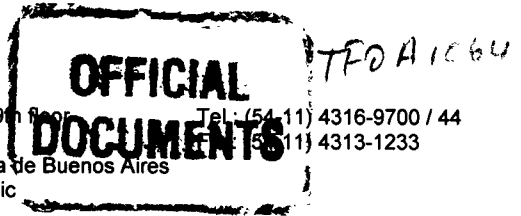




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 Argentine Republic



October 28, 2015

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. TFOA1064*

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: DANILO ASTORI

Title: Ministro de Economía y Finanzas

Date: 16 de Marzo, 2016

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.

**FCPF Readiness Fund Grant No. TF0A1064  
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 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 of 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) “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.

(h) “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.

(i) “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.

(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 assist the Recipient in carrying out the Readiness Preparation Activities in order to strengthen the Recipient’s capacity to participate in future REDD+ carbon payment transactions. 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 of: (i) a forest monitoring system; and (ii) 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 Safeguards Policies, as well as the Recipient’s own laws relating to the environmental 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 (G) 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, Workshops 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 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 of Economy and Finance.

4.02. 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

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

Cable:	Telex:	Facsimile:
INTBAFRAD	248423 (MCI) or	1-202-477-6391
Washington, D.C.	64145 (MCI)	