

OFFICIAL DOCUMENTS

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

Dated: October 18, 2017

Hon. Matia Kasaija
Minister of Finance, Planning and Economic Development
Ministry of Finance, Planning and Economic Development
Kampala
Republic of Uganda

Re: FCPF Readiness Fund Grant No.TF0A5722
Third Grant Agreement for Republic of Uganda's
Additional REDD+ Readiness Preparation Support

Honorable Minister Kasaija:

I wish to refer to the Grant Agreement between Republic of Uganda ("Recipient"), and the International Bank for Reconstruction and Development ("World Bank"), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility ("FCPF"), dated August 25, 2009 ("Readiness Grant Agreement"), pursuant to which the World Bank agreed to provide to the Recipient a grant in an amount not to exceed two hundred thousand United States Dollars (US\$200,000) ("Grant") for formulating the Readiness Preparation Proposal ("R-PP") ("R-PP Formulation Installment"). Further, the Recipient and the World Bank entered into a Second Grant Agreement, in the amount of three million six hundred thirty-four thousand United States Dollars (US\$3,634,000), dated June 17, 2013, to enable the Recipient to move ahead with preparation for readiness ("Preparation Installment").

The Participants Committee of the FCPF ("PC") has reviewed the request for an additional funding submitted by the Recipient, in accordance with the process as specified in Resolution PC/12/2012/2. Through its Resolution PC/21/2016/1, the PC decided to allocate additional grant funding to the Recipient in the amount of up to three million seven hundred and fifty thousand United States Dollars (US\$3,750,000), to enable it to continue with its preparation for readiness, subject to the terms and conditions set out in said Resolution.

In response to the request for financial assistance made on behalf of the Recipient and the decisions of the PC referred above, I am pleased to inform you that the World Bank agrees to extend the Additional Grant in the amount of three million seven hundred fifty thousand United States Dollars (US\$3,750,000) on the terms and conditions set forth or referred to in this letter agreement ("Third Grant Agreement"), which includes the attached Annex, to assist in the financing of the Additional Readiness Preparation Activities described in the Annex.

This Additional Grant is funded out of the abovementioned FCPF trust fund for which the World Bank receives periodic contributions from the donors. In accordance with Section 3.02 of the

Standard Conditions (as defined in the Annex to this third Grant Agreement), the World Bank's payment obligations in connection with this Third Grant 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 Additional Grant proceeds is subject to the availability of such funds.

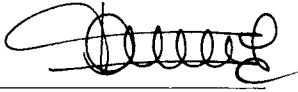
The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Third Grant Agreement and to carry out the Additional Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Third Grant Agreement.

Since the execution of the Readiness Grant Agreement, the Charter Establishing the FCPF ("Charter") has been amended, and the terms and conditions of this Third Grant Agreement are based on the Charter, as so amended. Where there are inconsistencies between the Readiness Grant Agreement, the Second Grant Agreement and this Third Grant Agreement including in the use of terms, the provisions in this Third Grant Agreement shall prevail and deemed to have accordingly amended the provisions of the Readiness Grant Agreement and the Second Grant Agreement to eliminate any such inconsistency.

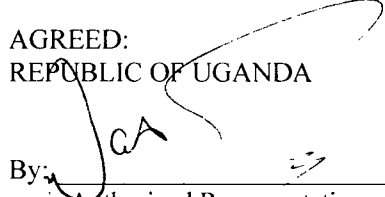
Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Third Grant Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Third Grant Agreement shall become 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 
Diarietou Gaye
Country Director for Uganda
Africa Region

AGREED:
REPUBLIC OF UGANDA

By 
Authorized Representative

Name: Matic Kasajja

Title: Minister

Date: 18/10/2017.

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 February 2017.
- (4) 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 and as of July 1, 2016.
- (5) World Bank Procurement Regulations for Borrowers under Investment Project Financing, dated July 1, 2016.

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 in the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Third Grant Agreement have the meanings ascribed to them in the Standard Conditions, the Charter or in this Third Grant Agreement; and the following additional terms shall have the following meanings:

- (a) “ER Program” means the emission reductions program.
- (b) “ESMF” means the environmental and social management framework acceptable to the World Bank, 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.
- (c) “Forestry Sector Support Department” means the Recipient’s department responsible for forestry sector support within the Ministry of Water and Environment.
- (d) “FREL” means Forest Reference Emission Level.
- (e) “M&E Framework” means monitoring and evaluation framework, acceptable to the World Bank, established and consistent with the FCPF Monitoring and Evaluation Framework, *ref* FCPF PC Resolution PC/Electronic/2013/1, dated March 15, 2013.
- (f) “Ministry of Water and Environment” means the Recipient’s ministry for water and environment, and its successor thereto.
- (g) “MRV” means measurement, reporting and verification.
- (h) “National Technical Committee” means the multi-stakeholder inter-sectoral committee responsible for the overall technical oversight to ensure timely progress and completion of national REDD+ Readiness activities.
- (i) “NFA” means National Forestry Authority.
- (j) “NFMS” means National Forest Monitoring System.
- (k) “Operating Costs” means the incremental expenses incurred on account of implementation of the Additional Readiness Preparation Activities, consisting of reasonable expenditures, agreed with the World Bank, for the following items: vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office and office equipment maintenance, utilities, document duplication/printing, consumables, travel costs and *per diem* for Recipient staff for travel linked to the implementation of the Additional

Readiness Activities, and salaries of the Recipient's contractual staff employed for purposes of the Additional Readiness Preparation Activities (but excluding salaries of civil servants).

- (l) "REDD+" means reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.
- (m) "R-Package" means readiness package, which consists of a national multi-stakeholder self-assessment by the country, using the Readiness Package Assessment Framework as guidelines.
- (n) "Safeguards Information System" means a system for providing information on how safeguards are addressed and respected throughout the implementation of REDD+ activities.
- (o) "Safeguards Instruments" are frameworks prepared on the basis of the SESA under the Additional Readiness Preparation Activities pursuant to Section 2.01 of the Annex to this Agreement.
- (p) "SESA" means the strategic environmental and social assessment to be conducted as part of the Readiness process to assess the potential impact from national REDD+ programs and policies, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the national REDD+ framework.
- (q) "Training and Workshops" means the costs associated with training and workshop participation of personnel involved in the implementation of the Additional Readiness Preparation Activities, 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.

Article II

Execution of the Additional Readiness Preparation Activities

2.01. ***Additional Readiness Preparation Activities Objectives and Description.*** The objective of the Additional Readiness Preparation Activities is to design a socially and environmentally viable national strategy for reducing emissions from deforestation and forest degradation as compared to a reference level.

The Additional Readiness Preparation Activities consist of the following parts:

Part 1: Coordination and Monitoring of REDD+ Readiness Process

The objective of this component is to continue supporting national level coordination and monitoring of the REDD+ process. This support builds on structures and processes of the current REDD+ processes involving the REDD+ Secretariat and national REDD+ coordination, supervision, stakeholder participation, and preparing Readiness Package (R-Package). The additional FCPF grant will support goods, workshops, training, services, and operational costs for:

- (a) Provision of technical assistance to the REDD+ Secretariat for coordinating stakeholder engagement, and providing targeted advice on Emission Reduction Program (ER Program) design, including specific support on safeguards. This support will provide inputs and guidance to all aspects of the national REDD+ program.
- (b) Participation in regional/international meetings and a South-South exchange event for learning and sharing experiences and lessons on REDD+.
- (c) Coordination of National level supervisions and harmonization processes, including meetings of the coordinating committees and established task forces.
- (d) Preparation of the R-Package.
- (e) Revisions and update of the M&E Framework for REDD+ to include gender-related indicators.

Part 2: Stakeholder Engagement and Feedback in Readiness Process

The objective of this component is to support broad stakeholder engagement – with a particular focus on implementation of the Uganda REDD+ gender strategy, which include implementation of key actions as identified in the Uganda REDD+ Gender Strategy, foster gender integration in national REDD+ processes, and integrating stakeholder engagement. The additional grant will support goods, workshops, training, services, and operational costs for:

- (a) Supporting implementation of key priority activities as identified in the Uganda REDD+ Gender Strategy.
- (b) Supporting capacity building and engagement of indigenous peoples in the Albertine region to enable these forest dependent communities for a meaningful engagement and informed participation in REDD+ process.

Part 3: REDD+ Strategy and Strategic Environmental and Social Assessment

The objective of this component is to continue supporting the National REDD+ Strategy process and environmental and social elements of it, and development of the Safeguards Information System for Uganda REDD+ as an integral component of the REDD+ strategy. The additional grant will support goods, workshops, training, services, and operational costs for:

- (a) Revising and updating key readiness documents, including Uganda's REDD+ Strategy and Implementation Plan, and finalizing Safeguards Instruments.
- (b) The design and establishment of the Safeguards Information System.

Part 4: REDD+ Implementation Framework

The objective of this component is to support the development of design options for the ER Programs nested in the National REDD+ Strategy. The additional grant will support goods, workshops, training, services, and operational costs for:

- (a) Designing about two or three landscape level ER Programs in selected landscape, preferably within the Albertine Rift and Mt. Elgon ecosystems.

- (b) developing short idea notes to be followed by a complete program to seek potential buyers, including under the emerging REDD+ financing window of the Green Climate Fund.

Part 5: National Reference Scenario and Inventory of Forest Resources

The objective of this component is to refine the National Reference Scenario/ FREL by undertaking analysis to better determine forest degradation levels and establishing and institutionalizing the NFMS as approved by the national REDD+ structures. The additional grant will support goods, workshops, training, services, and operational costs for:

- (a) Improving estimations of emissions from forest degradation.
- (b) Updating forest inventory and quantify biomass and stock estimates for trees outside “forests”, which include updating the database of inventory data and provision of training to the National Forestry Authority (NFA) and the Uganda Wildlife Authority staff in forest inventory and data analysis.
- (c) Institutionalizing the MRV system and its deployment at regional/zonal level – as per the approved design.
- (d) Piloting a specific activity for community-led monitoring and integrating community-based data into national MRV systems including, ground trothing of forest inventory land cover changes. It will explore existing community monitoring practices in Uganda, and how these could be beneficial in support of forest co-management, monitoring, benefit sharing, and the design of landscape programs.

2.02. **Additional Readiness Preparation Activities Execution Generally.** The Recipient declares its commitment to the objectives of the Additional Readiness Preparation Activities. To this end, the Recipient shall carry out the Additional Readiness Preparation Activities through the Recipient’s Ministry of Water and Environment (in particular, its Forestry Sector Support Department) 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 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** Without limitation upon the provisions of Section 2.02 above, the Recipient shall ensure that, throughout the period of implementation of the Additional Readiness Preparation Activities, the National Technical Committee and the REDD+ secretariat have assigned staff and resources in adequate number acceptable to the World Bank, in order to carry out the Additional Readiness Preparation Activities; and (b) cause the National Technical Committee to prepare periodic Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions. Each Project Report shall cover such period of six (6) months and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

2.04. **Safeguards.** The Recipient shall ensure that: (a) all (i) terms of reference for any technical assistance or studies carried out under the Additional Readiness Preparation Activities; and (ii) frameworks prepared on the basis of the SESA under the Additional Readiness Preparation Activities pursuant to Section 2.01 of the Annex to this Agreement are consistent with, and 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. **Completion Report.** The Recipient shall prepare and 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 of the Standard Conditions.

2.06. **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 Donors' support for this Additional Readiness Preparation Activities.

(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 to visit any part of the Recipient's territory for purposes related to this Additional Readiness Preparation Activities.

2.07. **Documents; Records.**

In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient's financial and narrative progress reports submitted to the World Bank; (iii) the Recipient's financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient's implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donor.

2.08. **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 Additional Readiness Preparation Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, 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 such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.09. **Procurement**

All goods and consulting services required for the Project and to be financed out of the proceeds of the Additional Grant shall be procured in accordance with the requirements set forth

or referred to in the “World Bank Procurement Regulations for Borrowers under Investment Project Financing” dated July 1, 2016 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) dated September 06, 2017, provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

**Article III
Withdrawal of Additional Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Additional 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 February 2017, 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 Additional Grant (“Category”), the allocations of the amounts of the Additional Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Additional Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, consultant services, Operating Costs, and Training and Workshops	3,750,000	100%
TOTAL AMOUNT	3,750,000	

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 this Agreement, except that withdrawals up to an aggregate amount not to exceed three hundred thousand United States Dollars (US\$300,000) may be made for payments made prior to this date but on or after July 01, 2017, for Eligible Expenditures.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2019.

**Article IV
Remedies**

4.01. The Additional Events of Suspension consist of the following, namely that the World Bank has determined that: (a) at any time before the Closing Date, the Recipient has failed to apply sound environmental or social standards or practices in its management or carrying out of Additional Readiness Preparation Activities; and (b) as a result of such failure, a situation has arisen after the date of this Agreement which makes it improbable that the objective of the Additional Readiness Preparation Activities will be achieved.

Article V
Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its minister at the time responsible for finance.

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

Ministry of Finance, Planning and Economic Development
Plot 2-12, Apollo Kaggwa Road
P.O. Box 8147
Kampala

Facsimile:
+256 414 4230163/4234023

Email:
finance@finance.go.ug

5.03. **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

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

APPENDIX
Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

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

18bis “‘Additional Readiness Preparation Activities’ means the activities, described in the Third Grant Agreement, for which the Additional 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.”
2. 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 “Additional Readiness Preparation Activities.”