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DOCUMENTS

TF 014956

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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JUNE 17, 2013

Hon. Maria Kiwanuka
Minister of Finance, Planning and Economic Development
Ministry of Finance, Planning and Economic Development
Plot 2-12, Apollo Kagwa Road
Kampala
Uganda

**Second Grant Agreement for Uganda Readiness Preparation Proposal
Readiness Fund of the FCPF
Grant No. TF014956**

Excellency:

I 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 the amount not to exceed two hundred thousand Dollars (US\$200,000) for formulating the Readiness Preparation Proposal ("R-PP") ("R-PP Formulation Installment").

The Participants Committee of the FCPF ("PC") has reviewed the R-PP submitted by the Recipient and acknowledged the extensive efforts made by the Recipient and the high quality of the R-PP. Accordingly, the PC, through its Resolution PC/9/2011/3 decided to allocate grant funding to the Recipient in the amount of up to three million four hundred thousand Dollars (US\$ 3,400, 000) ("Preparation Installment") and the unused balance from the R-PP Formulation Installment in the amount of thirty four thousand Dollars (US\$34,000), to enable the Recipient to move ahead with preparation for readiness, subject to the terms and conditions set out in said Resolution. Further, the PC approved, through its Resolution PC/Electronic/2012/1, the allocation of additional funds of up to two hundred thousand Dollars (US\$200,000) (together with the Preparation Installment, the "Grant") for the purpose of strengthening the Recipient's national feedback and grievance redress mechanism, 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 to above, I am pleased to inform you that the World Bank agrees to extend a Grant in the amount of three million six hundred and thirty-four thousand Dollars (US\$3,634,000) on the terms and conditions set forth or referred to in this letter agreement ("Second Grant 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 into 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 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 Second Grant Agreement and to carry out the Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Second 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 Second Grant Agreement are based on the Charter, as so amended. Where there are inconsistencies between the Readiness Grant Agreement and this Second Grant Agreement including in the use of terms, the provisions in this Second Grant Agreement shall prevail and deemed to have accordingly amended the provisions of the Readiness 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 Second Grant Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Second Grant Agreement shall become effective as of the date specified by the World Bank in accordance with Section 4.02 of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
(Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility)

By  _____

Philippe Dongier
Country Director for Uganda
Africa Region

AGREED:

REPUBLIC OF UGANDA

By  _____
Authorized Representative

Name NAMLIWANKA

Title MINISTRY OF FINANCE, PLANNING & ECONOMIC DEVELOPMENT

Date: 10/07/2013

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 October 24, 2012.
- (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.
- (6) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011.

FCPF Readiness Fund Grant No.TF014956

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 Second Grant 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 Second Grant 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 Second Grant Agreement have the meanings ascribed to them in the Standard Conditions, the Charter, or in this Second Grant Agreement.
- (a) “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.
 - (b) “Forestry Sector Support Department” means the Recipient’s department responsible for forestry sector support within the Ministry of Water and Environment.
 - (c) “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.
 - (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) “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.

- (f) “Ministry of Water and Environment” means the Recipient’s ministry for water and environment, and its successor thereto.

Article II

Execution of Readiness Preparation Activities

2.01. **Objectives and Description.** The objective of the 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 Readiness Preparation Activities consist of the following parts:

Part 1: Coordination and Monitoring of REDD+ Readiness Process

Strengthening coordination and management of the REDD+ process at the national level, through:

- 1.1 Implementing the National Readiness Management Arrangement Activities including strengthening the capacities of all relevant institutions through the provision of technical advisory services, goods, works, workshops and training and operating costs.
- 1.2 Designing and implementing a monitoring and evaluation framework for overall reporting on the progress of implementation of REDD+ readiness activities, including, among others, the carrying out of an independent assessment of progress at mid-term and at the end of the activities financed by the Grant.

Part 2: Stakeholder Engagement and Feedback in Readiness Process

Strengthening stakeholder engagement with a view to informing REDD+ readiness, through:

- 2.1 Strengthening participatory structures at the local and national level, with a view to enhancing stakeholder engagement in REDD, including, among others, community based forest associations, religious institutions, women and youth associations and national association of tree growers, all through provision of technical advisory services, goods, workshops and training and operating costs.
- 2.2 Developing and disseminating communication materials and tools pertaining to the Readiness Preparation Activities, including, among others, creation of a national REDD+ website to be hosted by the Ministry of Water and Environment, use of public media such as TV and radio, development of policy briefs, newsletters, and brochures in local languages, and the use of pictorials, and other social networks at the local levels.
- 2.3 Strengthening national feedback and grievance redress mechanisms for REDD+ including, among others, a comprehensive review of the capacities of relevant institutions and customary mechanisms for handling grievances.

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

- 3.1 Carrying out of a comprehensive strategic environmental and social and assessment (“SESA”) with a view to evaluating, *inter alia*: (a) REDD+ strategy, in particular, how said strategy addresses environmental and social priorities associated with current patterns of land use and forest management, to identify gaps and make recommendations for improvement; and (b) environmental and social impacts of implementing REDD+ activities under the REDD+ strategy (to be developed under this Part) and preparing an appropriate environmental and social management framework, through provision of technical advisory services, goods, workshops and training and operating costs for that purpose.
- 3.2 Developing an appropriate REDD+ strategy (said strategy informed by SESA considerations pursuant to Part 3.1 immediately above).

Part 4: REDD+ Implementation Framework

Designing REDD+ implementation framework, in particular:

- 4.1 Carrying out of a comprehensive review and assessment of existing benefit sharing arrangements in country and within the region for use under REDD+ , including, analyses of carbon rights, and making appropriate recommendations for improving said benefit sharing arrangements.
- 4.2 Preparation of national guidelines and standards (including, eligibility criteria) for design and implementation of REDD+ demonstration activities or pilots drawing upon national and regional experience.
- 4.3 Carrying out of a comprehensive review of ongoing REDD+ efforts and demonstration activities or pilots.

Part 5: National Reference Scenario and Inventory of Forest Resources

Establishment of a reference scenario for emissions from deforestation and/or forest degradation by designing an appropriate methodology, reviewing national circumstances, preparing an inventory of forests, mapping forest cover, spatial modeling, calculating carbon emissions and establishing the reference level, all through the provision of technical advisory services, goods, workshops and training, and operating costs.

- 2.02. ***Execution Generally.*** The Recipient declares its commitment to the objective of the Readiness Preparation Activities. To this end, the Recipient shall carry out said Readiness Preparation Activities through the 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 (“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: (a) ensure that, throughout the period of implementation of the 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 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 Readiness Preparation Activities; and (ii) frameworks prepared on the basis of the SESA under the Readiness Preparation Activities pursuant to part 2.3 of Section 2.01 of 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. ***Mid-term Progress Report and Completion Report.*** The Recipient shall, not later than eighteen (18) months after the date of countersignature of this Agreement, 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. The Recipient shall also 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(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 than forty-five (45) days after the end of the Recipient's fiscal 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 such audit of the Financial Statements shall cover the period of one Fiscal Year. 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.
- (d) ***Financial Management Covenant.*** The Recipient shall, not later than six (6) months after the Effective Date, appoint an external auditor, in accordance with the provisions of Sections 2.07-2.08 of the Annex to this Agreement.

Procurement

2.07. All goods, works, non-consulting services, and/or consulting services required for the Readiness Preparation Activities and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in 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 (“Procurement Guidelines”), and the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 (“Consultant Guidelines”).

2.08. (a) Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the Bank in accordance with the Procurement Guidelines and the Consultant Guidelines, prior to initiating the procurement process for any such contract.

- (b) 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding, subject to the modifications to the procedures set out in the Attachment to this Annex.
(b) Shopping subject to the modifications to the procedures set out in the Attachment to this Annex.
(c) Direct Contracting subject to the modifications to the procedures set out in the Attachment to this Annex.
(d) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank

- (c) 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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-Based Selection
(b) Selection of Individual Consultants
(c) Least-Cost Selection
(d) Selection based on Consultants’ Qualifications

(e) Single-source Selection of consulting firms
(f) Single-source procedures for the Selection of Individual Consultants

- (d) Review by the World Bank of Procurement Decisions.
- (i) 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.
 - (ii) All terms of reference for consultants' services, regardless of the contract value, shall be subject to the World Bank's prior review.
- (e) *Specific Procurement Covenants*
- (i) The Recipient shall, not later than six (6) months after the Effective Date, update its procurement filing and record keeping system, in form and substance acceptable to the Association.
 - (ii) The Recipient shall, not later than six (6) months after the Effective Date, acquire additional and appropriate office space for PDU staff, under terms of reference acceptable to the Association.

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 Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Consultants' Services, Non-consulting Services, Goods, Works, Workshops and Training, and Operating Costs	3,634,000	100%
TOTAL AMOUNT	3,634,000	

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 facilitators, 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, 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 Second Grant Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Second Grant Agreement by the Recipient.
- 3.03. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2016.

Article IV Effectiveness; Addresses

- 4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the condition specified below has been satisfied, namely, that the Recipient has, through its Ministry of Water and Environment, prepared and adopted a procurement manual, in form and substance satisfactory to the Association.
- 4.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 4.03. ***Termination for Failure to Become Effective.*** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

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 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
Facsimile: 1-202-477-6391

ATTACHMENT TO ANNEX

1. National Competitive Bidding shall be subject to the following:
 - (a) Negotiating with the lowest evaluated responsive bidder shall not be permitted;
 - (b) The use of a merit point system for bid evaluation shall not be permitted except for procurement of: (i) complex information and technology systems; and (ii) design and build contracts;
 - (c) Domestic preferences shall not apply under NCB;
 - (d) The charging of fees for dealing with bidder complaints at procuring entity level shall not be permitted;
 - (e) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract shall provide for the following: (i) the bidders, suppliers, contractors and subcontractors shall, on request, permit the Association to inspect the accounts and records relating to the bid submission and performance of the contract, and shall have the accounts and records audited by auditors appointed by the Association; and (ii) any deliberate and/or material violation of such provision by any bidder, supplier, contractor or subcontractor may amount to an obstructive practice provided for in paragraphs 1.16(a) and (v) of the Procurement Guidelines;
 - (f) Firms or individuals debarred or suspended by the Association shall not be eligible (in addition to firms or individuals suspended by PPDA); and
 - (g) Disqualification of bidders for not purchasing bidding documents from the Recipient shall not apply.
2. Shopping shall follow the request for quotations procedures (as defined in the PPDA Act and attendant regulations) subject to the provisions in sub-paragraphs (a) to (f) immediately above.
3. Direct Contracting shall be subject to the following, namely, that micro-procurement (as defined in the PPDA Act) shall only apply for contracts estimated to cost the equivalent of 150 Dollars or less.