

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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Dated: 13/3, 2018

H.E. Mohamed Osman Elrikaby
Minister of Finance and Economic Planning
Ministry of Finance and Economic Planning
Khartoum
Republic of Sudan

Re: FCPF Readiness Fund Grant No.TF0A6424
Second Grant Agreement for Republic of Sudan
Additional REDD+ Readiness Preparation Support

Excellency:

I wish to refer to the Grant Agreement between the Republic of Sudan ("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 March 04, 2015 ("Grant Agreement"), pursuant to which the World Bank agreed to provide to the Recipient a grant in an amount not to exceed three million eight hundred thousand United States Dollars (US\$3,800,000) ("Grant") to enable the Recipient to move ahead with preparation for readiness.

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. Accordingly, the PC, through its Resolution PC/23/2017/4 decided to allocate additional grant funding to the Recipient in the amount of five million United States Dollars (US\$5,000,000), 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 five million United States Dollars (US\$5,000,000) ("Second Grant") 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 Additional Readiness Preparation Activities described in the Annex.

This Second 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 Second Grant 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 Second 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 Additional Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

Since the execution of the 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 Grant Agreement and this Second Grant Agreement including in the use of terms, the provisions in this Second Grant Agreement shall prevail and be deemed to have accordingly amended the provisions of the 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 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 _____
Carolyn Turk
Country Director, Sudan

AGREED:
REPUBLIC OF SUDAN

By:  _____
Authorized Representative

Name: Mohamed Osman Elrikaby
Title: MINISTER OF FINANCE & ECONOMIC PLANNING
Date: 18/3/2018

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated February 2017.
- (3) Charter Establishing the Forest Carbon Partnership Facility as revised on November 23, 2015.
- (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 and as of July 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 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 “Additional Readiness Preparation Activities” means the activities, described in the Agreement, for which the Second 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 “Additional 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 Second Grant Agreement:

- (a) “Environmental and Social Management Framework” or “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) “REDD+” means reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.
- (c) “REDD+ Management Unit” or “REDD+ Unit” means the unit tasked with REDD+ Readiness Activities, formed within the Forest National Corporation (FNC).
- (d) “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+ programs and policies, 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 Second Grant is to assist the Recipient to strengthen Sudan's capacity to design a socially and environmentally sound national Reducing Emissions from Deforestation and Forest Degradation (REDD) strategy. The Additional Readiness Preparation Activities consist of the following parts:

Component 1: Support for REDD+ Readiness Management & Institutional Arrangements

The additional grant will support the REDD+ Unit through goods, workshops, training, services, and operational costs for:

- Providing operational support and staff to REDD+ Unit to carry out activities under the additional financing.
- Providing transportation facilities to the REDD+ unit for connectivity to state offices and local communities, associated with readiness activities in the field.
- Providing IT equipment for the REDD+ Unit as well as assisting in remodeling of the office space.
- Providing support to hire graduate students from Sudanese universities to support the REDD+ Unit with readiness tasks and assignments and to facilitate the completion of readiness activities and also providing students exposure to the REDD+ readiness process and institutionalize long term understanding and awareness of the REDD+ program for Sudan.

Component 2: Support for National REDD+ Strategy

The additional grant will support the REDD+ Management Unit through goods, workshops, training, services, and operational costs for:

- Providing technical support to REDD+ Unit for conducting technical/ strategic studies and workshops for critical elements of the REDD+ strategy, covering: (1) forest landscapes restoration assessment & national restoration strategy; (2) mainstreaming REDD+ in national development policies & legislation; (3) gender mainstreaming and consultations; (4) private sector engagement in reforestation initiatives; (5) forced deforestation, and effects of mining on the forest sector; and (6) national REDD+ pilot program designs.
- Providing support for participation in cross country knowledge sharing and training through South-South exchange events for learning and sharing experiences and lessons from other countries to help refine National REDD+ Strategy.

- Providing support for organizing training sessions on drafting and preparing strong proposals for funding national REDD+ programs to develop funding proposals for National REDD+ Pilot programs.

Component 3: Support for Stakeholder Engagement

The additional grant will support the REDD+ Management Unit through goods, workshops, training, services, and operational costs for:

- Operationalizing of communications strategy & REDD+ awareness program and preparation of relevant safeguard instruments.
- Providing technical support to prepare the R-Package documentation.

Component 4: Support for Monitoring, Reporting, and Verification (MRV)

The additional grant will support the REDD+ Management Unit through goods, workshops, training, services, and operational costs for:

- Providing technical support for strengthening institutionalization of monitoring, reporting and verification (MRV) systems and the national forest monitoring system, including green-house gases initiatives (GHGi) and reporting process for agriculture, forestry, and other land use (AFOLU) sectors.
- Providing support to REDD + information tracking system for REDD+.
- Providing support for GHGi and reporting process for agriculture, forestry, and other land use sectors.
- Providing training and desertification monitoring equipment.
- Providing training and fire monitoring equipment.
- Providing support for institutionalization and deployment of MRV at region/zonal level.

Component 5: Support for National Reference Scenario and Inventory of Forest Resources

The additional grant will support the REDD+ Management Unit through goods, workshops, training, services, and operational costs for:

- Providing support for the development of forest reference emission level (FREL) to ensure methodological alignment with United Nations Framework Convention on Climate Change (UNFCCC).
- Providing support for development of FREL based on national circumstances and line with UNFCCC guidance.
- Providing support for the validation of the FREL.

2.02. **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 REDD+ Management Unit of the Forest National Corporation (FNC) under the Ministry of Agriculture and Forestry, 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 2016 (“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 Additional Readiness Preparation Activities, the REDD+ Management Unit, National REDD+ Steering Committee, the Technical Advisory Committee, the REDD+ Technical Working Groups, State REDD+ Focal Points, and regional technical specialists have assigned staff and resources in adequate number acceptable to the World Bank, in order to carry out the Additional Readiness Preparation Activities.

2.04. **Safeguards.** (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 this Agreement are consistent with, and pay due attention to, the World Bank’s environmental and social safeguards policies; and (b) in drafting any laws or regulations under the Additional Readiness Preparation Activities, due attention will be given to said policies.

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(b) (ii) 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 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.

2.09. *Procurement*

All goods, consulting services and non-consultant 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 December 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, non-consultant services, Operating Costs, and Training and Workshops | 5,000,000 | 100% |
| TOTAL AMOUNT | 5,000,000 | |

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 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 Additional 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 Additional Readiness Preparation Activities staff for travel linked to the implementation of the Additional Readiness Preparation Activities, and salaries of contractual staff for the Additional 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 this Agreement.

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

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 its Minister at the time for Economy and Finance.

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

Ministry of Finance and Economic Planning
P.O.Box 298, Khartoum
The Republic of the Sudan
Cable Malisudan
Telex: +249-183-777563
Facsimile: +249-183-776081

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 and
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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|--|--------------------------------|----------------|
| INTBAFRAD INDEVAS Washington, D.C. | 248423 (MCI) or 64145 (MCI) | 1-202-477-6391 |