and (ii) the term "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the implementation of the Readiness Preparation Activities, consisting of vehicle operation and maintenance, communication, and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and *per diem* for Readiness Preparation Activity staff for travel linked to the implementation of the Readiness Preparation Activities, and salaries of contractual staff for the Readiness Preparation Activities (but excluding consultants' services and salaries of officials of the Recipient's civil service).

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, except that withdrawals up to an amount not to exceed five hundred thousand United States Dollars (USD 500,000) may be made for payments made after September 1, 2014, for Eligible Expenditures.

3.03. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2018.

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 to the Government of Pakistan, Economic Affairs Division, Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in that Division, each such person acting individually.

4.02. ***Recipient's Address.*** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Economic Affairs Division
Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization
Islamabad
Pakistan

Facsimile: 92-51-921-8976

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
Facsimile: 1-202-477-6391