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READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

ON A

PROPOSED GRANT

IN THE AMOUNT 3.8 MILLION

TO THE

THE ORIENTAL REPUBLIC OF URUGUAY

FOR

FOREST CARBON PARTNERSHIP FACILITY READINESS PREPARATION (P151978)

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DATA SHEET

THE ORIENTAL REPUBLIC OF URUGUAY

FOREST CARBON PARTNERSHIP FACILITY (FCPF) READINESS PREPARATION PROPOSAL (R-PP) ASSESSMENT NOTE

Latin America and the Caribbean

Basic Information		
Date: September 3, 2015 Country Director: Jesko S. Hentschel Senior Global Practice Director: Paula Caballero Practice Manager: Raul Alfaro Team Leader(s): Peter Jipp Lending Instrument: Carbon Offset/TFC Grant	Sectors: Forestry (AT) Themes: Climate Change (81) EA Category: B Project ID P151978	
Date of country selection into FCPF: July 4 th 2014 Date of Participation Agreement signed by Country: November 11 th 2014 Date of Participation Agreement signed by Bank: November 11 th 2014 Date of R-PP Formulation Grant Agreement signature: N/A Expected date of Readiness Preparation Grant Agreement signature: November 15, 2015		
Joint IFC: N/A		
Project Implementation Period:	Start Date: December 15, 2015	End Date: December 15, 2019
Project Financing Data		
<input type="checkbox"/> Loan <input type="checkbox"/> Credit	<input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee	<input type="checkbox"/> Other
For Loans/Credits/Others (US\$M): Total Project Cost : 6.47M		
		Total Bank Financing : 3.8M
Total Cofinancing : N/A		Financing Gap : N/A
Financing Source	Amount	
BORROWER/RECIPIENT: THE ORIENTAL REPUBLIC OF URUGUAY	US\$ 2,670,000	
FCPF	US\$3,800,000	
Others:		
Financing Gap		
Total	US\$ 6,470,000	

Regional FCPF Trust Fund Number:TF017761

FCPF Country Child Trust Fund Number: TF0A1064

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Institutional Data

Practice Area / Cross Cutting Solution Area

Environment and Natural Resources

Cross Cutting Areas

☒ Climate Change

☐ Fragile, Conflict & Violence

☐ Gender

☐ Jobs

☐ Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
FORESTRY		100		100
Total		100		

☐ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Green House Gas Accounting

Is GHG accounting applicable for your project?

YES

Themes

Theme (Maximum 5 and total % must be equal to 100%)

Major theme	Theme	%
CLIMATE CHANGE		100%
Total		100

Private Capital Mobilized

NO

Gender Tag
Does the activity plan to undertake any of the following? Please select Yes or No for each:
Gender analysis and/or consultation on gender related issues. Yes.
Specific actions to address the distinct needs of women and girls, or men and boys, or positive impacts on gender gaps. No.
Mechanisms to facilitate monitoring and/or evaluation of gender impacts. Yes.

Clearances to the Readiness Preparation Proposal Assessment Note

Global Practice Manager: Raul Alfaro Pelico, September 17, 2015

Regional Safeguards Advisor: Francis Fragano, August 21, 2015

Safeguards Specialist (Social): Lilian Pedersen, August 10, 2015

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PURPOSE OF THE READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

As part of its responsibilities for the FCPF, the World Bank has been asked to ensure that the FCPF's activities comply with the relevant World Bank Operational Policies and Procedures, in particular the Safeguard Policies, and the policies on Procurement and Financial Management. The World Bank has also been asked to assist REDD Country Participants to formulate and implement their Readiness Preparation Proposals (R-PPs).

The purpose of this Readiness Preparation Proposal Assessment Note (R-PP Assessment Note), therefore, is for the World Bank to assess if and how the proposed REDD+ Readiness Support Activity, as presented in the R-PP, complies with Safeguard Policies, and the World Bank's policies on Procurement and Financial Management, discuss the technical quality of the R-PP, record the assistance it has provided to the REDD Country Participant in the formulation of its R-PP, and describe the assistance it might potentially provide to the REDD Country Participant in the implementation of its R-PP.

The Forest Carbon Partnership Facility (FCPF) is assisting developing countries in their efforts to reduce emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest (REDD+) by providing value to standing forests. It was announced at CoP13 in Bali in December 2007 and became operational in June 2008.

The FCPF is helping build the capacity of developing countries in tropical and subtropical regions to reduce emissions from deforestation and forest degradation and to tap into any future system of positive incentives for REDD+. The aim is to enable countries to tackle deforestation and reduce emissions from REDD+ as well as develop capacity for assessment of measurable and verifiable emission reductions.

These preparatory activities are referred to as 'REDD+ Readiness' and are supported in part by the Readiness Fund of the FCPF. This FCPF Readiness Preparation grant activity (referred to as "Project" in the R-PP Assessment Note) will fund only a portion of the R-PP activities, but will help the Country towards achieving REDD+ Readiness, even though the Country may not reach this stage until well after the grant closes; it will not finance any implementation of REDD+ activities on the ground (e.g., investments or pilot projects).

It is expected that approximately 10 to 15 countries that will have made significant progress towards REDD+ readiness will also participate in the Carbon Finance Mechanism and receive financing from the Carbon Fund. Specifically, these countries will benefit from performance-based payments for having verifiably reduced emissions from deforestation and/or forest degradation through their Emission Reductions Programs. The structure of these payments will build on the options for REDD+ that are currently being discussed within the United Nations Framework Convention on Climate Change (UNFCCC) process, with payments made to help address the causes of deforestation and degradation.

ABBREVIATIONS AND ACRONYMS

CO ₂ e	Carbon dioxide equivalent
DGF	General Forestry Directorate
ESMF	Environmental and Social Management Framework
FCPF	Forest Carbon Partnership Facility
FSC	Forest Stewardship Council
FMT	Facility Management Team
GIS	Geographic Information Systems
IBRD	International Bank for Reconstruction and Development
ISO	International Standards Organization
IDA	International Development Association
MGAP	Ministry of Livestock, Agriculture and Fisheries
MRV	Measurement, reporting and verification
MVOTMA	Ministry of Housing, Territorial Ordering and Environment
NGO	Non-governmental organization
PC	Participants Committee
REDD+	Reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
R-PIN	Readiness Preparation Idea Note
R-PP	Readiness Preparation Proposal
Mt	Megaton (million metric tonnes)
SESA	Strategic Environmental and Social Assessment
SNIA	National Agricultural Information Systems
UNFCCC	United Nations Framework Convention on Climate Change
WBS	World Bank System

URUGUAY
Forest Carbon Partnership Facility (FCPF)
Readiness Preparation Proposal (R-PP) Support Project

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URUGUAY
Forest Carbon Partnership Facility (FCPF)
Readiness Preparation Proposal (R-PP) Support Project

I. Introduction and Context

A. Country Context

1. Uruguay has been ranked as a high-income country by the World Bank with a gross national income per capita of US\$13,580. With average annual growth of 5.5 percent between 2006 and 2013, Uruguay's strong economic performance has enabled it to consolidate structural improvements made since the crisis of 2002. These improvements helped Uruguay withstand external shocks, such as the international crisis of 2008-2009. Despite its negative effects and global uncertainty, the annual economic growth rate was 4.4 percent in 2013.
2. The country enjoyed the highest human development standards in the region during the last century, and Uruguay's society is still among the most equitable in the region in terms of income distribution and social indicators. According to the World Bank's Opportunity Index, Uruguay has a high level of equality in terms of access to basic services such as education, potable water, electricity, and sanitation. The country has a solid democratic tradition, marked by political and social stability, a high literacy rate, a large urban middle class that reflects a relatively even wealth distribution, and an advanced social security system.
3. The macroeconomic performance was reflected in the labor market, which recorded historically low unemployment levels in 2013 (6.3 percent). Thanks to the vigorous economic expansion and the social policies implemented, there has been substantial progress in poverty reduction, which went from 39.9 percent in 2004 to 11.5 percent in 2013, while extreme poverty reduced from 4.7 percent in 2004 to 0.5 percent in 2013. The country, however, needs to ensure that people who managed to exit poverty are not forced back again, while working on specific strategies to strengthen this vulnerable group.
4. Despite declining as a source of risk since 2005, debt sustainability remains the main economic risk, followed dollarization and exposure to global and regional shocks. Political risk is low, though significant social risk arises from the tensions between pressure to expand government programs and the need for a prudent fiscal stance in order to further reduce macroeconomic vulnerabilities.
5. Natural disasters and climate change have already had a major impact on rural income, as well as important fiscal implications, in recent years. Uruguay has been seriously affected most notably through a higher climate variability observed in recent years. Repeated and severe inundations and droughts have had a strong negative impact on rural livelihoods and production.

B. Sectoral and Institutional Context

6. **Uruguay's Policy Commitment.** In 2010, GoU prepared and launched a National Response to Climate Change Plan that includes strategic guidelines on climate change adaptation and mitigation. The Ministry of Housing, Land Management and Environment (MVOTMA) is responsible of leading this plan as the national authority in charge of climate change and biodiversity conservation, while the Ministry of Livestock, Agriculture and Fisheries (MGAP) is responsible for formulating and implementing the National Forest Policy.

7. The Third National Communication to the UNFCCC included Uruguay's National Response Plan to Climate Change, containing strategic guidelines established by the government for the mitigation of, and adaptation to, climate change, and outlining mitigation measures for the Agricultural Production sector and, within this, also for the Forests and Forestry subsector.

8. Uruguay has an economy traditionally based on livestock and agricultural production and has begun to experience a significant increase in grain production and forest goods which by 2010 accounted for 10 percent of the GDP, and together with tourism, have grown steadily over the past ten years, accounting for the bulk of Uruguay's foreign earnings. Despite the productivity and prosperity gains associated with large-scale farming, the Government has recognized as a particular challenge the fact that family farms are lagging behind this trend.

9. There is a keen interest from the government in developing a modern and well targeted agricultural and rural development policy. Such a policy aimed at consolidating the integrated approach practiced in recent years, which promoted sustainable use of natural resources while fostering comparative advantages of the agricultural and food sector.

10. One key platform for policy decision making in agricultural and forestry sector is the National Agricultural Information System (SNIA) which aims at providing robust basic and applied research in areas of: climate, water, disaster risk, agrichemicals, soil, livestock, and early warnings. It is being supported by 26 science and technology national organizations and with geographic information systems (GIS), data bases and modeling, provides information at the farm and national level. The SNIA keeps registries of rural producers in the entire country and their land use and soil management plans, essential for REDD+ objectives.

11. The Forestry Law N° 15.939 has been found to be strategic for the implementation of REDD+ in Uruguay. Provisions within the law support forest plantations promotion, tax incentives, financial mechanisms, forest protection and forestry companies for sustainable land use management, and forest protection and best practices. The Law has proved to be the foundation for effective implementation of national initiatives, for instance in land use planning at the farm level, and will be instrumental in land use change towards low carbon activities and competitiveness of productive activities.

12. Uruguay has developed and submitted a Readiness Preparation Proposal (R-PP) in Spanish that details the proposed program of activities (see Annex I). This REDD+ Readiness Preparation grant will provide additional funding to support the Country in carrying out the activities outlined in its R-PP. The grant will fund only a portion of the R-PP activities, but will help the Country towards achieving REDD+ Readiness, even though the Country may not reach this stage until well after the grant closes. Based on the activities outlined in the R-PP, it is expected that the Country would be able to participate in REDD+ carbon transactions.

13. **Forest Resources, Deforestation and Degradation.** It is important to note that overall Uruguay's forest cover is increasing. However no assessment of the depletion of valuable species has been undertaken and there are clear signs of degradation when residual primary forests are compared secondary forests.

14. The agricultural sector in general has been the main driver of Uruguay's economic growth over the last 10 years. The agricultural sector has prospered thanks to increased foreign investment and global demand for grains (reflected in substantial price increases). Between 2000 and 2010, the country's agricultural exports tripled and the area devoted to agriculture substantially expanded: from a previous total of approximately 400,000 hectares to over a million and a half hectares today. Much of this growth resulted predominantly from a boost in rice growing, and soybean production which now occupies most

of the agricultural land area, followed by summer crops such as corn and sorghum, and winter crops such as wheat and barley.

15. Uruguay has a territorial area of approximately 176,000 km², with 93 percent considered to be productive in one way or another. Extensive cattle ranching, taking advantage of the country's natural grasslands, occupies over 13.5 million hectares. Climatic and soil conditions also favor agricultural production, an activity which has always been part of Uruguay's tradition, but which in recent years has expanded significantly in area and productivity with the advent of large scale soybean planting. Although the agricultural area represents about 1 million hectares, forestry plantations understood as artificial as well as natural or native forest - represents the second in order of magnitude in land use of Uruguay, with 1.4 million hectares. The expectations with the REDD+ project is that the coverage of native forests, silvopastoral activities and the area devoted to sustainable use of forested lands will increased. The implementation of these measures, may threaten the grassland assets that the country has which are critical for the economy of the country and global demand for food. In turn effects of international displacement of the expansion of the agricultural frontier to neighboring countries such as Paraguay may be felt unless intensification of farms raising livestock as planned by the government offsets this pressure.

16. Native forests and planted Forests constitute more than 97 percent of the forest cover in the country. A small area of naturalized forests (about 20,000 ha of *Acacia* and *Pinus* are scattered on a stretch of 170 km long and 4-5 km wide) associated with the La Plata river and the Atlantic coast in areas with high population density (permanent and in summer) and tourist development. These forests provide key ecosystem services (dune-fixing, soil-forming, protection against wind and water erosion, protect public and private infrastructure, and balances micro climate extremes. These forests also provide recreational values for tourism development, supply non-timber forest products (typically edible fungi mulch for gardening, and birds) and also wood in densely populated areas (firewood in acacias and pine cones).

17. The above functions are all positive, but are not adequately incorporated into the culture of the population and of public and private institutions. In this sense these forests need an approach of "management of forest landscapes" to reduce downside risks (invasiveness) and enhance its benefits to prevent degradation.

18. Deforestation (although the term still need some precision) patterns in Uruguay are very different from that of other Latin American countries. The increase in and recovery of the country's forested areas can be easily measured and viewed with the new resource evaluation technologies, remote sensing and by comparing old against new photographs, although a robust MRV is proposed under this project that will enhance the information available.

19. The updated legislation to protect forest stocks has been effective in boosting the interaction between the state and landowners on forest issues, with the result that in under 25 years it has been possible to reverse deforestation, increase the forest mass and recover primary forest. The increase in native forest areas can be seen preliminarily by comparing the cartographic surveys undertaken from 1960 to date by the Military Geographic Institute, the Uruguayan Air Force and the Ministry of Agriculture and Fisheries (MGAP).

20. The latest updated forest cover map Uruguay has is for the year 2012 ("Updated Forest Map of Uruguay," based on Landsat TM of 2011. From the above map the growth of the forest resources in Uruguay can be seen, department by department, since 1980, through 2000, 2006 and 2012. In 1988 the total native forests area recorded was 667,315 hectares, whereas by 2006 this total area reached 759,216 hectares (not including the natural palm forests), representing an average annual increase of the area covered by native forest of around 0.4 percent. Forest plantations alone, mainly with pine and eucalyptus

trees amounted to almost 800 thousand ha (2006).

21. Although the overall balance at national level indicates deforestation is negative (i.e. more trees are planted than are being cut) and degradation may be less than carbon captured through regeneration (recovery rate), still there may be regions where the opposite occurs, where the drivers should be identified. With respect to native forests, while there is a global recovery nationally, in certain regions these regenerating forests may require special management practices to accelerate "assisted regeneration". It is important to note that most native forests in Uruguay are disclimax having been disturbed by human activity/grazing.

22. The situation of many Uruguayan native forests with regards to degradation (although the term still needs to be formally defined) of its forests can be greatly affected by reduced coverage (although remaining above 30 percent), decreased frequency of native species, substitution by alien invasive species, expansion of agriculture and livestock, reduced regeneration, slower growth due to soil compaction, erosion and loss of nutrients. A number of possible drivers of degradation can be detected. In the past degradation was due to the native forest being used to provide wood for house construction, furniture making, fencing and animal sheds, tool handles, etc. All these activities caused degradation due to the selective extraction of commercially viable species. Given that there are currently few remaining specimens to be removed, such practices have fallen into disuse.

23. The main risk threatening today the development of forest ecosystems is cattle that use the trees for shelter and to provide forage in periods of drought or cold winters. Compaction of soil due to cattle ranching, and bark damage caused by animal bites negatively affects grown trees and prevent younger specimens from regenerating naturally. Private owners who have kept cattle and horses away from their forests (either totally or partially) have experienced a significant change in the growth and development of some species not seen before in those areas.

24. On the other hand, using wood for domestic consumption in farms is officially allowed. Although the actual amount of timber likely to be extracted for energy generation and fencing, etc. is less than forest growth, nevertheless the quality of the wood and shafts available at least inhibits people from putting pressure on larger size, denser native species with better carbon sequestration conditions. In short, the relative frequency of the most valuable native species in the ecosystems has declined either due to animal grazing, extraction of wood for farm buildings and fencing, or to substitution by invasive exotic species.

25. **Uruguay's involvement in REDD+** The current project aims at targeting the degradation of forests that Uruguay has experienced and enhance carbon stocks through silvo-pastoral and sustainable forestry management practices under the REDD+ framework supported with this project. This process is in line with Uruguay's current regulatory and institutional approach to Climate Change, Biodiversity and Forests. The MGAP has historically focus on increasing sustainability and adapting to climate change but more recently is focusing increasingly on mitigation of GHG emissions in the agriculture sector. The government is committed now to a Low Carbon Economy with mitigation options including: expansion of commercial forestry, and provision of shade and water through the expansion of silvopastoral systems, as two of the most promising cost effective alternatives to reduce emissions.

26. The agricultural sector accounts for 80.2 percent of national GHG emissions, not including the sink provided by forestry (29,323 ktCO₂eq from agricultural emissions out of 36,574 ktCO₂eq total national emissions). There is a tendency towards increasing intensity of land management and production practices and higher productivity. One result of this intensification is that baseline agricultural emissions are expected to increase through 2035, but emissions intensity will actually decline in many cases. The increased emissions from intensification could be offset by the creation of forest carbon sinks as it has

been discussed by the government, Forest carbon sinks could be supported by the REDD+ strategy and fit into the Low Carbon Economy.

27. As part of the preparation of this project the government will formulate and put into practice a national REDD+ strategy. The main action lines of this strategy are the following: 1) avoid deforestation and degradation by banning logging of native forests, awarding permits for native forest management plans, building local capacity, and promoting silvo-pastoral systems and ecotourism; 2) avoid degradation and foster the conservation of carbon stocks through the protection, regeneration and colonization of native forest species and species enrichment; 3) avoid degradation by controlling invasive alien species; and 4) work with producer groups, which, given their location, can be priority targeted for participation in pilot conservation and sustainable native forest management schemes.

28. A key aspect of this project is the development of a national forest reference emissions level (REL). Uruguay is well-placed in this respect since it already possesses a detailed National Forest Inventory and a sound National Greenhouse Gases Inventories system, and its development will be coordinated by the REDD+ Steering Group.

29. As a framework for managing environmental and social risks associated with the REDD+ strategy, a social and environmental assessment to identify potential negative and positive impacts on different human populations and the environment will be performed.

C. Relationship to CAS/CPF

30. The Government of Uruguay expressed on the Country Partnership Strategy (CPS) 2010 - 2015 (Report No. 55863-UY) its commitment to further strengthening natural resource management and sustainable use of soil and water at the farm level, as well as mainstreaming biodiversity conservation in production. This is in response to rising concerns on environmental degradation caused by expansion of agriculture and intensification of livestock production. The CPS highlights that more sustainable production is also necessary to protect the country's reputation as a "green" producer (Uruguay Natural), a feature, it says, valued highly by trading partners.

31. The CPS also highlights Uruguay's interest in reducing net emissions of greenhouse gases (GHGs), which are largely attributable to agriculture and livestock production. With this in mind the Government intends to put in place an integrated approach to mitigation and adaptation that minimizes and offsets emissions from agriculture and livestock production.

32. Uruguay has recently set clear targets on Climate Change. The country has been seriously affected by climate change, most notably through a higher climate variability observed in recent years. The CPS stresses that repeated and severe inundations and droughts have had a strong negative impact on rural livelihoods and production. Thus, in 2010, GoU prepared and launched a National Response to Climate Change Plan that includes strategic guidelines on climate change adaptation and mitigation. The GoU has a National Action Plan on Production and Sustainable Consumption that will be the basis for sustainable value chains under the REDD+ preparation phase. The plan seeks to identify, coordinate, integrate and potentiate a set of actions, programs and projects targeted to prevent and minimize environmental impacts from production and consumption.

33. Also, the CPS, recognizes the importance for the country to develop a modern and well targeted agricultural and rural development policy to consolidate an integrated approach practiced in recent years that promoted sustainable use of natural resources while fostering comparative advantages of the agricultural and food sector. For example, Uruguay distinguished itself as a reliable exporter of beef to

standard-sensitive markets and as the only country in the region to achieve 100 percent traceability of cattle. Such policies may be critical for beef raised sustainably that safeguards the environment, protects the soil and are raised on a landscape that reduce emissions, enhance carbon removals and restores native biodiversity.

34. The current CPS recognizes the particular challenge that family farms are lagging behind the productivity and prosperity gains associated with large-scale farming. The REDD+ project will strengthen the participation of communities, vulnerable groups and disadvantaged farmers, so they are able to benefit effectively from the investments planned in the landscape. Through extensive consultations and participation mechanisms farmers will be able to present their views of the most beneficial land uses, and the path to improve their quality of life while protecting the environment.

35. Moreover, this REDD preparation grant will also support the new CPF 2015 – 2020 targets. Specifically within the objective of increasing the sustainable and efficient use of soil and water resources.

36. The proposed grant will also support the Sustainable Management of Natural Resources and Climate Change Project (P124181), managed by the Agriculture Global Practice. This project which enhances agriculture sector and enterprise resilience by supporting climate smart agricultural on-farm investments and update information and cartographic made available to the general public. Under this project, a *Sistema Nacional de Información Agropecuaria* (SNIA) was set up as an advanced agricultural decision support system which will allow public and private sector decision makers to take evidence-based decisions using biophysical (forest included), climatic, structural, and economic data curated from a network over more than 20 participating ministries and agencies.

37. Finally, the grant will also support Uruguay's recent knowledge product *Low Emissions Growth Options for Uruguay* (December 2014) which covers four key emitting economic sectors (agriculture, energy, transport, waste management). Within the agriculture sector, of the several agriculture, livestock and forestry sector mitigation options evaluated for the study, two concerning forestry had the greatest mitigation potential: (i) expansion of commercial forestry which results in greater carbon sequestration in the above ground biomass as well as in forest soil carbon; and (ii) provision of shade and water, which promotes silvo-pastoral systems, combining livestock pasture with trees and shrubs, which can provide shade and shelter for livestock while sequestering carbon.

II. Proposed PDO/Results

A. Proposed Development Objective(s)

The **Project Development Objective** is to assist the recipient in carrying out preparatory activities ("Preparatory Activities"), aimed at strengthening the recipient to participate in future REDD+ carbon payment transactions.

Preparatory Activities for this preparation grant include:

- i. assessing the country's situation with respect to deforestation, forest degradation, conservation and sustainable management of forests and relevant governance issues;
- ii. identifying REDD+ strategy options;

- iii. assessing key social and environmental risks and potential impacts associated with REDD+, developing a management framework to manage these risks and mitigate potential impacts;
- iv. working out a reference level of historic forest cover change and greenhouse gas emissions and uptake from deforestation and/or forest degradation and REDD+ activities, and potentially forward-looking projections of emissions; and
- v. Designing a monitoring system to measure, report and verify the effect of the REDD+ strategy on greenhouse gas emissions and other multiple benefits, and to monitor the drivers of deforestation and forest degradation, as well as other variables relevant to the implementation of REDD+.

B. Key Results

38. Key results for this project include:

- a) Both a cross-sectoral coordination body for REDD+ (Mesa REDD+), and a multi-stakeholder participation platform (Comite REDD+), involving a broad range of key stakeholders, are established and operating
- b) A phased national communications and dissemination strategy for REDD+ has been designed and initiates implementation.
- c) A national participation and consultation plan for REDD+ has been designed and is under implementation.
- d) A regulatory and institutional framework to facilitate implementation of REDD+ activities in the country has been strengthened and updated
- e) Measures are in place to mitigate the potential social, environmental and economic impacts of REDD+ implementation. Including a Grievance, Feedback and Redress Mechanism (GFRM), and a SESA has been carried out and an Environmental and Social Management Framework (ESMF) produced.
- f) A National REDD+ Strategy designed in consultation with stakeholders and based on analytical studies of drivers of deforestation and forest degradation is ready to be implemented, including: the design of specific legal, economic, benefit sharing and technological instruments
- g) Capacity is established to monitor key parameters including: a National Forest Reference Emission Level and/or Forest Reference Level (baseline); a National Forest Monitoring System for Monitoring Reporting and Verification (MRV) of greenhouse gas (GHG) emissions reductions resulting from REDD+ activities; and a framework for monitoring and evaluation of REDD+ activities.

A Results Framework and Monitoring strategy containing outcome and output indicators by component is included in Annex II.

39. These results encompass the main elements needed by Uruguay to develop the country's

“Readiness Package” (R-Package)¹ under the FCPF, and provide the foundation for the country’s participation in any future REDD+ mechanism under the United Nations Framework Convention on Climate Change² (UNFCCC) that Uruguay may consider.

III. Project Context

A. Concept

1. Description

40. The Readiness Preparation Proposal (R-PP) prepared by the Government of Uruguay identifies the necessary activities to strengthen Uruguay’s technical and institutional capacities to participate in a future REDD+ mechanism. The overall financial envelop needed for achieving REDD+ Readiness in Uruguay has been estimated at US\$ 6.47 million (as per the final version of the R-PP dated April 1st, 2015), of which US\$2.67 million are contribution from the Government. REDD+ is a new concept in Uruguay that aims to be inserted in land use decision making onwards. It is important to highlight that the FCPF support is limited to analytical studies, capacity building, and consultation processes at the national and sub-national levels and would not include any physical investment or the implementation of any REDD+ program on the ground.

41. The FCPF implementation grant (US\$ 3.8 million) contemplates the following five components:

Component 1: Organization and Consultation (US\$ 1,110,438). This component will assist the Ministry of Livestock, Agriculture and Fisheries (MGAP) to: (i) establish and operate a consultative platform for REDD+ implementation; (ii) design and operate a phased national communications and dissemination strategy for REDD+; and (iii) design and implement a consultation and participation strategy that includes a Grievance Redress Mechanism (GRM).

Component 2: Preparation of the National REDD+ Strategy (US\$ 1,941,153). This component will assist MGAP to: (i) identify and analyze the main direct and indirect cause of deforestation and landscape degradation; (ii) identify effective REDD+ strategy options; (iii) design the implementation framework for REDD+; and (iv) assess possible social and environmental impacts associated to the REDD+ strategic options (SESA and ESMF).

Component 3: Development of a National Forest Reference Emission Level or a Forest Reference Level (US\$ 276,955). This component will assist MGAP to identify a national Reference Emissions Level, and/or Reference Level (REL/RL) for the forest sector.

Component 4: Design a System for National Forest Monitoring and on Safeguards (NFMS) (US\$ 447,455). This component will assist MGAP and other government agencies in the design and implementation of: (i) a national forest monitoring systems; and (ii) a national information system for multiple benefits, other impacts, safeguards and governance.

¹ The Readiness Package is a document generated by a REDD+ country towards the end of the Readiness preparation phase under the FCPF (i.e., at a stage when activities proposed in the R-PP are well advanced or completed). Its content thus mirrors the R-PP components and sub-components. The R-Package is a major milestone and comes at the transition from REDD+ Readiness preparation to REDD+ piloting (i.e., the implementation of performance-based activities), and provides an opportunity to self-assess the progress on REDD+ Readiness. As per the FCPF’s Charter, the production of an R-Package and its submission for PC review is voluntary and not a reporting requirement under the FCPF Readiness Fund.

² See Cancun Agreements, UNFCCC Decision 1/CP.16 Section C and Appendix I to that Decision.

Component 5. Design of a Program Monitoring and Evaluation Framework (US\$ 24,000).

This component will support MGAP in the establishment and operation of a technical/administrative implementation unit that will be in charge of coordinating and executing the technical and fiduciary activities of the readiness phase, including a monitoring and evaluation framework.

2. Overall Risk and Explanation ³

42. The overall risk of the project is moderate given the capacity of government institutions to undertake the planned activities. Land tenure which is a relevant issue in REDD+ implementation is clear in the vast majority of the country.

43. Challenges may come from the need to coordinate with several **stakeholders** including state companies at the national and departmental level, civil society organizations and private sector. Ensuring the broad and informed participation of the stakeholders will require a strong **institutional capacity**. The level of knowledge of what REDD+ entails is very low yet and will require several activities to raise awareness to get the buy in from both public and civil society actors so that appropriate **sector strategies and policies** are developed during the readiness phase.

44. **Sector Strategies and Policies, Technical Design of Project or Program, stakeholders.** Given the strong stand that the private sector has in particular forest companies, it is of special care that REDD+ Strategy options and policy modifications needed for REDD+ implementation have to be done in full consultation with private unions with interests in the rural landscape. Opposition of private groups to certain policies maybe a risk, although not perceived up to now. A mitigation mechanism is to start early on with the communications and divulgation strategy with key stakeholders, since the REDD+ is very new in the country and unfamiliar to many stakeholders. Please refer to the Systematic Operations Risk-Rating Tool (SORT) in Annex III for further details.

B. Implementing Agency Assessment

45. MAGP is the country's leading sectorial agency on agriculture and forestry and the executing agency. The MVOTMA is the leading agency on climate change and the political focal point for this project, which will work in close coordination with MGAP throughout its execution. The MGAP and MVOTMA has experience with different types of consultation processes for its various policy instruments, and has a successful record of implementing sustainable agriculture and conservation programs financed by different donors including the World Bank and it has demonstrated its capacity to apply environmental and social safeguards, and comply with fiduciary arrangements.

46. On May, 2015 the MGAP and MVOTMA signed an agreement stating clearly the collaboration for the execution of this grant. The collaboration and decision making between these two ministries will be operationalize through the REDD+ Committee composed by technical staff form the Divisions of Forest Management, Information and Monitoring of the DGF , and the Division of Climate Change and Biodiversity from MVOTMA. Furthermore the Agreement defines: responsibilities for selection of staff to conform the REDD+ Committee and ad-hoc advisory teams; authorization for staff to spend time in the execution of the grant agreement; and the design of a protocol for information transfer related to REDD+ between both Ministries.

³ [SORT Interim Guidance Note June 2014](#)

47. The national REDD+ Readiness Process will be led by MGAP, with the technical focal point the Forestry General Directorate (DGF- MGAP) in close coordination with the authorities of the main public institutions related to the process at the National and at Departmental Level (*intendencias* and municipalities) the NGO group associated under ANONG network, and the business unions: Rural Association (ARU), the Uruguay Rural Federation (FedRur), the National Rural Development Commission (CNFR), Federated Agrarian Cooperatives (CAF) and the Forest Producers Society (SPF). In this sense, MAGP's leading role at both policy and technical levels will be key for the success and progress of the initiative towards developing the REDD+ Strategy.

C. Project Stakeholder Assessment

Key stakeholders in Uruguay include:

48. **The State.** Represented by all government departments directly or indirectly linked to the process of REDD+ preparation. Some of these have a stake on forest resources with a role of drafting public policies, establishing standards, undertaking disclosure, dissemination and outreach activities and assisting with timely decision making and support for the REDD+ program.

49. **State enterprises.** A number of state companies own forests on the banks of hydroelectric dams, (such as the electricity company UTE), or in public employees' vacation camps (e.g., ANTEL). Other companies such as the State Waterworks (OSE) are also stakeholders given their interest in the water services that the forest provide, and are seen in this project as potential investors and beneficiaries of watershed conservation. The National Institute of Colonization (INC) and related parastatal corporations that rely on land based activities are also important stakeholders for this project.

50. **Departmental Boards, Municipal Councils and Mayors' Offices.** The project will need to maintain a close relationship with local people and forest-dependent communities and their elected and appointed representatives at subnational level including both departments and municipalities.

51. **Social welfare.** Although many of the welfare-based agencies are parastatal, such as the Notaries, Bank Employees or Academic Professionals Pension Funds, a number of non-State Pension Fund and Savings Administrations (AFAPs) also exist. The former have substantial investments in forests, as well as land containing native forests. The AFAPs also possess significant investment potential, although this is somewhat constrained by current legislation.

52. **Vulnerable groups for whom forests are culturally important.** It has been observed that both indigenous and Afro-descendant groups are developing cultural recovery projects linked to native non-timber and timber forest products. The process of recognition of indigenous peoples and afro-descendants in Uruguay and its link with the conservation of native forests must be the subject of systematic discussions and consultations with identified groups, in particular during the development of the Strategic Environmental and Social Assessment (SESA).

53. **Agricultural producers.** Seek to benefit financially from the resources they manage, but have a limited knowledge of the profits they could obtain from their primary forest areas. Direct actions by farmers are the main cause of degradation and to a lesser extent deforestation. Most of the medium to large agriculture producers are members of the Uruguay Rural Association (ARU), the Rural Federation (FedRur), the small to medium farmers are grouped in the National Rural Development Commission (CNFR) and Federated Agrarian Cooperatives (CAF) and many have participated, through membership of these organizations, in the preparation of labor regulations, the Labor Code, wage councils, the UNIT

National Norm on Sustainable Forest Management and the Forest Practices Code.

54. **Forest producers.** The Forest Producers Society (SPF), a branch of the Uruguay Rural Association (ARU), represents primarily medium and large producers. These are either companies or individual businessmen whose main activity is forest planting. While many are owners of native forest areas, they normally confine themselves to conservation of these areas only to comply with the FSC/ISO wood products certifications. This group of forest producers has accumulated vast experience in managing native forest areas and will naturally be participating in the REDD+ program on land under their management and control.

55. **Cellulose Manufacturers.** Invest heavily in producing pulp from round short fiber wood cuts. The pulp mill UPM already operates on Uruguay's west coast (Fray Bentos, Rio Negro Department), representing an investment in recent years of over US\$1,500 million, in addition to significant outlays made during the 1990s. This mill sources its raw material (pulpwood) from over 150,000 hectares of planted forests. Another mill Montes del Plata with a larger capacity and a higher investment, works in the south-west of the country at Conchillas (in Colonia Department), but both have interests in forests on the west, center and north of the country. This company aims to secure supplies of short fiber Eucalyptus wood from own plantations. The cellulose manufacturers also have supply agreements with third parties and lease land from farmers for planting trees. While at present they are not putting pressure on native forests, given the wide variability of fiber to be obtained therein, native forests are nevertheless being taken into consideration in these industries' environmental certification schemes.

56. **Transport firms and timber merchants.** This group consists of firms involved in selling fuelwood and wooden stakes (for barbed wire fencing), and truckers who purchase standing trees to sell after the end of the main harvest season.

57. **Workers' Guild.** Most of the workers in this organization are affiliated to the Union of Industrial Timber and Allied Workers (SOIMA) which operates under the auspices of the Inter-Union Workers Plenary (PIT -CNT). Their main concern is to create quality jobs in terms of pay and working conditions in the booming timber industry.

58. **Civil Society.** Comprise inter alia, groups of NGOs concerned with the environment and capacity building. The latter are non-profit organizations working in the rural environment (including in agribusiness), which aim to ensure proper management of natural resources and environmental conservation. The NGOs tend to raise objections whenever forest and farming practices negatively affect forest sustainability.

59. Many NGOs (associated under the ANONG network) specifically promote the protection and conservation of forests, while others who also work with forests are mainly driven by concern for environmental conservation as a whole. These groups have substantial social mobilization and awareness capacity and their positions on conservation and management projects associated with forest resources are essential for the REDD+ process. They come together under the aegis of the NGO federation ANONG and the Uruguayan Network of Environmental NGOs. Some civil associations are particularly aimed at women, youth and children. Special consideration would be given to establish appropriate mechanisms for their participation in the REDD+.

60. The general goals of the civil society groups are, in summary: to take forward conservation activities related to biological diversity and natural resources, to restore destroyed or degraded forests, to foster better land use, promote citizen participation, publicize activities harmful to forests, encourage the spread of relevant information and undertake training and capacity building of forest workers. In this sense their participation in REDD+ will be essential to drive cutting edge knowledge on conservation and

emission reductions technologies on the ground.

IV. Proposed Team Composition and Resources, including Technical Assistance Provided by Bank Staff to Date

61. The team to support this project operation is detailed in the table below:

World Bank Team	Role
Peter Jipp	Task Team Leader
Ricardo Larrobla	Environment Specialist
Lilian Pedersen	Social Specialist
Rodrigo Martinez Fernandez	Climate Finance Specialist
Luz Maria Meyer	Financial Management Specialist
Armando Sanjines	Procurement Specialist
Raquel Orejas Tagarro	Monitoring and Evaluation Specialist
Diana Rebolledo	Logistic support

62. The preparation schedule and resources are detailed in Annex IV

V. Assessment Summary

A. Technical

63. Members of the Participants Committee (PC) of the FCPF, and the independent Technical Advisory Panel put together solely for this purpose, reviewed the R-PP of Uruguay in different periods. Three versions were submitted formally to the FMT on December 2013, June 2014 and April 2015. The FMT validated that all technical comments from the TAP and the PC were addressed in the last version, and a satisfactory completeness check on April 2015 was submitted by the FMT to PC members, meaning that Uruguay is prepared to advance with the Readiness Preparation phase. Overall, the country identified the critical issues relevant to REDD+ and developed adequate processes to address them during preparation. The R-PP contains the key elements required for a future REDD+ mechanism as defined by the COP16 in December 2010, and the Government understands that it is a live document. The R-PP shows a good level of familiarity with relevant UNFCCC guidelines and IPCC Good Practice Guidance, and the right institutions have been identified and involved so far.

64. The Government decided early on that the MGAP will be the executing institution of the Readiness preparation phase and the MVOTMA will be the political focal point. This strategic decision is critical to address directly the drivers of deforestation and forest degradation since they are caused primarily by the livestock, agriculture and forestry sector. With the MGAP as the executing institution matching of the environmental problems with the activities proposed as the REDD+ strategy options will be easier. In addition having the MGAP as the executing agency will ensure an active participation of the private sector since they are the main decision makers over land uses.

65. **Emphasis on Forest Degradation.** Uruguay is a net carbon sink country, this means it has negative rates of deforestation due mainly to plantations and to a lesser extent growth of native forests. However there are indications that degradation is growing as seen by comparing the areas left of primary forest and remaining secondary forests, but the extent and magnitude of the impact is yet not known. The study of the drivers of degradation will be supported with the development of the a) emissions reference level and the b) measuring, reporting and verification (MRV) system as described in the R-PP. For these two components Uruguay stands very strong today with an advanced National Forest Inventory and GHG National Inventory. Uruguay is then placed as a reference for other FCPF countries in developing tools to

measure forest degradation. Five big topics will be covered with the MRV: 1. Analysis of monitored variables of the National forest Inventory and its relevance to REDD+; 2. Expansion, improvement and adaptation of the National Forest Inventory for REDD+; 3. Expansion, improvement and adaptation of GHG inventories for REDD+; 4. Satellite monitoring; 5. Indicators. To define MRV indicators support will be provided for developing a working definition of "degradation" in key vegetation types including native forests, planted forests, naturalized forests, dry forests, grasslands, palm plantations and wooded pastures.

66. Aside from carbon emission reductions being monitored, non-carbon benefits will also be examined with the design of economic, environmental and social indicators. Economic indicators will include: volume of traded timber, variations in timber and non-timber forest products, number of forestry management permits being handed over. Environmental indicators include: increase of forest cover with respect to reference level, height of the canopy in each forest type, increase of biodiversity richness, soil erosion and water quality measurements. Social indicators include: area increase for tourism and recreation activities, increase of tourists visiting natural areas, employment generated by REDD+ projects and education services in forestry.

67. **Economic rural expansion and REDD+ strategy options.** Uruguay has experienced a rapid expansion of the rural sector in the last decade (2005-2014) focused on increased allocation of land for grain farming in dry lands with extensive use of advanced technologies, especially for soy but also for corn, and wheat production. This expansion absorbed land previously used for livestock production, putting pressure on marginal land and resulting in expanded use of modern technologies for raising cattle.

68. Of particular importance in the context of REDD +, Uruguay must assess the impacts of proposed strategies on the biodiversity in natural grasslands (the great natural resource of terrestrial ecosystems of the country) and evaluate the increased use of agrochemicals (herbicides, pesticides, fertilizers, etc.)

69. Direct foreign investment and the increase in demand from grains and cattle, was a contributing factor for the expansion of the countries cropped area from 400.000 ha to 1.5 million from 2000 to 2010. The impacts of land conversion during the period (2005-2014) will be studied under this project, in order to propose ways of enhancing the growth of the rural sector but under sustainable land use management practices. For instance one of the areas of growth is the use of fuel wood boosted by an increasing demand in the domestic market. Biomass is currently supplying about 20 percent of the energy consumed in the country. The increased availability of crop residues of planted forests and wood industries, coupled with high oil prices and the adoption of policies to promote renewable energies, foresee an increased incidence of woody biomass in the energy mix in the coming years, increased in the medium term with an offer equivalent to more than 15 percent of electricity demand and more than 30 percent of final energy consumption in the country.

70. Within the Readiness preparation the REDD+ Strategy described in the R-PP a series of activities to create the enabling environment and information and human resources infrastructure needed, The activities in include structuring a forest registry that will help track better deforestation and degradation patterns, prevention and control to enforce regulations that protect forests and enhance REDD+ activities, institutional strengthening through capacity building and equipment, and communications and divulgation.

71. The REDD+ options have been discussed preliminarily and will do so during the preparation phase in a participatory manner. They will provide the enabling environment and tools to prohibit extraction of timber from native forests, promotion of ecotourism, permits for native forest management, strengthening of silvo-pastoral activities, promote the conservation of native forests, and establish

measures to control invasive species which have become burdensome for rural economic activities.

72. **Land titling:** Land titling in Uruguay is perhaps one of the greatest advantages that the country has since 97 percent of the land is in private hands. The legislation that backs the property rights of land also ensures that carbon rights may be owned by land holders. Thus aligning the economic incentive of potential future carbon sequestration payments with policies that enhance carbon and reduce emissions should be easier.

73. **Safeguards:** The funding provided by the Bank will support the development of consultations with the wider society particularly focusing on vulnerable groups. Uruguay has made an effort in identifying vulnerable groups beyond poor and disadvantage rural farmers, that will be engaged in consultations such as Rural Women's Group (AMRU), Mundo Afro (African descent communities), Charrúas organization (CONACHA) among other organizations. For instance on August 2014 the Ministry of Housing, Territorial Ordering and Environment signed an agreement with the Center for Afro Research and Studies (CEIAF). The agreement entitled: "Agreement to Facilitate the Participation of Local Communities Related to Biological Diversity in the Implementation of the National Biodiversity Strategy", following commitments with the Convention of Biological Diversity, aims at characterizing local communities and ethnic groups that directly and indirectly benefit from biodiversity services. The activities under this agreement will specify the type of organization and who are the representatives and / or coordinators. It will also set the ground for a plan to facilitate the participation of local communities and ethnic groups in the implementation of the National Biodiversity Strategy and it will be the framework and foundation for the inclusion of these communities in REDD + readiness, including the issues of impacts from deforestation and forest degradation.

B. Financial Management

74. The executing agency will be the Ministry of Livestock, Agriculture and Fishery (MGAP) acting through a Project Executing Unit *Unidad de Gestión de Proyectos -UGP*). UGP will be responsible for financial management functions such as, accounting, reporting, internal control, disbursements and interaction with the Bank and the external auditors on FM issues.

75. A Financial Management (FM) Assessment of the UGP's arrangements for the proposed Project has been performed in accordance with OP.BP 10.00. The assessment conclusion indicates that the proposed FM arrangements in place meet minimum Bank requirements. Main findings are summarized in this FM Assessment Report (Annex V). Given that this operation does not present any complexity for FM, no specific complementary measures on standard FM arrangements have been designed. From the financial management perspective, the Project is considered a low risk operation. A detailed risk analysis is provided on Annex V: Financial Management Assessment Report.

C. Procurement

76. **Assessment of the agency's capacity to implement procurement.** In accordance with the implementation arrangements, MGAP will be responsible for procurement. An assessment of the capacity to implement the procurement actions of MGAP was conducted in March 2015. The assessment looked into: a) organizational structure, b) flow of decision making, c) responsible units for procurement, d) dates of budget allocations, e) responsibilities and roles in the different units, f) facilities and support capacity, g) qualifications and experience of the staff that is going to work in procurement, h) flow of activities for procurement, j) record-keeping and filing systems, k) procurement planning and monitoring/control systems used, l) capacity to meet the Bank's procurement contract reporting requirements, m) ethics and transparency issues. Currently the Project Management Unit (PMU) under MGAP has the staff,

experience and capacity as noted on previous operations (financed by the Bank) to manage the Project, implement procurement procedures under Bank's Procurement and Consultants Guidelines, monitor implementation and provide technical assistance to beneficiaries.

77. **Procurement and Consultants Guidelines:** Procurement for the proposed project would be carried out in accordance with the provisions stipulated in the Grant Agreement and the Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers, dated January 2011 and Revised July 2014; and Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers, dated January 2011 and Revised July 2014; and. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

D. Social and Environmental (including Consultation, Participation, Disclosure and Safeguards)

78. The FCPF Readiness Preparation grant must comply with World Bank safeguard policies regarding the management of environmental and social impacts. This grant will, in part, support the country's activities to identify the potential risks associated with REDD+ and mitigation options. In order to do this, the FCPF is using a Strategic Environmental and Social Assessment (SESA) to integrate key environmental and social considerations into REDD+ Readiness by combining analytical and participatory approaches. The SESA allows: (i) social and environmental considerations to be integrated into the REDD+ Readiness process, in particular the REDD+ strategy; (ii) stakeholder participation in identifying and prioritizing key issues, assessment of policy, institutional and capacity gaps to manage these priorities and recommendations, and disclosure of findings in the REDD Country's progress reports on Readiness preparation; and (iii) an Environmental and Social Management Framework (ESMF) to be put in place to manage environmental and social risks and to mitigate potential adverse impacts. The SESA guidelines have been integrated into the R-PP template.

1. Social (including Safeguards)

79. Social risks that will need to be addressed with the SESA during the design of REDD+ strategic options include: i) limited access to land for vulnerable groups including indigenous peoples, afro descendants, women and rural small farmers; ii) potential restricted access to natural resources and involuntary resettlement; and iii) limited access to REDD+ benefits due to lack of clarity regarding carbon ownership.

80. **Incremental recognition of indigenous peoples.** During due diligence a slow but steady process of recognition of indigenous peoples by the state was recognized. Urban groups of indigenous people have led this process of self-recognition, which is encouraging dispersed indigenous rural populations toward self-recognition, recovery of traditions and culture, and identity.

81. Based visits performed during the due diligence phase, on an initial analysis of census data (identifying claims of IP ancestry), the legal framework, recent anthropological analysis, and primary research conducted with diverse Charrúa communities and disperse Guaraní populations, there is evidence to substantiate that OP 4.10 criteria are partially met in Charrúa communities. Further information and consultation are required to confirm whether the criteria for "collective attachment" is met.

82. This incipient process of recognition of indigenous peoples may involve potential claims on ancestral lands, and at the same it should be considered that Uruguay has the national cadaster substantially completed, with a small percentage (approximately 3%) remaining of vacant land. These lands are managed by the National Institute of Colonization which owns a certain amount of native forests of which some is under use by settlers. Other land with native forests are found in the National System of Protected Areas

83. Given the current lack of clarity, OP4.10 cannot be triggered at the concept stage, however during implementation careful consideration will be given to OP4.10 considering the potential for future claims on ancestral lands and the indigenous peoples' role in the conservation of native forests. Further consultation and fact-finding will take place during the Strategic Environmental and Social Assessment (SESA) of the readiness process.

84. **Afro-descendants.** The afro-descendant population in Uruguay amounts to more than 8 percent and has obtained legal recognition to the point that this population has the right to be employed in state institutions at the same percentage of representation of its population. There are mostly urban groups and others who are developing projects in naturalized forests, looking for a cultural rescue of their relationship with the land.

85. In order to advance in the identification of potential risks and safeguards frameworks for a potential implementation of the REDD + strategy, a series of early dialogue activities and formal and informal meetings were conducted with: indigenous peoples, farmers associations, civil society organizations, private sector, labor unions, provincial governments and academia). The main objective of the early dialogues and meetings were to gather the initial views of stakeholders regarding the development of a single country safeguards framework for the REDD+ process that can include the requirements of the Cancun Safeguards and the World Bank operational policies, among others. In particular, in the early dialogue forest tenure emerged as one of the main topics among others. Most lands with native forests are private, primarily intended for agriculture and livestock. Rural producers are then key players in any strategy to improve the management of native forests. In particular small producers that represent almost 40 percent of the farmers of Uruguay could improve their economic prospects with a REDD+ strategy. Small producers have a greater predisposition to overcome the degradation of forests and are keen to be part of the REDD + process. One of the strategies envisioned are Forestry Productive Activities, whereas by rural producers partner with forestry companies. Up to now this partnership models had only been applied to forests under cultivation. But it has the potential to be extended. Access to resources could present a potential risk, to the extent that small farmers and vulnerable groups depend in part on forests for their livelihoods.

86. **Institutional Strengthening and participation and consultation process** of relevant stakeholders (including groups of indigenous peoples and Afro-descendants) and in particular of small producers. Also the materials and information should reach and be accessible to all actors in the territory. An additional effort will be needed for institutional and technical capacity of government agencies to meet the demands of the process towards gradual recognition of indigenous peoples and Afro-descendants and how they can be involved in strengthening the SESA. Civil society organizations and indigenous peoples will also require further strengthening to meet the challenges in the process of forest conservation. It is necessary to promote an integrated vision through the inclusion of cultural and environmental values, including adjustments to indigenous people's cosmovision. This could be an opportunity for to implement strategies for the conservation and management of forests, since the indigenous cosmovision is founded on the respect and integration with Mother Earth.

2. Environmental (including Safeguards)

87. Among the implementing agencies MVOTMA has enough experience with monitoring natural resources and a reasonable experience in project impacts under World Bank guidelines. MVOTMA is the specialized unit in conducting Environmental Impact Assessments; while MGAP has experience in forest formations, native or planted, however MGAP could be strengthened regarding naturalized forests in populated areas for the purpose of this project.

88. Both national entities will combine their efforts in order to complement their capabilities and expertise. MGAP has a network of (regional) decentralized technical units that will enable them to reach easier potential beneficiaries in rural areas, while MVOTMA has tools for evaluation and monitoring, which will eventually need to be adapted to the case of the Project. In the case of activities in coastal and maritime areas that hold suburban urban and semi-rural naturalized forests, there would probably be a need to design appropriate tools to the case that includes the participation of the departmental governments and local municipalities. This may be necessary within the SESA framework preparation.

89. The MGAP Rural Development Unit implemented a GEF-IBRD financed Responsible Production Project (PPR) which successfully mainstreamed biodiversity conservation into productive farms in various regions of Uruguay. The experience and lessons learned from this project and others should be incorporated in REDD +. PPR helped develop regional expertise in biodiversity, water pollution, environmental management, sustainability, land degradation, droughts, and adaptation to climate change, among others. The GEF financed PROBIDES project in the south eastern plains region of (Lake Merin basin and other coastal lagoons) made significant contributions in this regard..

90. This aspect of integrating field operations at the regional level developed in the last 25 years, (especially in the last 15 years, has been estimated to improve and enhance strategic levels of effectiveness in the real sector.

91. Both institutions (MGAP and MVOTMA) have reasonable experience and familiarity with proper environmental safeguards policies of the World Bank,. This should ease reaching the beneficiaries with a comprehensive approach. Therefore the REDD+ Readiness Package preparation process can easily be enriched by incorporating the systematization of all initiatives executed from different sources of financing in recent years. Among the lessons learned are, for example:

- a) The importance of working with private producers to optimize sustainability and landscape-scale conservation;
- b) Reduction of risk in adopting new production practices with small and medium producers;
- c) The participation of small communities in the suburban-rural interface (especially in the case of naturalized forests in the river-ocean coastline of the south of the country;
- d) Ensuring a broad spectrum of stakeholders involved from both public, private and the community.

92. With regards to the Assessment of Drivers of Deforestation and Forest Degradation some approaches have been described in the R-PP of Uruguay. In the case of Uruguay, where deforestation is

not significant, the focus should include:

- a) Regional balances of native forest formations, which are generally disclimax;
- b) The occurrences of degradation of native vegetation formations including palm trees and open grasslands with native species of trees (*Prosopis* and *Acacia*), in order to develop management tools for the regional or local recovery or restoration.
- c) The links between degradation associated with agricultural expansion and the movement of livestock to more fragile areas. Such studies should be conducted as part of analytical diagnostics and plan of actions under this grant.

3. Consultation, Participation and Disclosure

i. Experience to Date

93. The GoU intend with the R-PP to bring to public attention the deforestation and forest degradation issues, informing the population in general, and particularly targeting those groups with a direct or indirect link to forest matters. The MGAP and the MVOTMA will lead jointly on the early dialogue. The MGAP has taken the main initiative with the rural producers and their organizations, while the MVOTMA has done the same with NGOs and representatives of the indigenous peoples.

94. Formal and informal contacts have been maintained with different individuals and institutions directly involved, such as the Timber Sectoral Council (CSM), the National Colonization Institute (INC) and the Society of Forest Producers (SPF).

95. On the Timber Sector Council meetings, REDD+ have been discussed as well as with the Wood Industry Workers Union (SOIMA/PIT-CNT) and NGOs, involved in training and promotion of rural human resources (CARDIJN), all expressed interest in continuing to participate and become an active part of the preparation process. Other organizations that have been consulted are the Board of the Management of the Forest Producers Association (SPF), the Rural Association of Uruguay which are crucial since the majority of native forests are owned by non-forest farmers. Plans were made for the better qualified members of the SPF to set up some form of information clearing house. Meetings took place with the Executive Committee of the National Rural Development Commission (CNFR) which bring together 97 rural development societies and cooperatives, representing 40 percent of all rural producers in Uruguay. In addition meetings with the Rural Federation and the Federate Agrarian Cooperatives (CAF) were also held.

96. MVOTMA identified the key actors in the Association of Rural Women (ARWU), the Charrúa Nation Council (CONACHA) and the Environmental NGOs Network.

ii. Proposal Going Forward

97. The R-PP has a step by step plan with key deliverables for consultations to take place, by phases, a timeline consisting of a National Workshop, regular events and participatory workshops, stakeholders to be invited, media role, local workshops in the localities of Guichon in Payasandu, Tranqueras in Rivera, Treinta y Tres in Department of Treinta y Tres.

98. The process of REDD + in Uruguay requires from the start, a major sensitization and awareness

of stakeholders given the nature of its innovativeness, and it will be critical to get the commitment and participation of key stakeholders influencing on land use change in the landscape.

99. It will be essential to raise awareness of the various ecosystem services that forests provide (especially the Native Forest), raise awareness on issues relating to reducing emissions from deforestation and forest degradation and the possibilities of development that this project implies in the long-run. The objective of this awareness campaign is to capture the genuine interest of the population and especially the social partners more closely linked to the woodland areas.

100. The R-PP shows a consultation and participation plan structured around a) First National Workshop and b) regular events and participatory workshops. This second activity has three phases: a. dissemination of information through massive media, b. Rollout of public consultations, c. Systematization and analysis, dissemination and exchange of results.

4. Safeguards Policies Triggered

Safeguard Policies	Triggered	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	It will be applied in situations that do not correspond specifically to the activated OP / BP 4.04, 4.36 and 4.11, and in cases where there is reasonable doubt: i) other environmental risks and ii) against any activities that affect environmental factors combined
Natural Habitats OP/BP 4.04	Yes	REDD+ programs including offset programs may have potential impacts on natural habitats, in particular non-forest habitats such as natural grasslands. These potential impacts will be considered as part of the SESA.
Forests OP/BP 4.36	Yes	In natural forests and woodlands ecosystems small areas of natural habitats play important global functions or are part of local biological chains, which must be identified and managed.
Pest Management OP 4.09	Yes	An analysis during the SESA process and preparation of the ESMF will provide further guidance, however restoration and reforestation activities planned may require its activation.
Physical Cultural Resources OP/BP 4.11	Yes	Given the historical context of occupation and of land use and landscapes of the country (hereinafter XVI centuries), all landscapes are anthropogenic "fingerprints" and cultural remains scattered, and of a small-scale, whose preservation should be evaluated before any intervention.
Indigenous Peoples OP/BP 4.10	TBD	<p>Despite a nearly complete nationwide cadaster (97%), there is an ongoing national debate regarding identification and rights of indigenous people in Uruguay. Based on visits performed during the due diligence phase, initial analysis of census data (identifying claims of IP ancestry), the legal framework, recent anthropological analysis, and primary research conducted with diverse Charrúa communities and disperse Guaraní populations, there is evidence to substantiate that OP 4.10 criteria are partially met in Charrúa communities</p> <p>Further information and consultation are required to confirm whether the criteria for "collective attachment" is met, given that indigenous land claims thus far have</p>

		<p>focused on acknowledgement of sacred lands, rather than on land ownership per se.</p> <p>Given the current lack of clarity, OP4.10 cannot be triggered at the concept stage, however during implementation careful consideration will be given to triggering OP4.10 if all criteria are met and considering the potential for future claims on ancestral lands. Further consultation and fact-finding will take place during the Strategic Environmental and Social Assessment (SESA) of the readiness process and if OP4.10 is triggered then an Indigenous Peoples Planning Framework (IPPF) will be prepared.</p>
Involuntary Resettlement OP/BP 4.12	Yes	<p>The policy on Involuntary Resettlement (OP 4.12) is triggered as a preventive measure considering the possibility of a) future access restrictions on the use of natural resources or b) involuntary land acquisition that may be proposed as strategic options to reduce deforestation and forest degradation during REDD+ strategy development.</p> <p>During the Readiness phase financed by this grant, an assessment of the nature of potential impacts will be carried out as part of the SESA process to identify the geographical focus of REDD+ strategic options. If strategic options involve potential restrictions on natural resources use or involuntary land acquisition then the anticipated impacts will be identified and mitigation measures including assistance to improve livelihoods for those impacted will be included in the ESMF. If required the ESMF will contain specific sections addressing these issues, and a Process Framework (PF) relating to access restriction and/or a Resettlement Policy Framework (RPF) will be prepared if involuntary land acquisition is anticipated.</p>
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

101. The main safeguard instrument to be applied is the SESA. The SESA includes as part of the SESA process the preparation of an ESMF. The ESMF may evolve and be updated over time when new REDD+ strategy options, projects or activities (including investments) and/or policies or regulations are identified during the implementation of REDD+. The SESA addresses the key environmental and social issues associated with the preparation of REDD+ strategy options as well as REDD+ projects, activities (including investments), policies and regulations. In this manner SESA can ensure compliance with World Bank's environmental and social safeguards.

102. The SESA process requires that the selection of REDD+ strategy options should take into account the country's institutional and capacity constraints for managing environmental and social risks, as well as the potential environmental and social impacts associated with these strategy options. Any identified gaps to manage these risks and potential impacts in relation to relevant World Bank safeguard policies should be identified along with the strategy options to feed into the preparation of the ESMF. The ESMF should provide a framework to manage and mitigate the

potential environmental and social impacts related to specific projects and activities (including investments and carbon finance transactions, in the context of the future implementation of REDD+).

103. The ESMF will be structured to contain subject-specific frameworks addressing the relevant requirements of the applicable environmental and social safeguard policies including, but not necessarily limited to, a Resettlement Policy Framework (RPF); Process Framework (PF); and Indigenous Peoples Planning Framework (IPPF).

VI. Annexes

Annex I:	R-PP Submitted by the REDD Country Participant
Annex II:	Results Based Framework
Annex III:	Systematic Operations Risk-Rating Tool (SORT)
Annex IV:	Preparation Schedule and Resources
Annex V:	Financial Management Assessment Report
Annex VI:	Draft Grant Agreement for REDD+ Readiness Preparation
Annex VII:	Procurement Plan
Annex VIII:	Operations Manual

Annex I: R-PP Submitted by the REDD Country Participant

https://www.forestcarbonpartnership.org/sites/fcp/files/2015/April/RPP_URUGUAY_FINAL.pdf

Annex II: Results Based Framework

- i. Key stakeholder capacity in REDD+ process strengthened
- ii. Regulatory and institutional framework to facilitate implementation of REDD+ activities in the country updated
- iii. Measures in place to mitigate the potential social, environmental and economic impacts of REDD+ implementation.
- iv. National REDD+ strategy developed through a participatory process
- v. Development of protocols for monitoring vegetation cover and its carbon context

PDO	Outcome Indicators	Use of Outcome Information
Strengthen key stakeholder capacity to prepare and implement a REDD+ strategy in Uruguay	By End of Project, the government and a set of civil society institutions are strengthened through capacity building activities that aim at improving the management of forest resources	Information on progress on this indicator will be collected and assessed to confirm if this project is having the intended impact. If not, adjustments will be made to project activities so as to achieve the desired impact.
Intermediate Results per Component	Results Indicators for each component	Use of Results Monitoring
Component 1: REDD+ Readiness Organization and Consultation	<p>By Q2, a cross-sectoral coordination body for REDD+ (<i>Mesa REDD+</i>), and by Q3 a multi-stakeholder participation platform (Comite REDD+), involving a broad range of key stakeholders, are established and operating</p> <p>By Q2, a national communications and dissemination strategy for REDD+ has been designed and initiates implementation, rolling until the end of project.</p> <p>By Q3, a national participation and consultation plan for REDD+ has been designed and is under implementation.</p>	Every quarter, these output indicators will be reported on the project reports and as part of the supervision missions of the World Bank. Information will be used to assess planned versus actual achievements. Adjustments will be made to the operating plans when needed with proper justification..
Component 2: National REDD+ Strategy and Safeguards	<p>By Q 12 a regulatory and institutional framework to facilitate implementation of REDD+ activities and govern benefit sharing in the country has been strengthened and updated</p> <p>By Q8 measures have been designed and are in place to mitigate the potential social, environmental and economic impacts of REDD+ implementation. Including:</p>	Every quarter, these output indicators will be reported on the project reports and as part of the supervision missions of the World Bank. Information will be used to assess planned versus actual

	<p>a) A Grievance, Feedback and Redress Mechanism (GFRM)</p> <p>b) A SESA has been carried out and an Environmental and Social Management Framework (ESMF) produced.</p> <p>By the end of project, a National REDD+ Strategy has been design in consultations, ready to be implemented, and based on analytical studies of drivers of deforestation and forest degradation, including: the design of specific legal, economic, benefit sharing and technological instruments</p>	<p>achievements.</p> <p>Adjustments will be made to the operating plans when needed with proper justification.</p>
Component 3: National Forest Reference/Emission Level	<p>By end of project, the capacity to establish a National Forest Reference Emission Level and/or a Forest Reference Level has been significantly improved:</p> <p>(i) By Q12, all necessary information needed to establish the reference level has been gathered.</p> <p>(ii) By Q16 a business as usual reference level scenario that includes deforestation and forest degradation has been developed</p>	<p>Every quarter, these output indicators will be reported on the project reports and as part of the supervision missions of the World Bank. Information will be used to assess planned versus actual achievements.</p> <p>Adjustments will be made to the operating plans when needed with proper justification.</p>
Component 4: National Forest Monitoring Systems	<p>By end of project the capacity and progress to develop a National Forest Monitoring System for the MRV of GHG emissions reductions from REDD+ activities has been significantly improved:</p> <p>(i) by Q8, the information provided by the National Forestry Inventory using IPCC methodologies has been incorporated into the national GHG inventory.</p> <p>(ii) By Q4, non-carbon benefits indicators have been identified and validated in a participatory manner, and necessary measures are in place to gather data according to a determined schedule.</p>	<p>Every quarter, these output indicators will be reported on the project reports and as part of the supervision missions of the World Bank. Information will be used to assess planned versus actual achievements.</p> <p>Adjustments will be made to the operating plans when needed with proper justification.</p>
Component 5: Monitoring and Evaluation	<p>By Q1, a Project Implementation Unit with technical and fiduciary staff satisfactory to the Bank has been established and is in operation.</p>	<p>Every quarter, these output indicators will be reported on the project reports and as</p>

Framework and Grant Administration	<p>By Q2, the Project Implementation Unit is disbursing funds as programmed, and meeting fiduciary commitments as established in the Grant Agreement.</p> <ul style="list-style-type: none"> - Annual fiduciary audits (due by June 30 of each calendar year) submitted on time - Interim non-audited financial reports (due each calendar semester) submitted on time - Progress reports and mid-term reports submitted on time to the Facility Management Team of the FCPF <p>By the end of project, an exit strategy to ensure continuity of institutional capacity for REDD+ is developed and agreed with the WB</p>	<p>part of the supervision missions of the World Bank. Information will be used to assess planned versus actual achievements. Adjustments will be made to the operating plans when needed with proper justification.</p>
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Annex III: Systematic Operations Risk-Rating Tool (SORT)

Risk category	Rating
1. Political and Governance	L
2. Macroeconomic	L
3. Sector Strategies and Policies	M
4. Technical Design of Project or Program	L
5. Institutional Capacity for Implementation and Sustainability	M
6. Fiduciary	L
7. Environment and Social	M
8. Stakeholders	M
OVERALL	M

The overall risk of the project is moderate given the capacity of government institutions to undertake the planned activities. Land tenure which is a relevant issue in REDD+ implementation is clear in the vast majority of the country.

Challenges may come from the need to coordinate with several **stakeholders** including state companies at the national and departmental level, civil society organizations and private sector. Previous projects implemented by the Bank, have found enthusiastic teams including the MGAP and MVOTMA working in projects, nevertheless the participation of multiple institutions will necessarily add complexity and may introduce delays in implementation.

Ensuring the broad and informed participation of the stakeholders will require a strong **institutional capacity**. The level of knowledge of what REDD+ entails is very low and will require several activities to raise awareness to get the buy in from both public and civil society actors so that appropriate **sector strategies and policies** are developed during the readiness phase.

Risk mitigation measures are incorporated into the design of the FCPF activities including the Strategic Environmental and Social Assessment (SESA). The process of REDD + in Uruguay will also require from the start, a major sensitization and awareness of stakeholders given the nature of its innovativeness, and it will be critical to get the commitment and participation of key stakeholders influencing on land use change in the landscape.

The R-PP has a step by step plan with key deliverables for consultations to take place, by phases, a timeline consisting of a National Workshop, regular events and participatory workshops, stakeholders to be invited, media role, local workshops in the localities of Guichon in Payasandu, Tranqueras in Rivera, Treinta y Tres in Department of Treinta y Tres.

The R-PP outlines a consultation and participation plan structured around a) First National Workshop and b) regular events and participatory workshops. This second activity has three phases: a) dissemination of information through mass media, b) Rollout of public consultations, c) Systematization and analysis, dissemination and exchange of results.

Annex IV: Preparation Schedule and Resources

Preparation Schedule				
Milestone	Basic	Forecast	Actual	
AIS Release				
Concept Review	08/2015			
Readiness Preparation GFR approved				
Readiness Preparation Grant signed	November 15,2015			
Sector Unit Estimate of Resources Required from Preparation through Approval				
Source of Funds	Preparation Expenses to Date (USD)	Estimate of Resource Requirements (USD)		
		Fixed	Variable	
Bank Budget				
Trust Funds	US\$ 38,500	US\$305,000		
Team Composition				
Bank Staff				
Name	Title	Specialization	Unit	UPI
Peter Jipp	Sr. Natural Resource Management Specialist	TTL	GENDR	157997
Rodrigo Martinez Fernandez	Carbon Finance Specialist	Carbon Finance	GCCGT	467066
Lilian Pedersen	Safeguards Specialist	Safeguards	GSURR	315555
Luz Maria Meyer	Financial Management Analyst	Financial Management	GGODR	315338
Armando Sanjines	Procurement Specialist	Procurement	GGODR	383076
Ricardo Larrobla	Environmental Specialist	Environment	GENDR	238654
Raquel Orejas	Consultant	M&E	GENDR	372385
Diana Rebolledo	Language Program Assistant	Administration	GENDR	16643
Non Bank Staff				
Name	Title	Office Phone	City	

Annual investments per Component

Component	2016	2017	2018	2019	Total USD
Component I	257,888	307,649	297,622	247,280	1,110,438
Component II	439,250	621,117	576,645	304,141	1,941,153
Component III	47,353	85,411	88,430	55,761	276,955
Component IV	41,853	172,411	158,430	74,761	447,455
Component VI	6,000	6,000	6,000	6,000	24,000
Total USD	792,342	1,192,588	1,127,128	687,942	3,800,000

Detailed Budget in US\$ M

Activities	Component	Category	Unit	Q 2016	Q 2017	Q 2018	Q 2019	Quantity Total	Unitary Cost US\$	USD 2016	USD 2017	USD 2018	USD 2019	Total USD
Information Technology Equipment and Office Equipment	Component II	Goods	Unit	3.0	-	-	-	3.0	2,000	6,000	-	-	-	6,000
Printing	Component I	Non consulting services	Unit	1.0	1.0	1.0	-	3.0	5,000	5,000	5,000	5,000	-	15,000
Operational Expenses	Component I	Operational Expenses	Unit	0.7	1.0	1.0	0.7	3.4	35,000	24,500	35,000	35,000	24,500	119,000
Vehicles	Component I	Goods	Unit	2.0	-	-	-	2.0	30,000	60,000	-	-	-	60,000
Vehicles Ministry	Component II	Goods	Unit	4.0	-	-	-	4.0	30,000	120,000	-	-	-	120,000
Information Technology Equipment and Office Equipment	Component I	Operational Expenses	Unit	11.0	-	-	-	11.0	2,000	22,000	-	-	-	22,000
Travel Expenses, and Mobilization Expenses	Component I	Operational Expenses	Unit	2.5	5.0	5.0	5.0	17.5	2,000	5,000	10,000	10,000	10,000	35,000
Travel Expenses and Mobilization expenses	Component I	Operational Expenses	Unit	4.0	8.0	8.0	8.0	28.0	2,000	8,000	16,000	16,000	16,000	56,000
Printing Materials	Component II	Non consulting services	Unit	2.0	4.0	4.0	2.0	12.0	5,000	10,000	20,000	20,000	10,000	60,000
Divulgarion Activities Communication	Component I	Operational Expenses	Unit	3.0	4.0	4.0	3.0	14.0	1,500	4,500	6,000	6,000	4,500	21,000
Activites	Component III	Operational Expenses	Unit	0.5	1.0	2.0	-	3.5	15,000	7,500	15,000	30,000	-	52,500
Information Technology Equipment and Office Equipment	Component III	Goods	Unit	2.0	-	-	-	2.0	2,000	4,000	-	-	-	4,000
Communication Expenses	Component IV	Operational Expenses	Unit	1.0	2.0	3.0	-	6.0	8,000	8,000	16,000	24,000	-	48,000
Technology Equipment and Office Equipment	Component IV	Goods	Unit	2.0	-	-	-	2.0	2,000	4,000	-	-	-	4,000
Terrestrial Monitoring to control Deforestation	Component II	Goods	Unit	40.0	-	-	10.0	50.0	2,000	80,000	-	-	20,000	100,000

[illegible]

Annex V: Financial Management Assessment Report

Simplified Financial Management Assessment Report

**Carbon Offset/TFC Grant: (P151978) FOREST CARBON PARTNERSHIP (FACILITY-FCPF)
READINESS PREPARATION**

June 2015

**Grant Responsible Agency: Ministry of Livestock, Agriculture and Fisheries (MGAP) -
Oriental Republic of Uruguay**

Grant No. TF0A1064

A. Information to be provided by the task team leader and/or the recipient or gathered by the FMS	
1. Name and contact information of the recipient organization(s)	The executing agency will be the Ministry of Livestock, Agriculture and Fishery (MGAP) acting through a Project Executing Unit <i>Unidad de Gestión de Proyectos -UGP</i> . UGP will be responsible for financial management functions such as, accounting, reporting, internal control, disbursements and interaction with the Bank and the external auditors on FM issues. Avda. E. Garzón 456, Montevideo, ROU Contact: Cr. Claudia Chakerian (<i>Coordinador Administracion y Finanzas</i>)
2. Year of registration and years of operations	The UGP-MGAP was created in 2012 by the <i>Resolucion Ministerial N° 218</i> to implement the Sustainable Natural Resources Management and Climate Change project (Ln 8099 UY, USD 49 million, active, approved by the Bank in 2011). MGAP
3. Experience with World Bank operations, e.g., receipt of previous Grants.	The UGP-MGAP has relevant experience in Bank financed Projects: <ul style="list-style-type: none">- Ln 3697, P008173, closed in 2002- Ln 7070, P074543, closed in 2006- Ln 7305, P070655, closed in 2012- TF 55042, P077676, closed in 2012- Ln 8099, P124181, active MGAP has relevant experience in WB-financed operations. Audit reports for the closed Projects under the MGAP raised no significant FM issues.
4. Amount of the proposed Grant (US Dollars)	3,800,000.000
5. Are there sub-Grants for the operation? What are the amounts involved for sub-Grants?	N/A. There are no sub-Grants for the operation.

6. Information about financial management (FM) arrangements for the operation:	
<ul style="list-style-type: none"> Does the recipient organization have a FM or Operating Manual that describes the internal control system and FM operational procedures? 	UGP-MGAP prepared an operating manual that was reviewed and found acceptable. This document includes FM procedures applicable to the project.
<ul style="list-style-type: none"> What accounting system is used, including whether it is a computerized accounting system or a manual accounting system? 	<p>The UGP-MGAP will make use of a specific accounting and management information system (MIS) to support project management, external reporting and the preparation of the justification of funds to the Bank. All Project transactions will be processed in the MIS with a chart of accounts prepared to reflect the Project categories, components and sources of funding. Chart of account was included in the Operating Manual; reviewed and found acceptable.</p> <p>The Recipient's proposed budgeting arrangements for the Project comprise the integrated financial information system (SIIF) applied by the General Accounting Office (<i>Contaduria General de la Nación- CGN</i>) across the public sector, which will control and record the transactions in the executing unit and it is acceptable to the Bank.</p>
<ul style="list-style-type: none"> What is the staffing arrangement of the organization in accounting, auditing, and reporting? Does the implementing entity have a qualified accountant on its staff? 	The UGP-MGAP has qualified accounting staff capable of undertaking the FM functions of the Grant including treasury and flow of funds, accounting and financial reporting.
<ul style="list-style-type: none"> Disbursement Arrangement 	<p>Grant funds will be disbursed to a segregate Designated Account in US dollars that will be opened at <i>Banco Central de Uruguay- BCU</i>, managed by MGAP. The project will also have an operating account in Dollars and in Pesos to pay for expenditures. Both accounts will be open at the official Bank (<i>Banco de la República Oriental del Uruguay – BROU</i>).</p> <p>Disbursement methods will include advance, reimbursement, and direct payment.</p> <p>Supporting documentation requirements: (TBC with WFA Loan Department),</p> <p>Proposed ceiling for the Designated Account is USD 500,000 (TBC with WFA Loan Department), which is considered sufficient for peak reimbursement periods. SOEs will be presented to the Bank at least once every quarter.</p>

<ul style="list-style-type: none"> Does the implementing entity have in place basic arrangements able to support flow of funds, and timely accountability of funds? 	Yes. The Internal Audit Office (<i>Auditoria Interna de la Nación</i>) is responsible for internal audits of the Central Administration. It depends functionally and financially on the Ministry of Economy and Finance. It has technical autonomy and unlimited access to financial records. The IAO prepares an annual audit plan and periodically progress against the plan is measured. To perform its audits, the IAO uses International Organization of Supreme Audit Institutions (INTOSAI) standards. In addition, as set forth in the Uruguay's National Constitution, the Supreme Audit Institution, (<i>Tribunal de Cuentas de la Republica</i>) is responsible for the ex- ante examination and approval of all expenditures and payments of the public administration.
<ul style="list-style-type: none"> Does the implementing entity keep adequate records of financial transactions, including funds received and paid, and of the balances of funds held? 	The Project will keep up-to-date cash book, bank statements, and bank reconciliation statements. The Recipient will retain all records (contracts, orders, invoices, bills, receipts and other documents) supporting all expenditures in respect of which withdrawals from the Designated Account were made.
<ul style="list-style-type: none"> How often does the implementing entity produce interim financial reports? 	UGP-MGAP will prepare a semi-annual Interim Unaudited Financial Reports (IFRs) in a format satisfactory to the Bank. UGP-MGAP will also be in charge of the preparation of the annual financial statements for the Project following the Public Sector Accounting Standards of Uruguay; these rules are comprehensive and consistent with international public standards.
<ul style="list-style-type: none"> Are the annual financial statements audited by an external audit firm? 	The Project Annual Financial Statements will be audited by the Supreme Audit Institution <i>Tribunal de Cuentas de la República (TCR)</i> , which is acceptable to the Bank.

B. Risk Rating Summary and Mitigation Measures (to be completed by the FMS)

Use the following table for FM risk assessment:

Risks	Risk Rating	Risk Mitigating Measures	Residual Risk Rating
Inherent Risk			
<ul style="list-style-type: none"> Country Level 	Low		Low
<ul style="list-style-type: none"> Entity Level 	Low		Low
<ul style="list-style-type: none"> Grant Level 	Low		Low
Overall Inherent Risk	Low		
Control Risk			
<ul style="list-style-type: none"> Budgeting 	Low		Low
<ul style="list-style-type: none"> Accounting 	Low		Low
<ul style="list-style-type: none"> Internal Control 	Low		Low
<ul style="list-style-type: none"> Funds Flow 	Low		Low
<ul style="list-style-type: none"> Financial Reporting 	Low		Low
<ul style="list-style-type: none"> Auditing 	Low		Low
Overall Control Risk	Low		
Overall FM Risk	Low		

Strengths. MGAP has relevant experience in WB-financed operations. Audit reports for the closed Projects under the MGAP raised no significant FM issues. A Project Executing Unit reporting directly to MGAP is in charge of the FM functions of the Project. Satisfactory internal control framework and external oversight.

Weaknesses. There are no critical FM weaknesses identified for this project, therefore, there are no related mitigation measures.

Conclusions and Action Plan. The proposed FM arrangements meet Bank requirements and provide reasonable assurance that the grant funds will be used for the intended purposes. No action plan is required.

C. FM Arrangements and Conclusion by the FM Specialist

FM Arrangements

UGP-MGAP will prepare a semi-annual Interim Unaudited Financial Reports (IFR) in a format satisfactory to the Bank (in US dollars), as follows: (i) Sources and uses of funds by category expenditure; uses of funds by component; and beginning and ending cash balances; ii) Cumulative investment statement; and (iii) DA reconciliation. Project will generate IFRs every calendar semester due to the bank 45 days after the close of each semester.

Annual financial statements will be prepared by UGP-MGAP. It is expected that the financial audit be conducted by the Uruguayan Supreme Audit Institution, *Tribunal de Cuentas de la República (TCR)*. The audit report will be furnished to the Bank not later than six months after the end of each audited year.

Financial Management Supervision Plan

Type	Timing	Mechanism	Objective
On-site Visit & Desk work	General Supervision: Every two years.	Integrating supervision missions or in agreement with project TTL	<ul style="list-style-type: none"> ◆ Review FM performance. ◆ Follow up on External Auditors recommendations/ raised issues. ◆ Review control ◆ Review staffing ◆ Transactions review as needed. ◆ Update assigned risk.
IFR Review	Semi-annually	Over the semi-annual financial reports submitted to the Bank	Review IFR information consistency.
Audit Review	Annually	Over the Audit Report submitted to the Bank	Review Audit Report. Follow up of issues identified in the report.

Overall assessment and conclusion

Conclusion of the FM assessment: On the basis of the simplified FM assessment carried out during May 2015, the FMS concludes that the proposed financial management arrangements satisfy the minimum Bank financial management requirements of OP 10.00

Annex VI: Draft Grant Agreement for REDD+ Readiness Preparation

His Excellency
Danilo Astori
Minister
Ministry of Economy and Finance
Colonia 1089, Tercer Piso
11100 Montevideo
Uruguay

Grant Agreement for the Oriental Republic of Uruguay's Readiness Preparation Proposal Readiness Fund of the FCPF Grant No. TF0A1064

Excellency:

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"). REDD refers to reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.

Resolution PC2008-2 provides that subject to the availability of funds, certain REDD Country Participants may receive grant funding of up to three million six hundred thousand United States Dollars (USD3,600,000) for formulating and carrying out a Readiness Preparation Proposal ("R-PP").

The Oriental Republic of Uruguay ("Recipient") was selected as a REDD Country Participant. The Participants Committee of the FCPF ("PC") has reviewed the R-PP submitted by the Recipient and acknowledged the great efforts made by the Recipient in formulating its R-PP. Accordingly, the PC, through its Resolution PC/17/204/7, decided to allocate grant funding to the Recipient in the amount of up to three million six hundred thousand Dollars (USD3,600,000) ("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 United States dollars (USD 200,000) (together with the Preparation Installment, the "Grant") for the Recipient to strengthen national feedback and grievance redress mechanisms, 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 ("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 Agreement and to carry out the Readiness Preparation Activities 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.

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

By _____
Jesko S. Hentschel
Director
Argentina, Paraguay and Uruguay
Latin America and the Caribbean Region

AGREED:

ORIENTAL REPUBLIC OF URUGUAY

By _____
Name _____
Title _____
Date: _____

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 August 8, 2013.
- (3) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
- (4) Guidelines on Preventing and Combating Fraud and Corruption in Project Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011.
- (5) Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011 and revised in July 2014.
- (6) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011 and revised in July 2014.

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 (“Standard Conditions”), with the modifications set forth below, constitute an integral part of this Agreement:

(a) The following term and definition shall be added to the Appendix to the Standard Conditions as paragraph 18 bis to read as follows:

18bis “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 Agreement have the meanings ascribed to them in the Standard Conditions, the Charter Establishing the Forest Carbon Partnership Facility (“Charter”), or in this Agreement.

(a) “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework, acceptable to the World Bank, which establishes the modalities and procedures to address potential negative environmental and social impacts from the implementation of REDD+ investments and demonstration activities as well as associated mitigation measures through employing best practices; and includes the screening criteria, procedures and institutional responsibilities for the safeguard policies that are triggered for subsequent World Bank financed REDD+ investments.

(b) “Indigenous Peoples Planning Framework” or “IPPF” means the Recipient’s framework, acceptable to the World Bank and prepared in accordance with the World Bank’s Operational Policy OP 4.10, which will provide a clear process and criteria for the development of specific Indigenous Peoples Plans that may be needed for any subsequent World Bank financed REDD+ investments.

(c) “*Ministerio de Ganadería, Agricultura y Pesca*” or “MGAP” means the Recipient’s Ministry for Livestock, Agriculture and Fishing, or any successor or successors thereto.

(d) “Process Framework” or “PF” means the Recipient’s framework, acceptable to the World Bank and included as part of the ESMF, to guide the mitigation of potential negative impacts on the livelihoods of populations as part a result of any subsequent World Bank financed REDD+ investments.

(e) “REDD+” means reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.

(f) “Resettlement Policy Framework” or “RPF” means the Recipient’s framework, acceptable to the World Bank, to screen REDD+ activities for potential involuntary resettlement.

(g) “Stakeholder Consultation and Participation Plan” means the document prepared by the Recipient and acceptable to the World Bank, which describes the participatory process for effectively engaging all stakeholders in the carrying out of the Readiness Preparation Activities and the SESA, including the scale, scope, representation information, schedule and budget for carrying out of said Plan, as the same may be modified from time to time by agreement between the Recipient and the World Bank.

(h) “Strategic Environmental and Social Assessment” or “SESA” means the Recipient’s assessment of potential strategic environmental and social impacts that may arise from future REDD+ activities and/or projects and/or strategies in compliance with World Bank’s Safeguard Policies.

(i) “SESA Work Plan” means the document prepared by the Recipient as a component of the Stakeholder Consultation and Participation Plan, which describes the process for carrying out the SESA, as amended from time to time, in form and substance acceptable to the Bank.

(j) “World Bank’s Safeguards Policies” means the World Bank's operational policies and procedures set forth in the Association's Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 published at World Bank Operational Policies.

Article II

Execution of Readiness Preparation Activities

2.01. ***Objectives and Description.*** The objective of the Grant is to strengthen the Recipient’s capacity to prepare and implement a REDD+ strategy. The Readiness Preparation Activities consist of the following parts:

(a) Organization, Consultation and Grievance Redress

- (i) Establishing and operationalization of: (A) a consultative platform for REDD+ implementation; and (B) a Readiness Preparation Activities implementation unit (“Project Implementation Unit” or “PIU”);
- (ii) Designing and carrying out of a communications and information dissemination strategy at the national level; and
- (iii) Designing and implementing or, if applicable, strengthening existing feedback, grievance and redress mechanisms to meet the needs of people who might be affected by REDD+.

(b) Preparation of REDD+ Strategy

- (i) Identifying and analyzing the main direct and indirect causes of deforestation and forest degradation; and

- (ii) Designing of: (A) effective strategic options for REDD+; and (B) an implementation framework for REDD+.

(c) Strategic Environmental and Social Assessment

- (i) Carrying out of SESA in accordance with the terms of the SESA Work Plan, including diagnostic studies to assess the key risks of the strategic options under (b)(ii) above; and
- (ii) Preparing an ESMF, including, if applicable, an Indigenous Planning Peoples Framework (“IPPF”), a Resettlement Policy Framework (“RPF”) and a Process Framework (“RP”), all in accordance with the World Bank’s Safeguards Policies.

(d) Development of a National Forest Reference Emission Level or a Forest Reference Level

Designing a national reference emissions level or reference level for the forest sector in the Recipient’s territory.

(e) Design of National Forest Monitoring and Safeguards Systems

Designing and implementing at the national level (1) a forest monitoring system; and (2) an information system for multiple, other impacts, safeguards and governance in relation to REDD+.

(f) Design of Monitoring and Evaluation Framework

Designing and implementing a framework to monitor and evaluate the Readiness Preparation Activities under subsections (a) through (f) of this Section 2.01.

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 MGAP 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 Section 2.02 of this Agreement, the Recipient, through MGAP, shall:

- (a) Establish and maintain, throughout the period of implementation of the Readiness Preparation Activities, the PIU within MGAP, with assigned staff and resources in adequate number and qualifications acceptable to the World Bank, in order to carry out the daily management and technical coordination, financial management, procurement, monitoring and evaluation of the Readiness Preparation Activities; and
- (b) Carry out the Readiness Preparation Activities in accordance with administrative, accounting, auditing, reporting, financial, and disbursement procedures acceptable to the World Bank, including all pertinent standard documents and model contracts in relation thereto.
- (c) Ensure that all terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities and frameworks prepared on the basis of the SESA under the Readiness

Preparation Activities pursuant to Section 2.01 of this Agreement are consistent with the World Bank's Safeguard Policies, as well as the Recipient's own laws relating to the environment and social aspects.

2.04. *Mid-term Progress Report and Completion Report.* The Recipient, through MGAP, shall prepare 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 Resolutions PC/7/2010/3 and PC/12/2012/2. 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 no later than eighteen months of Effective Date. 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, through MGAP, 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, through MGAP, 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 and revised in July 2014 ("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 and revised in July 2014 ("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 National Competitive Bidding subject to the following additional procedures: (A) contracts of goods and non-consulting services shall not be awarded to the “most convenient” bid but to the bid determined to be substantially responsive and the lowest evaluated bid, provided that the bidder is further determined to be qualified to perform the contract satisfactorily; (B) foreign bidders shall be allowed to participate in bidding processes under National Competitive Bidding; (C) all procurement shall be done using standard bidding documents, model bid evaluation forms, model proposal evaluation forms, and contract forms previously agreed with the World Bank; (D) there shall be no prescribed minimum number of bids to be submitted in order for a contract to be subsequently awarded; (E) after the public opening of bids for goods and non-consulting services, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards, shall not be disclosed to bidders or other persons not officially concerned with this process until the publication of contract award; (F) bidders, consultants and/or other persons not officially concerned with said process shall not be allowed to review information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall not be disclosed to bidders or other persons not officially concerned with this process until the publication of the award of contract. Said bidders, consultants and/or other persons shall not be allowed to make copies of other bidders’ bids or consultant proposals, as the case may be; (G) foreign and local service providers and suppliers shall not be required to register, establish residence in the national territory, or enter into association with other national or international bidders as a condition for submitting bids or proposals. Bids or proposals shall not be rejected if the corresponding contract cannot be signed by the specific deadline established in the bidding documents due to delays in the registration process; (H) foreign bidders shall not be required to authenticate (*legalizar*) their bids or any documentation related to such bids with the national authorities as a prerequisite for participating in the selection process; (I) there shall be no preference for domestic contractors; (J) The invitations to bid, bidding documents, minutes of bid openings, the evaluation report of bids, and contract awards of all goods and non-consulting services, shall be published in a web page acceptable to the Bank, and in a manner acceptable to the Bank; (K) Compliance by bidders with the norms issued by the International Organization for Standardization with respect to any given good procured shall not be used as parameter for contract award; and (L) a two-envelope system of procurement shall not be allowed in the procurement of goods or non-consulting services.
- (ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; and (C) Community Participation procedures which have been found acceptable to the World Bank.

(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. For consultant services contracts, only the types of contracts listed in Section IV of the Consultant Guidelines may be used. The use of subsidiary agreements (*convenios*) shall not be allowed.
- (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 (J) Single-source procedures for the Selection of Individual Consultants.

(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.

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 (inclusive of Taxes)</u>
(1) Goods, Consultants' Services, non-consulting Services, Workshop and Training, and Operating Costs	3,800,000	100%

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 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 December 15, 2019.

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 its Minister of Economy and Finance.

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

Ministerio de Economía y Finanzas
Colonia 1089, Tercer Piso
11100 Montevideo
Uruguay

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)	

Annex VII: Procurement Plan

Procurement Plan REDD+ Preparation First 18 Months MGAP and MVOTMA

Description	Component	Category	Method	Responsible Entity	Estimated Amount US\$	Process Starts	End of Contract	Ex-ante Review
Information Technology Equipment	I, II, III y IV	Goods and Consulting Services	CP	UGP	30,600	4to Trim 2015	4to Trim 2015	Yes
Furniture	I, II, III y IV	Goods and Consulting Services	CP	UGP	5,400	4to Trim 2015	4to Trim 2015	Yes
Vehicles	I y II	Goods and Consulting Services	LPN	UGP	180,000	4to Trim 2015	2do Trim 2016	Yes
Monitoring Equipment	II	Goods and Consulting Services	LPN	UGP	80,000	4to Trim 2015	2do Trim 2016	Yes
Printing of Divulcation Materials	I y II	Goods and Consulting Services	CP	UGP	40,000	1er Trim 2016	2do Trim 2017	No
Web Site design	I	Goods and Consulting Services	CP	UGP	15,000	1er Trim 2016	2do Trim 2016	No
National Forestry Inventory Update	IV	Goods and Consulting Services	LPN	UGP	100,000	1er Trim 2017	3er Trim 2017	No
Update of National Inventory of GHG	IV	Goods and Consulting Services	LPN	UGP	90,000	1er Trim 2017	3er Trim 2017	No
2 IT Developers	I	Individual Consultant	3 CV	UGP	109,383	4to Trim 2015	1er Trim 2016	No
2 Digital information typer	I	Individual Consultant	3 CV	UGP	66,296	4to Trim 2015	1er Trim 2016	No
1 Information analyst	II	Individual Consultant	3 CV	UGP	51,602	4to Trim 2015	1er Trim 2016	No
1 Accounting assistant	I	Individual Consultant	3 CV	UGP	38,916	4to Trim 2015	1er Trim 2016	Yes
1 Agronomist	II	Individual Consultant	3 CV	UGP	45,632	4to Trim 2015	1er Trim 2016	No
1 Extenionist	II	Individual Consultant	3 CV	UGP	45,632	4to Trim 2015	1er Trim 2016	Yes
1 Agronomist	III	Individual Consultant	3 CV	UGP	45,632	4to Trim 2015	1er Trim 2016	No
1 Environmental professional	III	Individual Consultant	3 CV	UGP	45,632	4to Trim 2015	1er Trim 2016	No
1 Anthropologist	IV	Individual Consultant	3 CV	UGP	45,632	4to Trim 2015	1er Trim 2016	No

1 Expert on Biodiversity and Ecosystem Services	IV	Individual Consultant	3 CV	UGP	45,632	4to Trim 2015	1er Trim 2016	No
Development of REDD+ National Strategy	II	Firm Consultancy	SBCC	UGP	400,000	4to Trim 2015	4to Trim 2016	No
Evaluation of coastal naturalized forests	II	Firm Consultancy	SBCC	UGP	100,000	4to Trim 2015	3er Trim 2016	Yes
SESA	II	Firm Consultancy	SBCC	UGP	100,000	1er Trim 2016	3er Trim 2016	No
Pilot plan for the promotion and control of priority watersheds	II	Firm Consultancy	SBCC	UGP	100,000	4to Trim 2015	3er Trim 2016	Yes
Workshops and Training (various processes)	I, II y III	Training	CP	UGP	183,000	1er Trim 2016	2do Trim 2017	No
Mobilization of Expenses and Operations	I, II, III, IV y VI	Operational Expenses	Local Norm	UGP	160,000	1er Trim 2016	2do Trim 2017	No

Annex VIII Operations Manual

Available online at the following address (in Spanish):

<https://www.forestcarbonpartnership.org/sites/fcp/files/2015/July/Uruguay%20Manual%20Operativo%20Proyecto%20REDD%2B%20Final.pdf>