

August 25, 2009

Honorable Syda Bbumba
Minister of Finance, Planning and Economic Development
Ministry of Finance, Planning and Economic Development
Kampala

Honorable Bbumba,

***Re: Grant Agreement for the Readiness Preparation Proposal
Readiness Fund of the Forest Carbon Partnership Facility (FCPF)
Grant No. TF095015***

I wish to refer to Resolution PC2008-2 of the Participants Committee of the Forest Carbon Partnership Facility (FCPF) regarding Selection of REDD Country Participants ("Resolution PC2008-2"), and your May 25, 2009 letter requesting FCPF funding. REDD refers to reducing emissions from deforestation and forest degradation.

Resolution PC2008-2 provides that subject to the availability of funds, a REDD Country Participant may receive the grants up to three million six hundred thousand United States Dollars (US\$3,600,000) ("Total Grant") for formulating and executing a Readiness Preparation Proposal (R-PP).

Resolution PC2008-3 of the Participants Committee regarding Grant Allocation for REDD Country Participants (Resolution PC2008-3) further provides that the Total Grant may be made available in two or three installments, with the first installment in the amount of US\$200,000 (First Installment) available to the Eligible REDD Country upon its selection as a Participant in the FCPF for the purpose of formulating a R-PP.

The Republic of Uganda ("Recipient") was selected as a REDD Country Participant and wishes to receive the First Installment of the Total Grant to prepare its R-PP. In response to the request for financial assistance made on behalf of the Recipient, I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility ("Trustee"), agrees to extend to the Recipient a grant in an amount not to exceed two hundred thousand United States Dollars (U.S\$200,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

The Trustee may enter into one or more than one supplementary agreement to this grant agreement with the Recipient for the purpose of extending the balance of the Total Grant, subject to the availability of funds, terms and conditions set forth in attachment II to Resolution PC2008-3 and a decision by the Participants Committee.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

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 Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

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

By:/s/ Kundhavi Kadiresan
Country Manager for Uganda
Africa Region

AGREED:
REPUBLIC OF UGANDA

By:/s/ Syda N. M. Bbumba
Title: Minister of Finance, Planning and Economic Development
Date: September 8, 2009

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank out of Various Funds, dated July 1, 2008.
- (2) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.

**FCPF Readiness Fund Grant No. 095015
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 1, 2008 (“Standard Conditions”), with the modification set forth in paragraph (b) below, constitute an integral part of this Agreement.

(b) The following term shall be inserted as paragraph 6 (bis):

(i) 6bis. “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 Agreement have the meanings ascribed to them in the Standard Conditions, the Charter, or in this Agreement.

**Article II
Project Execution**

2.01. *Project Objectives and Description.* The objective of the Project is to assist the Recipient to develop a Readiness Preparation Proposal (R-PP), on the basis of the Readiness Plan Idea Note following the FCPF template for the R-PP. The Project consists of the following parts:

- (a) Conducting workshops for stakeholder awareness about REDD potential, issues, strategies and to develop support for REDD activities.
- (b) Preparation of an assessment of the Recipient’s land use, forest policies and governance to inform REDD strategy development.
- (c) Setting-up of a multi-stakeholder national REDD working group responsible for following up on REDD activities.
- (d) Preparation of a consultation and outreach plan to be implemented during the execution phase of the Readiness Preparation Proposal, including conduct of consultations among key stakeholders.
- (e) Preparation of an assessment of candidate activities for a REDD strategy.

- (f) Preparation of terms of reference for the design of a national REDD implementation framework, and risk assessment of a REDD strategy.
- (g) Preparation of an assessment of the social and environmental impacts of candidate REDD strategy activities.
- (h) Assessment of the investment and capacity building needs for the implementation of a national REDD strategy.
- (i) Preparation of terms of reference for the development of a reference scenario for emissions deforestation and degradation.
- (j) Preparation of terms of reference for establishing the monitoring, reporting and verification system for changes in forest cover and changes in carbon stocks at the national level.
- (k) Completion and submission of the Readiness Preparation Proposal template.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the National Forestry Authority 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 ("Anti-Corruption Guidelines"), and (c) this Article II.

2.03. ***Institutional Arrangements.*** Without limitation upon the provision of paragraph 2.02, the Recipient shall ensure that the National Forestry Authority shall maintain, until completion of the Project, appropriate and qualified staff to carry out the implementation of the Project.

2.04. ***Project Report and Completion Report.*** The Recipient shall prepare the Project Report and Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Project Report shall cover the period of one semester and shall be furnished to the World Bank not later than one month after the end of the period covered by such report. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

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 Project are prepared and furnished to the World Bank not later than 30 days after the end of each month, covering the month, 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. Such audit of the Financial

Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for 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 services required for the Project 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 under IBRD Loans and IDA Credits" published by the World Bank in May 2004 and revised in October 2006 ("Procurement Guidelines"), in the case of goods;

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the World Bank in May 2004 and revised in October 2006 ("Consultant Guidelines") in the case of consultants' services.

(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 Project 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

Goods and Non-consulting services. All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Grant shall be procured under the circumstances specified in the Procurement Plan for each such method: (a) Shopping; and (b) Direct contracting.

(d) Particular Methods of Procurement of Consultants' Services

(i) **Quality- and Cost-based Selection.** 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) **Other Methods of Procurement of Consultants' Services.** The following methods of procurement, other than Quality and Cost-based Selection, may be used for consultants' services under the circumstances

specified in the Procurement Plan for each such method: (a) Quality Based Selection; (b) Least Cost Selection; (c) Selection Based on Consultants' Qualifications; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; (e) Single Source Selection of firms; and (f) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in USD)</u>	<u>Percentage of Expenditures to be Financed (Inclusive of Taxes)</u>
(1) Consultants' Services	100,000	100%
(2) Workshops and Training	75,000	100%
(3) Goods	10,000	100%
(4) Operating Costs	15,000	100%
TOTAL AMOUNT	200,000	

For the purpose of Section 3.01: (i) the term "Training and Workshops" means the costs associated with training and workshop participation of personnel involved in the implementation of the Project, 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 Project including office rental and utilities, office supplies and consumables, communications costs, charges for the opening and operation of bank accounts required for the Project, transport, and support staff local salaries, but excluding 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 countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is July 31, 2010.

Article IV Additional Remedies

4.01 **Additional Event of Suspension.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the Default in Implementation set forth in Section 6.5 (a) (i) of the Charter.

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 of Finance.

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

Ministry of Finance, Planning and Economic Development
Kampala
Uganda

Facsimile: 256 414 230163

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)	