

Public Disclosure Authorized

OFFICIAL DOCUMENTS

PMR GRANT NUMBER TF0A2970

Partnership for Market Readiness Multi-donor Trust Fund Grant Agreement

(South Africa Partnership for Market Readiness Project)

between

THE REPUBLIC OF SOUTH AFRICA

and

THE INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

(acting as Administrator of the Partnership for Market Readiness
Multi-donor Trust Fund)

Dated 3 MARCH , 2017

GRANT NUMBER TF0A2970

**PARTNERSHIP FOR MARKET READINESS
MULTI-DONOR TRUST FUND
GRANT AGREEMENT**

AGREEMENT dated 3 MARCH, 2017, entered into between the REPUBLIC OF SOUTH AFRICA (“Recipient”); and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as administrator of the Partnership for Market Readiness Multi-donor Trust Fund.

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The “Standard Conditions for Grants Made by the World Bank Out of Various Funds”, dated February 15, 2012 (“Standard Conditions”), constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project through the National Treasury in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to five million United States Dollars (\$5,000,000) (“Grant”) to assist in financing the Project.

- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned 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, 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.

Article IV
Recipient's Representative; Addresses

- 4.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.
- 4.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
National Treasury
40 Church Square
Pretoria, 0001
REPUBLIC OF SOUTH AFRICA

Cable address: Facsimile:
(27) 12 323 8911 (27) 12 323 3262

- 4.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

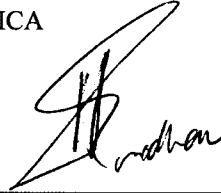
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: Facsimile:
248423 (MCI) or 1-202-477-6391
64145 (MCI)

AGREED at PRETORIA, 3 MARCH 2017, as of the day and year first above written.

REPUBLIC OF SOUTH AFRICA

By



Authorized Representative

Name: Pravin J. Gordhan

Title: Minister of Finance

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as administrator of the Partnership for Market Readiness
Multi-donor Trust Fund

By



Authorized Representative

Name: Paul Numba Um

Title: Country Director

SCHEDULE 1 Project Description

The objective of the Project is to strengthen the readiness of the government of Recipient for the design, preparation and implementation of a carbon pricing instrument.

The Project consists of the following parts:

Part 1: Supporting the Refinement of the Design of Carbon Tax Through Analytical Work

Carrying out of technical studies, including: (a) assessment of existing international competitiveness measures; (b) analysis of private sector and international climate finance resources sources and how they could complement domestic sources of climate finance (*i.e.*, carbon tax revenue); and (c) finalization of the carbon tax modeling impact study.

Part 2: Strengthening the Capacity of the Government to Enhance Data Management and Measurement Reporting and Verification Systems

Strengthening the technical capacity of the Department of Environmental Affairs (DEA) and the Department of Energy (DoE) related to greenhouse gas (GHG) and energy data management, and measurement, reporting and verification (MRV) systems, including: (a) strengthening the DoE Central Energy Database (DoE-CED); (b) modifying the National Atmospheric Emissions Inventory System (NAEIS); (c) developing the NAEIS-DEA and DoE-CED data exchange protocols; (d) designing the NAEIS-DEA and DoE-CED institutional set-up; (e) supporting the development of the Vessel under Pressure Registry; and (f) building the capacity on Carbon Tax MRV.

Part 3: Supporting the Design of the Carbon Offset Scheme

Designing a carbon offset scheme, including: (a) enhancing regulatory and institutional frameworks for an offset scheme; (b) developing technical guidelines to support the tools for an offset scheme; (c) carrying out technical assessment for the carbon offset registry and possible establishment; and (d) building the capacity of technical and administrative staff, provision of training to said technical staff, and the secondment of technical expertise.

Part 4: Communication, Stakeholder Engagement and Support to Project Administration

Supporting the efforts of the National Treasury (NT) to communicate to the relevant stakeholders the objectives and design of carbon tax, and building a consultative process with the relevant tax stakeholders, and improving the effectiveness for Project implementation, including: (a) designing a communication strategy; and (b) facilitating consultations with the relevant stakeholders, including government agencies and major emitters, business associations, labor unions and non-governmental organizations.

SCHEDULE 2
Project Execution

Section I. Implementing Arrangements

A. Institutional Arrangements

1. National Treasury, Department of Environment and Department of Energy

- (a) The National Treasury, and specifically its Economic Tax Analysis Unit, shall be responsible for overall management, implementation, financial management, procurement, monitoring, evaluation, reporting coordination and communication of the Project, all in form and substance satisfactory to the World Bank.
- (b) Without limitation to the provisions of paragraph 1(a) immediately above, for the purpose of ensuring prompt and efficient implementation of the Project, the Recipient shall maintain close collaboration between the NT, DEA and the DoE. To this end, DEA shall lead the activities relating to GHG data monitoring, reporting and verification for the companies; and DoE shall lead the activities relating to energy use data reporting and management, with participation of respective departments represented on the Project Steering Committee.
- (c) The Recipient shall maintain within the NT a Project assistant responsible for general administration and general secretariat support, including logistics, Project budget management, and completion of *ad hoc* tasks as may be assigned from time to time by the NT.

2. Project Steering Committee

- (a) The Recipient shall ensure that the Project Steering Committee is maintained at all times during the implementation of the Project, with a composition, mandate and resources satisfactory to the World Bank.
- (b) Without limitation to sub-paragraph 2(a) immediately above, the Project Steering Committee shall be responsible for, *inter alia*: (i) ensuring effective inter-agency coordination (NT, DEA and the DoE); (ii) ensuring proper management and oversight of the operational aspects of the Project (*i.e.*, terms of reference, planning, monitoring and related activities); (iii) ensuring proper management and oversight of the fiduciary aspects of the activities (*i.e.*, budgeting, disbursements, accounting, reporting, internal controls and auditing).

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project.
2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donors to visit any part of the Recipient's territory for purposes related to the Project.

D. Safeguards

The Recipient shall ensure that the terms of reference for any consultancies related to studies, assessments and technical assistance activities under the Project (including in particular, but not limited to, the activities under Part 1 and Part 3 of the Project) shall be satisfactory to the World Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank. Each Project Report shall cover the period of six (6) calendar months, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants in accordance with the provisions of Section III of this Schedule.

B. Financial Management; Financial Reports; Audits

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

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient, through the National Treasury, shall have its Financial Statements for the Project 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 (6) months after the end of such period. The Recipient shall make the audited Financial Statements publicly available in a timely fashion and in a manner acceptable to the World Bank.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in 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.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; and (b) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for 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.

D. 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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. 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 table in paragraph 2.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant, 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:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services and training under the Project	5,000,000	100%
TOTAL AMOUNT	5,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is June 30, 2020.

**APPENDIX
Definitions**

1. “Anti-Corruption Guidelines” means 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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 (revised July 2014).
4. “Department of Environmental Affairs” or “DEA” means the Recipient’s department responsible for environment, or any successor thereto.
5. “Department of Energy” or “DoE” means the Recipient’s department responsible for energy, or any successor thereto.
6. “DOE-CED” means the Recipient’s Department of Energy Central Energy Database, or any successor thereto.
7. “Donors” means, collectively, the World Bank’s development partners that have contributed funds to the PMR multi-donor trust fund at any time during the life of said trust fund; each a “Donor”.
8. “GHG” means greenhouse gas.
9. “NAEIS” means the Recipient’s Department of Environmental Affairs National Atmospheric Emissions Inventory System, or any successor thereto.
10. “National Treasury” or “NT” means the Recipient’s department responsible for public finances, or any successor thereto.
11. “Project Steering Committee” means the Project steering committee referred to in Section I.A.2(a) of Schedule 2 to this Agreement.
12. “Procurement Guidelines” means 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 (revised 2014).
13. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated July 6, 2016, and referred to in paragraph 1.16 of the Procurement Guidelines and

paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraph.

14. “Standard Conditions” means the “Standard Conditions for Grants Made by the World Bank Out of Various Funds”, dated February 15, 2012.
15. “Training” means the cost associated with training and workshops for reasonable expenditures (other than expenditures for consultants’ services), including:
 - (a) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators;
 - (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.