H. E. Ato Sufian Ahmed  
Minister Finance and Economic Development  
Ministry of Finance and Economic Development  
Federal Democratic Republic of Ethiopia  
Addis Ababa  
Ethiopia  

Second Grant Agreement for Ethiopia’s Readiness Preparation Proposal  
Readiness Fund of the FCPF  
Grant No. TF013450  

Excellency:

I wish to refer to the Grant Agreement between the Federal Democratic Republic of Ethiopia (“Recipient” or “Ethiopia”) and the International Bank for Reconstruction and Development (“World Bank”), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility (“FCPF”), dated August 24, 2009, (“Readiness Grant Agreement”), pursuant to which the World Bank agreed to provide to the Recipient a grant in the amount not to exceed US$200,000 for formulating the Readiness Preparation Proposal (“R-PP”) (“R-PP Formulation Installment”).

The Participants Committee of the FCPF (“PC”) has reviewed the R-PP submitted by the Recipient and acknowledged the extensive efforts made by the Recipient and the high quality of the R-PP. Accordingly, the PC, through its Resolution PC/8/2011/4 decided to allocate grant funding to the Recipient in the amount of up to three million four hundred thousand Dollars (US$3,400,000) (“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 Dollars (US$200,000) (together with the Preparation Installment, the “Grant”) for the purpose of strengthening the Recipient’s national feedback and grievance redress mechanism, subject to the terms and conditions set out in said Resolution.

In response to the request for financial assistance made on behalf of the Recipient and the decisions of the PC referred to above, I am pleased to inform you that the World Bank agrees to extend the Grant in the amount of three million six hundred thousand Dollars (US$3,600,000) on the terms and conditions set forth or referred to in this letter agreement (“Second Grant Agreement”), which includes the attached Annex, to assist in the financing of the Readiness Preparation Activities described in the Annex.

This Grant is funded out of the abovementioned FCPF trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.
The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Second Grant Agreement and to carry out the Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Second Grant Agreement.

Since the execution of the Readiness Grant Agreement, the Charter Establishing the FCPF ("Charter") has been amended, and the terms and conditions of this Second Grant Agreement are based on the Charter, as so amended. Where there are inconsistencies between the Readiness Grant Agreement and this Second Grant Agreement including in the use of terms, the provisions in this Second Grant Agreement shall prevail and deemed to have accordingly amended the provisions of the Readiness Grant Agreement to eliminate any such inconsistency.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Second Grant Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Second Grant Agreement shall become effective as of the date 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 Guang Zhe Chen
Country Director for Ethiopia
Africa Region

AGREED:
FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By _[Signature]_
Authorized Representative
Name AHMED SHIDE
Title State Minister
Date: October 24, 2012
Enclosures:

(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 Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011.
FCPF Readiness Fund Grant No. TF013450

ANNEX

Article I
Standard Conditions; Definitions

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

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

18bis “Readiness Preparation Activities” means the activities, described in the Second 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 Second Grant Agreement have the meanings ascribed to them in the Standard Conditions, the Charter, or in this Second Grant Agreement, and the following terms have the following meanings:

(a) "Ethiopian Fiscal Year" or “EFY” means the Fiscal Year of the Recipient which commences on July 8 and ends on July 7.

(b) "Ministry of Agriculture" means the Recipient's ministry responsible for agriculture or any successor thereto.

(c) "Reducing Emissions from Deforestation and Degradation +" and "REDD+" means reducing emission from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.

(d) "Region" means the second tier of government in the administrative system of the Recipient established under the Recipient’s Federal Constitution of 1995.

(e) "Woreda" "Woreda” means the third tier of government in the Recipient’s administrative system as established under the relevant Regional legislation.

Article II
Execution of Readiness Preparation Activities

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

Part 1: Support to the National Readiness Management Arrangements

1.1 Enhancing the capacity through support to the structures that will lead the coordination and implementation of the REDD+ Readiness process in Ethiopia, including the National REDD+ Secretariat within the Ministry of Agriculture, the REDD+ Steering Committee (RSC) and the REDD+ Technical Working Groups (RTWG) at the national and regional levels by providing them with the adequate human, technical and operational resources.

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

2.1 Supporting multi-stakeholder consultation, mobilization and participation for the design of the national REDD+ strategy. This will follow the Consultation and Participation Plan developed as part of the R-PP. The support will include the preparation of communication material targeted at different audiences.

2.2 Conducting an in-depth analysis of drivers of deforestation and forest degradation in Ethiopia, identifying potential pilot REDD+ projects and ensuring knowledge exchange across ongoing activities related to REDD+, and consolidating and disseminating knowledge on the strengths and weaknesses of Participatory Forest Management in Ethiopia.

2.3 Conducting a Strategic Environmental and Social Assessment (SESA) of REDD+ in Ethiopia, and preparing an Environmental and Social Management Framework to mitigate the residual risks of implementing the REDD+ strategy. This includes the multi-stakeholder consultations required to conduct the SESA.

2.4 Assessing existing feedback and grievance redress mechanisms and providing appropriate resources and consultant support. The feedback and grievance redress mechanisms will be responsible for receiving feedback and requests for additional information, with the aim of supporting and improving consultation and participation processes during the preparation stage of the Readiness Preparation Activities.

Part 3: Preparation of the National REDD+ Implementation Framework

3.1 Carrying out studies and analytical activities to identify options for: i) development of an efficient, effective and fair mechanism for sharing benefits related to the implementation of REDD+; ii) mechanisms for managing funds at the national level and for distributing them to the local level; and iii) legal status of emission reductions (carbon credits) in Ethiopia.

3.2 Supporting the design of a national registry system to monitor, report and verify REDD+ activities and track financial flows to REDD+ activities, all through provision of goods, technical assistance, training and workshops required for the purpose.
2.02. **Execution Generally.** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities through the Ministry of Agriculture in accordance with the provisions of (a) Article II of the Standard Conditions, (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January, 2011 (“Anti-Corruption Guidelines”) and (c) this Article II.

2.03 **Institutional and Other Arrangements.** Without limitation upon the provision of paragraph 2.02 above, the Recipient shall: (a) ensure that, throughout the period of implementation of the Readiness Preparation Activities, national REDD+ steering committee, the REDD+ secretariat, national and regional technical working groups, have assigned staff and resources in adequate number acceptable to the World Bank, in order to carry out the Readiness Preparation Activities; and (b) shall cause the national REDD+ technical working group to prepare periodic Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions. Each Project Report shall cover such period of six (6) months and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

2.04 **Safeguards.** The Recipient shall ensure that: (a) all (i) terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities and (ii) frameworks prepared on the basis of the SESA under the Readiness Preparation Activities pursuant to part 2.3 of Section 2.01 of this Agreement are consistent with, and pay due attention to, the World Bank’s environmental and social safeguards policies, as well as the Recipient’s own laws relating to the environment and social aspects; and (b) in drafting any laws or regulations under the Readiness Preparation Activities, due attention will be given to said policies and laws.

2.05. **Mid-term Progress Report and Completion Report.** No later than eighteen (18) months after the date of countersignature of this Agreement, the Recipient shall prepare and furnish to the World Bank a mid-term progress report on the Readiness Preparation Activities in accordance with terms of reference acceptable to the World Bank, including the provisions of Section 6.3(b) of the Charter and Resolutions PC/7/2010/3 and PC/12/2012/2. The Recipient shall also prepare and furnish to the World Bank not later than six months after the Closing Date, a Completion Report in accordance with the provision of Section 2.06(b) (ii) of the Standard Conditions.

2.06. **Financial Management**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Readiness Preparation Activities are prepared and furnished to the World Bank not later than forty five (45) days after the end of each Ethiopian fiscal quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one Ethiopian Fiscal Year. 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.
2.07. **Procurement.** All goods, works, non-consulting services, and/or consulting services required for the Readiness Preparation Activities and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers,” dated January 2011, (“Procurement Guidelines”), and the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers,” dated January 2011 (“Consultant Guidelines”).

2.08. (a) Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the Bank in accordance with the Procurement Guidelines and the Consultant Guidelines, prior to initiating the procurement process for any such contract.

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

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

   (ii) The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the modifications to the procedures set out in the Attachment to this Annex.</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

(c) **Particular Methods of Procurement of Consultants’ Services**

   (i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

   (ii) The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.
Procurement Method

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
<td></td>
</tr>
<tr>
<td>(b) Selection of Individual Consultants</td>
<td></td>
</tr>
<tr>
<td>(c) Least-Cost Selection</td>
<td></td>
</tr>
<tr>
<td>(d) Selection based on Consultants’ Qualifications</td>
<td></td>
</tr>
<tr>
<td>(e) Single-source Selection of consulting firms</td>
<td></td>
</tr>
<tr>
<td>(f) Single-source procedures for the Selection of Individual Consultants</td>
<td></td>
</tr>
</tbody>
</table>

(d) Review by the World Bank of Procurement Decisions.

(i) The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

(ii) All terms of reference for consultants’ services, regardless of the contract value, shall be subject to the World Bank’s prior review.

Article III
Withdrawal of Grant Proceeds

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ Services, Non-consulting Services, Goods, Workshops and Training, and Operating Costs</td>
<td>3,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,600,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of Section 3.01: (i) the term “Workshops and Training” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Readiness Preparation Activities, including tuition, 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 (but excluding goods and consultants' services); and (ii) the term "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the implementation of the Readiness Preparation Activities, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for Readiness Preparation Activity staff for travel linked to the implementation of the Readiness Preparation Activities, and salaries of contractual staff for the Readiness Preparation Activities (but excluding consultants' services and salaries of officials of the Recipient's civil service).

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Second Grant Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Second Grant Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is September 30, 2015.

**Article IV**

**Recipient's Representative; Addresses**

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its minister at the time responsible of finance.

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

Ministry of Finance and Economic Development  
P. O. Box 1905  
Addis Ababa  

Cable: MINFIN  
Telex: 21147  
Facsimile: (251-111) 551355

4.03. **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  

Facsimile: 1-202-477-6391
National Competitive Bidding (NCB) shall follow the Recipient’s procurement procedures, subject to the following additional procedures:

1. The Recipient’s standard bidding documents for procurement of goods and works acceptable to the Association shall be used. At the request of the Recipient, the introduction of requirements for bidders to sign an Anti-Bribery pledge and/or statement of undertaking to observe Ethiopian Law against fraud and corruption and other forms that ought to be completed and signed by him/her may be included in bidding documents if the arrangements governing such undertakings are acceptable to the Association.

2. If pre-qualification is used, the Association’s standard prequalification document shall be used.

3. No margin of preference shall be granted in bid evaluation on the basis of bidder’s nationality, origin of goods or services, and/or preferential programs such as but not limited to small and medium enterprises.

4. Mandatory registration in a supplier list shall not be used to assess bidders’ qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and if recommended for contract award shall be given a reasonable opportunity to register with the reasonable cooperation of the Recipient, prior to contract signing. Invitations to bids shall be advertised in at least one newspaper of national circulation or the official gazette, or on a widely used website or electronic portal with free national and international access.

5. Bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents.

6. All bidding for goods and works shall be carried out through a one-envelope procedure.

7. Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.

8. The results of evaluation and award of contract shall be made public. All bids shall not be rejected and the procurement process shall not be cancelled, a failure of bidding declared, new bids shall not be solicited, nor shall negotiated procurement in case of a failure of bidding be resorted to without the Association’s prior written concurrence. Negotiations shall not be allowed except in the case of a lowest evaluated responsive bid which exceeds the Recipient’s updated cost estimate by a substantial margin, to try to obtain a satisfactory contract through a reduction in the scope of works/supply and reallocation of risk which can be reflected in a reduction in contract price.

9. In accordance with para.1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (1) the bidders, suppliers, contractors and subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the Association, at its request, to inspect all accounts, records and documents relating to the bid submission and performance of the contract, and to have them audited by auditors appointed by the Association; and (2) Acts intended to materially impede the exercise of the Association’s audit and inspection rights constitutes an obstructive practice as defined in the para. 1.16a(v) of the Procurement Guidelines.