

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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CONFORMED

March 24, 2011

H.E. Mapon Matata Ponyo  
Minister of Finance  
Ministry of Finance  
B.P. 12997 Blvd. du 30 juin  
Kinshasa, Gombe  
Democratic Republic of Congo

**Second Grant Agreement for Preparation of  
DRC's Readiness Plan, Readiness Fund of the FCPF  
Grant No. TF099125**

Excellency,

I wish to refer to the Grant Agreement between the Democratic Republic of Congo ("DRC" or "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 19, 2009 ("Readiness Grant Agreement"), for the purpose of providing a grant in the amount not to exceed US\$ 200,000 for formulating the Readiness Preparation Proposal ("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/5/2010/1), decided to allocate grant funding to the Recipient in the amount of up to US\$ 3.4 million ("Preparation Installment" or "Grant"), to enable it to move ahead with preparation for readiness, subject to the terms and conditions set out in Resolution PC/5/2010/1.

In response to the request for financial assistance made on behalf of the Recipient and the decision of the PC referred to above, I am pleased to inform you that the World Bank agrees to extend to the Recipient a grant in an amount not to exceed three million four hundred thousand United States Dollars (US\$ 3.4 million) to assist in the financing of preparation of activities identified in the R-PP ("Preparation Activities")<sup>1</sup>. The Grant shall be subject to the terms and conditions set forth or referred to in this letter agreement ("Second Grant Agreement"), which includes the attached Annex with description of activities.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Second Grant Agreement and to carry out the 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 FCPF Charter has been 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.

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<sup>1</sup> The term "Preparation Activities" is used in this Second Grant Agreement to refer to the "Projects" in the Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010.

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 Second Grant Agreement ("Effective Date".)

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

By  
//s// Marie Françoise Marie Nelly  
Country Director for Democratic Republic of Congo  
Africa Region

AGREED:  
**DEMOCRATIC REPUBLIC OF CONGO (DRC)**

By //s// Mapon Matata Ponyo  
Name Mapon Matata Ponyo  
Title Minister of Finance  
Date: March 26, 2011

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010.

(2) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

**FCPF Readiness Fund Grant No. TF099125**  
**ANNEX**

**Article I**  
**Application**

1.01 **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010 (“Standard Conditions”), with the following modifications, constitute an integral part of this Second Grant Agreement:

The following term shall be inserted in the Appendix to the Standard Conditions as paragraph 6bis:

“6 bis. “Charter” means the Charter Establishing the Forest Carbon Partnership Facility, as may be amended from time to time;”

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; provided that for the purposes of this Agreement the term “Project”, wherever used in the Standard Conditions, shall mean the Preparation Activities referred to in Section 2.01 of this Annex. The following terms have the following meanings:

- (a) “CU” or “Coordination Unit” means the coordination unit of the forestry sector within the Ministry of Environment Nature Conservation and Tourism, established by *Arrêté* N°118/CAB/MIN/AFF-ET/2002 of September 2009;
- (b) “MECNT” or “Ministry of Environment, Nature Conservation and Tourism” means the ministry responsible of environment;
- (c) National REDD Coordination means the unit within the MECNT which was established by a ministerial decree No. 09140 of 11/26/2009; and
- (d) “REDD” or “Reducing Emissions from Deforestation and Degradation” is a mechanism that uses market/financial incentives to reduce the emission of greenhouse gases from deforestation and forest degradation in a measurable and verifiable way.
- (e) “REDD+” expands the scope of REDD beyond deforestation and degradation to include forest restoration, rehabilitation, sustainable management and reforestation

**Article II**  
**Execution of Preparation Activities**

2.01. **Objectives and Description.** The objective of the Preparation Installment is to reinforce DRC’s capacities to design a socially and environmentally sound national strategy to reduce emissions from deforestation and forest degradation (REDD+) and to develop a national reference scenario of emissions from deforestation and degradation that takes into account national circumstances.

The Preparation Activities consist of the following parts:

Part 1: Support to the Coordination of the REDD+ Readiness Process and Multi-Stakeholder Consultations

- (a) Supporting the establishment of national and provincial-level institutions to be responsible for coordinating the overall REDD+ Readiness process in the Recipient's territory including the day to day management of the REDD+ National Coordination and capacity building to the members of these institutions; and
- (b) implementing the Consultation, Participation and Information Plan (CPI Plan), aimed to inform and raise awareness of key stakeholders regarding REDD+ and to ensure an overall participative REDD+ process, including: (i) the production of various forms of informational material on REDD+; (ii) the review of the national education program to integrate climate change and REDD+ issues into the curriculum of national education programs.

Part 2: Contribution to the Design of a National REDD+ Strategy

- (a) Strengthening the capacity of the National REDD+ Coordination to lead and prepare the strategy, including financially supporting the national REDD+ coordination and national and international consultants involved in the design of the strategy;
- (b) carrying out legal and institutional analysis associated with the establishment of a national REDD+ regime; including establishing a national REDD+, a legal and institutional assessment of options for implementing a national REDD+ framework. The conceptualization of an integrated excellence center on climate aiming to foster knowledge production and dissemination on issues related to forests and climate change will also be supported; and
- (c) conducting a Strategic Environmental and Social Assessment (SESA) of the national REDD+ process, encompassing carrying out an analysis of the social and environmental risks of the preliminary national REDD+ strategy, and drafting an Environmental and Social Management Framework (ESMF); with the aim of: i) identifying potential environmental and social safeguards issues and risks arising from the national REDD+ strategy and its implementation framework; ii) influencing the process of preparation of the national REDD+ strategy by ensuring social and environmental concerns are addressed in the strategy; and iii) preparing risk mitigation tool for the residual risks that could arise from the implementation of the national REDD+ strategy.

Part 3: Preparation of a National Reference Scenario for REDD+

Carrying out an analysis of the national circumstances influencing future emissions from deforestation and forest degradation, including an analysis of the socio-economic context of the Recipient's territory and of the sustainable development needs; and modeling future deforestation.

#### Part 4: Management of the Grant

Implementation of the Preparation Activities, including the carrying out the fiduciary and procurement activities and the external audits.

2.02. ***Execution Generally.*** The Recipient declares its commitment to the objectives of the Preparation Activities. To this end, the Recipient shall carry out the Preparation Activities through the National REDD Coordination 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, the Recipient shall:

- (a) ensure that, at all time during Project implementation, the National REDD Coordination be maintained in form and with functions and with staff in numbers with qualifications and experience satisfactory to the World Bank to allow for the due implementation of the Preparation Activities;
- (b) ensure that the fiduciary management of the Preparation Activities be carried out by the CU, and that the CU be maintained in form and with functions and staffing in number and with qualifications and experience satisfactory to the World Bank; and
- (c) establish and maintain throughout implementation of the Preparation Activities a national Overseeing Committee for the Strategic Environment and Social Assessment (Overseeing Committee) to be responsible for the supervision of Part 2(c) of the Preparation Activities. The Overseeing Committee will be composed of representatives from the government, civil society and the private sector.

2.04. ***Mid-term Progress Report and Completion Report.*** The Recipient shall prepare a mid-term progress report in accordance with Section 6.3(b) of the Charter and Resolution PC/7/2010/3<sup>2</sup>. The mid-term progress report shall be furnished to the PC no later than 18 months after the signature of this Second Grant Agreement or other time frame decided by the PC. The Recipient shall also prepare Reports<sup>3</sup> and Completion Report in accordance with the provision of Section 2.06(b) of the Standard Conditions. The Reports shall be furnished to the World Bank every six months following the countersignature of this Second Grant Agreement. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

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<sup>2</sup> 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.

<sup>3</sup> The term "Reports" is used in this Second Grant Agreement to refer to the "Project Reports" in the Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010.

## 2.05. *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 Preparation Activities are prepared and furnished to the World Bank not later than forty five days (45) 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 for the Preparation Activities 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 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.

## 2.06. *Procurement*

(a) General. All goods and non-consulting services required for the Preparation Activities and to be financed out of the proceeds of the R-PP Preparation Installment 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” published by the World Bank in January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services; and

(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” published by the World Bank in January 2011 (“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 Preparation Activities in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 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 Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or 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 specified in the Procurement Plan which the World Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (A) National Competitive Bidding using standard bidding

document acceptable by the Bank; (B) Shopping; (C) Direct Contracting; and (D) Procurement from United Nations Agencies. The Procurement Plan shall specify the circumstances under which such methods may be used.

(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 may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Least Cost Selection; (B) Selection based on Consultants' Qualifications; (C) Single-source Selection; (D) Selection of Individual Consultants; and (E) Sole Source Procedures for the Selection of Individual Consultants. The Procurement Plan shall specify the circumstances under which such methods may be used.

(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. All Terms of Reference regardless of contract cost estimate shall be subject to Prior Review by the World Bank.

**Article III  
Withdrawal of Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Preparation Installment 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 Preparation Installment ("Category"), the allocations of the amounts of the Preparation Installment to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Preparation Installment Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Consultants' Services, including audits, Goods, Workshops and Training	2,781,000	100%
(2) Operating Costs	619,000	100%
<b>TOTAL AMOUNT</b>	3,400,000	

For the purpose of Section 3.01, (i) the term “Workshops and Training” means the costs associated with training and workshop participation of personnel involved in the implementation of the 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; and (ii) the term “Operating Costs” means the operating costs incurred on account of the implementation of the Preparation Activities including office supplies and consumables, utilities, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Preparation Activities, and travel, lodging and per diems, but excluding 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 March 31, 2014.

#### **Article IV Effectiveness; Termination**

4.01. This Second Grant Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The national SESA overseeing committee referred to in paragraph 2.03(c) of this Annex has been created;

(b) the CU’s existing manual of administrative, accounting and financial management has been revised and updated in a manner satisfactory to the World Bank; and

(c) a memorandum of understanding (MOU) in form and substance satisfactory to the World Bank has been signed between the National REDD Coordination and the CU.

4.02 Except as the Recipient and the World Bank shall otherwise agree, this Second Grant 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. 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 Second Grant 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 Second Grant Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Second Grant 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 the 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  
B.P. 12997 Blvd. du 30 juin  
Kinshasa, Gombe  
Democratic Republic of Congo

Facsimile: 00 243 880 23 81

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

Cable:	Telex:	Facsimile:
INTBAFRAD	248423 (MCI) or	1-202-477-6391
Washington, D.C.	64145 (MCI)	