

TRANSMITTAL OF OFFICIAL DOCUMENTS



TO: Official Documents Desk

DATE: August 1, 2012

FROM: Julius Thaler, Counsel, LEGEN

EXTENSION: 80594

SUBJECT: **Supplementary Grant for Costa Rica's Readiness Preparation Proposal (TF012692)
Readiness Fund of the Forest Carbon Partnership Facility (FCPF)
Grant Agreement between Fondo Nacional de Financiamiento Forestal and IBRD
and Disbursement Letter**

Attached is/are the original(s) of Official Document(s) described below for safekeeping and for filing in the Bank's Records Management System (e.g. WBDocs). **Choose A, B, or C below.**

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ACCESS TO INFORMATION (AI) POLICY EXCEPTIONS (Refer to the Policy for detailed explanation)

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| 3. BOARD ETHICS COMMITTEE | 8. CORPORATE ADMINISTRATIVE MATTERS |
| 4. ATTORNEY-CLIENT PRIVILEGE | 9. DELIBERATIVE INFORMATION |
| 5. SECURITY & SAFETY INFORMATION | 10. A-C. FINANCIAL INFORMATION |
| | D. FINANCIAL INFORMATION - BANKING & BILLING |
| | 11. BANK'S PREROGATIVE TO RESTRICT |

SECURITY CLASSIFICATION: () Official Use Only () Confidential* or () Strictly Confidential*

Description of Document(s)	Notes/Comments * For documents classified as Confidential or Strictly Confidential, indicate the Bank departments/units/ persons that may access.
1. Supplementary Grant Agreement for Costa Rica's Readiness Preparation Proposal dated June 29, 2012 between Fondo Nacional de Financiamiento Forestal (the Recipient) and IBRD; and	
2. Disbursement Letter dated June 30, 2012 for the above Grant Agreement.	
No. of Pages attached: 17	

cc: LOA-TF; TACT; Benoit Bosquet, ENVCF; Peter Saile, ENVCF; Stephanie Tam, ENVCF; Erick Fernandes, LCSAR; Yoanna Kraus, LCSAR; Diana Rebolledo, LCSAR; Patricia de la Fuente Hoyes, CTRLN; Tomas Socias, LCSPT; Gregor Wolf, LCSSD; Laurent Debroux, LCSAR

June 29, 2012

Ing. Rene Castro Salazar
Minister of the Environment and Energy
President, *Fondo Nacional de Financiamiento Forestal*
San Jose, Costa Rica

**Supplementary Grant Agreement for
Costa Rica's Readiness Preparation Proposal
Readiness Fund of the FCPF
Grant No. TF012692**

Dear Sir:

I wish to refer to the Grant Agreement between the *Fondo Nacional de Financiamiento Forestal* ("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 June 29, 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") (TF 094486).

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 PC2008/ 2, decided to allocate grant funding to the Recipient in the amount of up to three million four hundred thousand Dollars (US\$ 3.4 million) ("Preparation Installment"), to enable it 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 Recipient to strengthen 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 decision of the PC referred to above, I am pleased to inform you that the World Bank, acting as Trustee of the Readiness Fund for the FCPF, agrees to extend the Grant to the Recipient 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" or "Grant Agreement"), which includes the attached Annex with description of Readiness Preparation Activities.

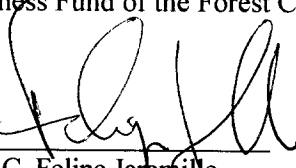
This Grant is funded out of the abovementioned FCPF trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection 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 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 Charter Establishing the FCPF ("Charter") has been amended, and the terms and conditions of this Supplementary Grant Agreement are based on the Charter, as so 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 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 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 as of the date specified by the World Bank in accordance with Article IV of the Annex to this Supplementary 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)

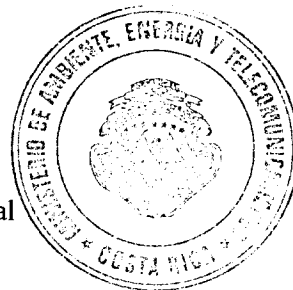
By 
C. Felipe Jaramillo
Director

Central America
Latin America and the Caribbean Region

AGREED:


FONDO NACIONAL DE FINANCIAMIENTO FORESTAL

By _____
Name: Ing. Rene Castro Salazar
Title: Presidente del Fondo Nacional de Financiamiento Forestal
Date: 10/7/2012



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 May 11, 2011.

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

**FCPF Readiness Fund Grant No. TF 012692
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 Supplementary 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 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 Supplementary Grant Agreement have the meanings ascribed to them in the Standard Conditions, the Charter, or in this Supplementary Grant Agreement. For the purposes of this Agreement, the following terms have the meanings given to the team as follows:

(a) “*Banco Nacional*” means a commercial bank of Costa Rica, established, pursuant to Costa Rica’s Constitution, by decree dated October 9, 1914, amended on November 5, 1936.

(b) “FONAFIFO” means *Fondo Nacional de Financiamiento Forestal*, the Republic of Costa Rica’s (Costa Rica) National Forestry Financing Fund, established through Article 46 of Costa Rica’s Forest Law.

(c) “FONAFIFO-BANCO NACIONAL DE COSTA RICA *Fideicomiso* 544” or “*Fideicomiso* 544” mean the trust agreement dated August 24, 1999 entered into between FONAFIFO and Costa Rica’s *Banco Nacional* for purposes of administering the financial resources of FONAFIFO.

(d) “Forest Law” means *Ley Forestal*, Costa Rica’s law N° 7575, dated February 13, 1996, duly published in the Official Gazette on April 16, 1996, as amended to the date of this Agreement.

(e) “Payment for Environmental Services Program” means Costa Rica’s program for environmental services, dated April 16, 1996 and established by Costa Rica’s Forest Law.

(f) “SEPA” means the World Bank’s publicly accessible procurement plans execution system.

(g) “World Bank’s Safeguards Policies” means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual under OP/BPs 4.01, 4.04,

4.09, 4.10, 4.11, 4.12, 4.36, 4.36, 4.37, 7.50 and 7.60 published at www.WorldBank.org/opmanual.

Article II

Execution of Readiness Preparation Activities

2.01. ***Objectives and Description.*** The objective of the Grant is to assist the Recipient in carrying out the Readiness Preparation Activities. The Readiness Preparation Activities consist of the following parts:

(a) Organization, Consultation and Grievance Redress

- (i) Supporting the creation of the REDD+ Executive Committee and REDD+ Secretariat, including the preparation and carrying out of: (A) workshops; and (B) a communication strategy.
- (ii) Carrying out of consultations and workshops with relevant stakeholder groups, and specifically indigenous peoples, to ensure and facilitate their participation in REDD+ Readiness Preparation Activities in accordance with a consultation and participation plan acceptable to the World Bank.
- (iii) Assessing existing feedback and grievance redress mechanisms and, if deemed necessary by the World Bank, reinforcing and/or creating said mechanisms, satisfactory to the World Bank, to meet the needs of people who may be affected by REDD+.

(b) Development of the REDD+ Strategy

- (i) Carrying out of assessment studies on land use, forest policy and governance in Costa Rica, including the dynamics of land uses, forest degradation and restoration, and opportunity costs of alternative land uses.
- (ii) Carrying out of analytical studies to design potential REDD+ strategy interventions, including the carrying out of a stock-taking exercise on the Payment for Environmental Services (PES) Program, and an assessment of cost and/or benefits and analysis of opportunity costs of such potential interventions.
- (iii) Supporting the setting up of a REDD+ strategy implementation framework including the needed transparent institutional, economic, legal and governance arrangements for a REDD+ national program for Costa Rica, including supporting the creation of a new national registry for environmental service rights, the development of a regulatory framework for carbon rights, and the creation of a unit to monitor and prevent fraudulent environmental service transactions.
- (iv) (A) Carrying out of an assessment of potential strategic environmental and social impacts that may arise from future REDD+ activities and/or projects and/or strategies (“Strategic Environmental and Social Assessment”); and (B) preparing a framework for managing and mitigating the environmental and social risks related to investments and carbon finance transactions of the future implementation of a national REDD+ strategy (“Environmental and Social Management Framework”), both in compliance with the World Bank’s Safeguards Policies.

(c) Development of a Reference Level

Carrying out of studies and field work to develop a reference level for carbon stocks.

(d) Design of a Monitoring and Verification System

Designing a system to measure, report, and verify forest carbon stock changes and co-benefits of REDD+.

(e) Administration

Carrying out of the administration of Readiness Preparation Activities, including audits.

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 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) carry out the Readiness Preparation Activities in accordance with the provisions of a manual (Operational Manual), acceptable to the World Bank, which manual shall include, *inter alia*: (i) the detailed description of the Readiness Preparation Activities; (ii) the administrative, accounting, auditing, reporting, financial, and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto; (iii) the procedures for the monitoring, evaluation and supervision of the Readiness Preparation Activities; and (iv) the Consultation and Participation Plan.

(b) The Operational Manual may only be amended from time to time in consultation with, and after approval of, the World Bank. In case of any conflict between the terms of the Operational Manual and those of this Supplementary Grant Agreement, the terms of this Supplementary Grant Agreement shall prevail.

(c) When any Readiness Preparation Activity may have implications for or could affect environmentally or socially sensitive areas, the Recipient shall ensure that the terms of reference (including the terms of reference for preparing the Strategic Environmental and Social Assessment and the Environmental and Social Management Framework) for any consultancies related to studies, technical assistance or capacity building under this Supplementary Grant Agreement 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 World Bank's Safeguard Policies, as applied to the advice conveyed through such technical assistance and capacity building activities.

(d) administer the Grant proceeds through *Fideicomiso 544*.

2.04. **Mid-term Progress Report and Completion Report.** The Recipient shall, not later than March 31, 2013, 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 Resolution PC/7/2010/3. 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.

2.05. **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 Readiness Preparation Activities are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall 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 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, non-consulting services and consultants' services required for the Readiness Preparation Activities and to be financed out of the proceeds of the Grant 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) Special Provisions. The Recipient shall: (i) supply the SEPA with the information contained in the initial Procurement Plan within forty five (45) days after the date of this Agreement; and (ii) update the Procurement Plan at least once a year, or as needed through the duration of the Readiness Preparation Activities, to reflect the actual Readiness Preparation Activities implementation needs and progress and supply the SEPA with the information contained in the updated Procurement Plan immediately thereafter.

(c) 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.

(d) 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: (A) National Competitive Bidding; (B) Shopping; and (C) Direct Contracting.

(e) 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: (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; and (G) Single-source procedures for the Selection of Individual Consultants.

(f) 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.

Article III Withdrawal of 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:

<u>Category</u>	<u>Amount of the Grant Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be Financed</u>
(1) Goods, Services, Operating Costs, and Workshops and Training	3,600,000	100%
TOTAL AMOUNT	3,600,000	

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 Costa Rica’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 December 31, 2013.

**Article IV
Additional Remedies**

4.01 **Additional Event of Suspension.** The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of:

- (a) the Default in Implementation set forth in Section 6.5 (a) (i) of the Charter;
- (b) the Forest Law of Costa Rica, as amended to date, shall have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the World Bank, materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement; and
- (c) *Fideicomiso 544* shall have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the world Bank, materially or adversely the ability of the Recipient and/or *Banco Nacional* to perform any of its obligations with respect to this Agreement.

Article V
Effectiveness; Termination

5.01. This Supplementary Grant Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the condition of the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate action has been satisfied.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 of this Agreement, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank showing, on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon them in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Supplementary 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 5.01. 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 Supplementary 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.

5.04. *Termination for Failure to Become Effective.* This Supplementary 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 Supplementary 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 VI
Recipient's Representative; Addresses

6.01. *Recipient's Representative.* The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its President.

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

Fondo Nacional de Financiamiento Forestal
Avenida 7, Calles 3 y 5
San José, Costa Rica

Cable: _____ Telex: _____ Facsimile: (506) 2257-9695 Email: _____

6.03. *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:
INTBAFRAD
Washington, D.C.

Telex:
248423 (MCI) or
64145 (MCI)

Facsimile:
1-202-477-6391

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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

(202) 473-1000
Cable Address: INTBAFRAD
Cable Address: INDEVAS

June 30, 2012

Ing. Rene Castro Salazar
Minister of the Environment and Energy
President, *Fondo Nacional de Financiamiento Forestal*
San Jose, Costa Rica

Re: Costa Rica: Grant No. TF012692 Preparation Grant Agreement for
Readiness Plan Readiness Fund of the FCPF
Additional Instructions: Disbursement Letter

Sir:

I refer to the Letter Agreement (“Agreement”) between the International Development Association (“World Bank”), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility (FCPF), and Fondo Nacional de Financiamiento Forestal (FONAFIFO) (the Recipient), for the above-referenced project, dated June 30, 2012. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant No. TF021692 (“Grant”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Grant:

- Reimbursement
- Advances
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Grant Agreement. Any changes to this date will be notified by the World Bank.

(iii) Disbursement Conditions (subsection 3.7). Please refer to the Withdrawal Condition in Article III, Section 3.02 of the Agreement.

II. Withdrawal of Grant Proceeds

(i) Authorized Signatures (subsection 3.1). A letter in the Form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the names and specimen signatures of the officials authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: C. Felipe Jaramillo, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

Banco Mundial
Setor Comercial Norte
Quadra 02, Lote A
Edifício Corporate Finance Center
7º andar
70712-900 Brasília, D.F.
Brazil
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank's Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices ("Tokens") from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (<https://clientconnection.worldbank.org>). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens") in Attachment 3 ; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) **Minimum Value of Applications (subsection 3.5).** The Minimum Value of Applications is US\$100,000 for Direct Payment and Reimbursement.

(iv) **Advances (sections 5 and 6)** to Fiduciary Agent hired by FONAFIFO.

- **Type of Designated Account (subsection 5.3):** Pooled in the Single Treasury Account - *Sistema de Caja Unica*, regulated under articles 66 and 67 of Costa Rica's Financial Management and Public Budget Law No. 8131.
- **Currency of Designated Account (subsection 5.4):** US Dollars
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Central Bank of Costa Rica
- **Ceiling (subsection 6.1):** US\$375,000.00

III. **Reporting on Use of Grant Proceeds**

(i) **Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement:**
 - Summary Sheets in the form attached (Attachment 4) with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices, Fiduciary Agent information – see additional disbursement instructions) for payments for services, goods, training and workshops, and operating costs in excess of US\$75,000; and,
 - Statement of Expenditure in the form attached (Attachment 5) for all other goods, services, training and workshops, and operating costs; and,
 - List of Payments for Contracts subject to the World Bank's Prior Review in the form attached (Attachment 6).
 - **For requests for Advances to the Designated Account:**
 - Summary Sheets in the form attached (Attachment 4) with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices, Fiduciary Agent information – see additional disbursement instructions) for payments for services, goods, training and workshops, and operating costs in excess of US\$75,000;
 - Statement of Expenditure in the form attached (Attachment 5) for all other goods, services, training and workshops, and operating costs;
 - List of Payments for Contracts subject to the World Bank's Prior Review in the form attached (Attachment 6); and,
-

- Designated Account activity statement in the form attached (Attachment 7) with a copy of the corresponding bank statement.
- **For requests for Direct Payment:** records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Quarterly or more often if needed.

IV. Other Disbursement Instructions

Per the Institutional and Other Arrangements, set out in section 2.03 of the Grant Agreement, *Fondo Nacional de Financiamiento Forestal* (FONAFIFO) will administer the grant proceeds through “*Fideicomiso 544*” (Fiduciary Agent Agreement). This agreement, between FONAFIFO and Costa Rica’s *Banco Nacional* (Fiduciary Agent), is for purposes of administering the financial resources of FONAFIFO.

According to the Fiduciary Agent agreement, the Designated Account (DA) will be a pooled account in the Single Treasury Account (*Sistema de Caja Unica*) as required by Costa Rica’s Financial Management and Public Budget Law No. 8131. Project Funds will then be transferred to the National Bank of Costa Rica (“*Banco Nacional*”) into an operating account for the project. The DA reconciliation will need to reflect both the deposits into the DA and payments made, on behalf of the project, from the operating account.

The Fiduciary Agent will be responsible for providing FONAFIFO with the documents and information required per Section III (i) of this letter in a manner that will allow FONAFIFO to report on Eligible Expenditures Paid from the Designated Account within the time period established in Section III (ii) of this letter.

V. Other Important Information

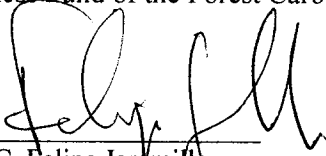
For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the World Bank’s public website at <http://www.worldbank.org> and its secure website “Client Connection” at <http://clientconnection.worldbank.org>. Print copies are available upon request.

From the Client Connection website, you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information.

If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (<http://clientconnection.worldbank.org>). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information.

If you have any queries in relation to the above, please contact the World Bank Loan Department by sending an email to loa-tf@worldbank.org and using the trust fund number and name as a reference.

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

By 

C. Felipe Jaramillo
Director
Central America
Latin America and the Caribbean Region

Attachments

1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006
 2. Form for Authorized Signatures
 3. *Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation*, dated January 20, 2010
 4. Sample Summary Statement
 5. Sample Statement of Expenditures
 6. List of Contracts Subject to Prior Review
 7. Sample Designated Account Statement
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