

October 17, 2011

Honorable Kwabena Duffuor
Minister of Finance and Economic Planning
Ministry of Finance and Economic Planning
P. O. Box MB40
Ghana

**Supplementary Grant Agreement for
Ghana Readiness Preparation Proposal
Readiness Fund of the FCPF
Grant No. TF010903**

Honorable Minister:

I wish to refer to the Grant Agreement between the Republic of Ghana (“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 April 1, 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”) (“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/5/2010/3, 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 said Resolution.

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 International Bank for Reconstruction and Development (“World Bank”) acting as Trustee of the Readiness Fund for the FCPF (“Trustee”) 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 Readiness Preparation Activities (as defined in the Annex to this Agreement). The Grant shall be subject to the terms and conditions set forth or referred to in this letter agreement (“Supplementary Grant Agreement”), which includes the attached Annex with description of Readiness Preparation Activities.

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

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 Supplemental Grant Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Supplementary Grant Agreement shall become effective.

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



By _____
Sergiy V. Kulyk
Acting Country Director

AGREED:

REPUBLIC OF GHANA

By _____
Name _____
Title _____
Date: _____

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010.
- (2) Charter Establishing the Forest Carbon Partnership Facility, dated May 11, 2010.
- (3) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.

**FCPF Readiness Fund Grant No. TF010903
ANNEX**

Article I
Standard Conditions; Definitions

1.01 ***Standard Conditions.***

(a) The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010 (“Standard Conditions”), with the modifications set forth in paragraphs (b) , (c) and (d) below , constitute an integral part of this Supplementary Grant Agreement:

(b) 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;”

(c) The definition of the term “Project” shall be deleted and replaced to read as follows:

“11bis “Readiness Preparation Activities” means the proposed activities, for which the World Bank as the Trustee of the Readiness Fund of the Forest Carbon Partnership Facility has made the Preparation Installment, for the carrying out of the Recipient’s Readiness Preparation Proposal, as said activities are described in Section 2.01 of the Supplementary Grant Agreement.”

(d) All references to the term “Project” shall be construed to read “Readiness Preparation Activities”.

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

(a) “Forest Investment Program” is a multi-donor initiative set up with the objective of providing up-front bridging finance for readiness reforms and public and private investments identified through national REDD readiness strategy building efforts, while taking into account opportunities to help them adapt to climate change on forests and contributing to multiple benefits from forests.

(b) “Forestry Commission” means the forestry commission, a department within the Ministry of Lands and Natural Resources, established pursuant to the Forestry Commission Act, 1999 (Act 571), or any successor thereof.

(c) “Forest Research Institute of Ghana” means a research institute of the Recipient established pursuant to the Forestry Commission Act, 1993 (Act 453) responsible for conducting forest and forest products research for social, economic and environmental benefits of society.

(d) “Ministry of Lands and Natural Resources” means the Recipient’s ministry of lands and natural resources, or any successor thereof.

(e) “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.

(f) “REDD+” expands the scope of REDD beyond deforestation and degradation to include forest restoration, rehabilitation, sustainable management and reforestation.

(g) “REDD+ Technical Working Group” means the technical working group of the Forestry Commission responsible for the support of the national REDD+ coordination, or any successor thereof.

(h) “Reference Emissions Level” is the amount of gross emissions from a geographical area estimated within a reference time period (used for activities related to reduced emissions from deforestation and forest degradation).

(k) “Reference Level” is the amount of net/gross emissions and removals from a geographical area estimated within a reference time period (used for activities related to the expanded scope of REDD+, namely conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks).

(l) “Reference scenario” means a national reference scenario, which is supposed to encompass both Reference Emissions Levels and Reference Levels.

(m) “Voluntary Partnership Agreement” means the agreement entered between the Recipient and the European Union, dated November 20, 2009, to address illegal logging.

Article II

Execution of Readiness Preparation Activities

2.01. ***Objectives and Description.*** The objective of the Preparation Installment is to assist the Recipient to carry out the Readiness Preparation Activities, so as to support the Recipient design a socially and environmentally sound national strategy to reduce emissions from deforestation and forest degradation and to develop a reference scenario of emissions from deforestation and degradation that takes into account national circumstances.

The Readiness Preparation Activities consist of the following parts:

Part 1: Support to the Coordination of the REDD+ Readiness Process and Readiness Preparation Activities Management, Monitoring and Evaluation

- (a) Strengthen the capacity of the REDD+ Technical Working Group through, *inter alia*, the provision of training to the staff of the said institution and the provision of specialized input and technical guidance to national REDD+ coordination processes.
- (b) Support the communication activities related to national REDD+ coordination, including overseeing development of a national communication strategy for REDD+, through, *inter alia*, the recruitment of a communication specialist.
- (c) Support the coordination functions of the REDD+ management structures.
- (d) Support to the implementation of the Readiness Preparation Activities, including the carrying out the fiduciary and procurement activities and the external audits, and the development of a monitoring and evaluation framework.

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

- A. Preparation of the national REDD+ strategy and a strategic environmental and social assessment.
 - (a) Formulate the national REDD+ strategy on the basis of the results of a series of analytical studies, the results of the strategic environmental and social assessment process, inputs received from a multi-stakeholder consultative process and the Voluntary Partnership Agreement.
 - (b) Conduct a strategic environmental and social assessment in accordance to terms of reference satisfactory to the World Bank, which will cover the following: (i) analysis of the initial social and environmental situation around the deforestation issue within the Recipient's territory, including an analysis of the candidate REDD+ strategy; (ii) analysis of potential impacts of the business as usual scenario (without REDD+ activities); (iii) analysis of the potential social and environmental risks of the preliminary REDD+ strategy, including the draft investment strategy for the Forest Investment Program.
 - (c) Prepare an environmental and social management framework to mitigate the residual risks of the strategy for future investments, a resettlement policy framework and any other safeguard instrument as may be necessary, in accordance to terms of reference satisfactory to the World Bank.
 - (d) Set up and implementation of a conflict resolution mechanism for REDD+ strategy preparation, in particular in regard to benefits sharing and carbon rights.
- B. Strengthening the institutional set-up and modalities for REDD+ implementation
 - (a) Conduct an institutional mapping and review of the legal framework for REDD+ implementation.
 - (b) Develop operational guidelines and standards for national and sub-national REDD+ programs.
 - (c) Establish the functional modalities of a fund under the oversight of the Forest Research Institute of Ghana to support REDD+ pilot projects with the goal of fostering knowledge management and dissemination on issues related to REDD+ and climate change.

C. Information Sharing and Multi-Stakeholder Process

Support an information sharing and multi-stakeholder consultation process, including consultations for a strategic environmental and social assessment, through, *inter alia* (i) the preparation of national communication strategy, including the production of various forms of informational material on REDD; and (ii) the implementation of a consultation, participation and information plan.

Part 3: Preparation of National Reference Scenario for REDD+

Support the development of a Reference Scenario, through, *inter alia* (i) mapping existing capacities and identifying capacity building needs in the Forestry Commission and relevant institutions for establishing Reference Scenario (ii) the provision of training to staff of the said institutions; (iii) updating quantitative information on possible future emissions and removals and other relevant technical work; and (iv) developing a future trajectory including modeling of deforestation and forest degradation rates under different economic and development scenarios.

Part 4: Support for a monitoring, reporting and verification system for REDD+

- (a) Support planning and preparatory activities for the design of a monitoring, reporting and verification system, through *inter alia* (i) assessing existing institutional capacities necessary for a monitoring, reporting and verification system development; and (ii) provision of training to staff involved in the monitoring, reporting and verification system design and implementation.
- (b) Contribute to developing a blueprint for a monitoring, reporting and verification system capable of tracking all activities (deforestation, degradation, reforestation and enhancement of carbon stocks), which will include, *inter alia* (i) conducting a detailed assessment of existing monitoring systems available nationally, as well as currently in place in other countries for tracking emissions from land use; (ii) considering and proposing options for community involvement in monitoring; and (iii) developing a data archiving system that allows for transparent documentation of existing data and metadata.

2.02. **Execution Generally.** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities through the Forestry Commission of the Ministry of Lands and Natural Resources 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: (i) ensure that, throughout the period of implementation of the Readiness Preparation Activities, the National REDD+ Technical Working Group has assigned staff and resources in adequate number acceptable to the World Bank, in order to carry out the daily management and coordination, financial management, procurement, monitoring and evaluation of the Readiness Preparation Activities; and (ii) shall cause the National REDD+ Technical Working Group to, prepare 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. ***Environmental and Social Safeguards.*** The Recipient, through the Forestry Commission shall ensure that the terms of reference for any consultancy in respect of any activity under Part 2 of the Readiness Preparation Activities, shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance.

For the purposes of the above “Bank Safeguard Policies” means the Bank’s operational policies and procedures set forth in the Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 7.50 and 7.60 as said manual is published under www.WorldBank.org/opmanual.

2.05. ***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/7/2010/3.¹ The Recipient shall also prepare a Completion Report in accordance with the provision of Section 2.06(b) (ii) of the Standard Conditions. The mid-term progress report shall be furnished to the World Bank by March 29, 2013. The mid-term progress report shall be furnished to the PC by June 30, 2013. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

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 each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall, upon the World Bank’s request, have its Financial Statements for the Readiness Preparation Activities audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each

¹ Resolution PC/7/2010/3 requires the REDD Country Participant to submit a mid-term progress report to the PC according to a timetable that shall be jointly agreed in the Readiness Preparation Grant Agreement between the World Bank and the REDD Country Participant. The format for the reporting will be developed by the FMT.

such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. Procurement

(a) **General.** All goods, non-consulting services and consultants' services required for the Readiness Preparation Activities and to be financed out of the proceeds of the 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" dated January 2011 ("Procurement Guidelines"), in the case of goods and non-consulting services;

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Readiness Preparation Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

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

(ii) The following 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* |
| (b) Shopping |
| (c) Direct Contracting |

***National Competitive Bidding (NCB) procedures:** The following additional provisions shall apply to NCB for goods and non-consulting services under the Readiness Preparation Activities: (a) foreign bidders shall be allowed to participate in the NCB procedures; (b) bidders shall be given at least one month to submit bids from the date of the invitation to bid, or the date of availability of bidding documents, whichever is later; (c) no domestic preference

shall be given for domestic bidders and for domestically manufactured goods; and (d) in accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Grant shall provide that: (i) the bidders, suppliers, contractors and subcontractors shall permit the World Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the World Bank; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

(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 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 under a Fixed Budget |
| (c) Least-Cost Selection |
| (d) Selection based on Consultants' Qualifications |
| (e) Single-source Selection of consulting firms |
| (f) Selection of Individual Consultants |
| (g) Single-source procedures for the Selection of Individual Consultants |

(e) 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.

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:

| <u>Category</u> | <u>Amount of the Preparation Installment Allocated (expressed in USD)</u> | <u>Percentage of Expenditures to be Financed (inclusive of taxes)</u> |
|--|--|--|
| (1) Consultants' Services, including audits, Goods, Workshops and Training | 2,100,000 | 100% |
| (2) Operating Costs | 1,300,000 | 100% |
| TOTAL AMOUNT | 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 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; and (ii) the term "Operating Costs" means the operating costs incurred on account of the implementation of the Readiness 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 Readiness 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 Supplementary Grant Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Supplementary Grant Agreement by the Recipient.

3.03. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is November 3, 2014.

Article IV 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 and Economic Planning
P.O. Box MB40
Accra, Ghana

| | | |
|---------------------|----------------|----------------------------------|
| Cable: | Telex: | Facsimile: |
| ECONOMICON Accra | 2205 MIFAEP GH | 233-30-2667069 233-30-2663854 |

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