



TF018501

April [29], 2015

Gabriel Vallejo López
Ministro
Ministerio de Ambiente y Desarrollo Sostenible
Calle 37 N° 8-40
Bogotá, D.C., Colombia

Alejandro Gamboa Castilla
Director General
Agencia Presidencial de Cooperación Internacional de Colombia
Cra. 11 N° 93-53 Piso 7.
Bogotá, D.C., Colombia

José Luis Gómez R.
Director Ejecutivo
Fondo Acción
Carrera 7 # 32-33, Piso 27
Bogotá, D.C., Colombia

**Second Grant Agreement for
The Republic of Colombia's Readiness Preparation Proposal (Grant No.
TF018501)
Readiness Fund of the FCPF**

Dear Mr. Vallejo, Mr. Gamboa, Mr. Gómez:

I wish to refer to the Grant Agreement between the *Fondo para la Acción Ambiental y la Niñez* (now *Fondo Acción*) ("Recipient") 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 October 5, 2010 ("Readiness Grant Agreement"), pursuant to which the World Bank agreed to provide to the *Fondo para la Acción Ambiental y la Niñez* 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 Member Country, through the *Ministerio de Ambiente y Desarrollo Sostenible* ("MADS") and acknowledged the high quality of the R-PP. Accordingly, the PC, through its Resolution PC/10/2011/3, decided to allocate grant funding to the Member Country 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 Member Country's national feedback and grievance redress mechanism, subject to the terms and conditions set out in said Resolution. On September 20, 2013, the Member Country submitted its revised R-PP pursuant

to Resolution PC/10/2011/3 and the FCPF Facility Management Team concluded its completeness review on November 2013, while the World Bank confirmed the completion of its due diligence process on September 23, 2013.

In response to the request for financial assistance made on behalf of the Member Country 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.

In addition, I wish to refer to:

(a) the Memorandum of Understanding (the "MOU") signed between the World Bank and the Member Country dated August 21, 2007, which describes the procedures for the selection of implementing entities and administrators of funds for all World Bank financed operations (including grants).

(b) MADS's request No. 8150-2-6761 dated March 8, 2014, requesting DNP's (as defined in the Annex) favorable opinion regarding the selection of *Fondo Acción* ("*Fondo Acción*", as defined in the Annex), as the administrator of the Preparation Installment and as implementing entity of the Readiness Preparation Activities.

(c) the letter from DNP dated April 21, 2014, in response to MADS's request No. 8150-2-6761 dated March 8, 2014, in which DNP provides its endorsement regarding the selection of *Fondo Acción*, as the administrator of the Preparation Installment and as implementing entity of the Readiness Preparation Activities, provided that the Member Country (acting through MADS) continues to lead the R-PP strategy.

(d) the letter from the *Agencia Presidencial de Cooperación Internacional* ("APC", as defined in the Annex and in fulfillment of APC's role set forth in the Decree No. 4152/2011), dated April 23, 2014, in response to MADS's request No. 81450-2-6764, dated March, 2014, in which APC provides its endorsement regarding the selection of *Fondo Acción* as the administrator of the Preparation Installment and as implementing entity of the Readiness Preparation Activities.

The Member Country has designated the Recipient to receive the Preparation Installment of the Grant and to carry out the Readiness Preparation Activities as the administrator and implementing entity.

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, APC and MADS represent, by confirming their agreement below, that they are 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, APC's and MADS's agreement to the foregoing by having an authorized official of the Recipient, APC and MADS 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 the countersigned copy of this Agreement, this Agreement shall become effective as of the date specified by the World Bank in accordance with Article IV of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

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

By 
Gerardo Corrochano
Country Director
Colombia and Mexico

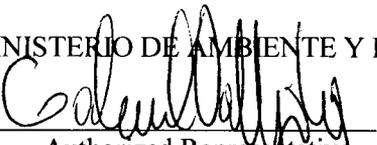
AGREED:

AGENCIA PRESIDENCIAL DE COOPERACIÓN INTERNACIONAL DE COLOMBIA

 By Alejandro Eamba
Authorized Representative
Name Alejandro Eamba
Title Director General
Date: 20 de mayo

MINISTERIO DE AMBIENTE Y DESARROLLO SOSTENIBLE

By



Authorized Representative

Name Gabriel Vallejo López

Title Ministro

Date: 14 de Mayo 2015

FONDO ACCIÓN

By



Authorized Representative

Name José Luis Gómez R.

Title Director Ejecutivo

Date: 8/Mayo/2015

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. TF018501
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, MADS 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.

- (a) “APC” means *Agencia Presidencial de Cooperación Internacional de Colombia*, the Member Country’s agency responsible for international cooperation, or any successor or successors thereto.
- (b) “*Comunidades Negras*” means the Afro-Colombian communities in the Member Country’s territory as defined in the Member Country’s Law 70 enacted 27th of August, 1993.
- (c) “DNP” means *Departamento Nacional de Planeación*, the Member Country’s Planning Department or any successor or successors thereto.
- (d) “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 REDD+ investments.
- (e) “*Fondo Acción*” means *Fondo para la Acción Ambiental y la Niñez – Fondo Acción*, a Colombian private nonprofit entity, governed by Colombian law and entitled to operate throughout the Member Country’s territory, constituted on June 23, 2000, through Public Deed 2538 of First Notary of the Circle of Bogotá and registered at the Chamber of Commerce of Bogotá on August 10th of the same year,

reformed by Public Deeds 2170 of August 12, 2004 and 0919 of April 14, 2005 (issued by the Fifth Notary of the Circle of Bogota) , and 5497 of November 2, 2011 and 1185 of April 5, 2013 (issued by the First Notary of the Circle of Bogota), domiciled in the city of Bogotá and with tax identification number (NIT) 830077866-3.

- (f) “Indigenous Peoples Planning Framework” or “IPPF” means the framework prepared by the Recipient in coordination with MADS, 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 future World Bank investments related to REDD+.
- (g) “MADS” means *Ministerio de Ambiente y Desarrollo Sostenible*, the Member Country’s Ministry of Environment and Sustainable Development, or any successor or successors thereto.
- (h) “Operational Manual” means the operational manual, acceptable to the World Bank and referred to in Section 2.03 (c) of this Agreement, as the same may be modified from time to time by agreement between the Recipient, MADS and the World Bank.
- (i) “Process Framework” or “PF” means the framework prepared by the Recipient in coordination with MADS, 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 the future World Bank investments related to REDD+.
- (j) “Resettlement Policy Framework” or “RPF” means the framework prepared by the Recipient in coordination with MADS, acceptable to the World Bank, to screen REDD+ activities for potential involuntary resettlement.
- (k) “SESA” means the strategic environment and social assessment to be conducted as part of the Readiness process to assess the potential impact from national REDD+ programs and policies, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the REDD+ Strategy.
- (l) “SESA Work Plan” means the strategic environment and social assessment document prepared by the Recipient in coordination with MADS, in a manner acceptable to the World Bank, which identifies the activities to be carried out during the readiness process to assess the risks and benefits associated with the Member’s Country REDD+ strategy.
- (m) “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 www.WorldBank.org/opmanual.

Article II

Execution of Readiness Preparation Activities

2.01. **Objectives and Description.** The objective of the Grant is to support the Recipient in coordination with MADS to carry out a participatory and inclusive process with key stakeholders for the preparation of the Member Country's REDD+ Strategy. The Readiness Preparation Activities consist of the following parts:

(a) REDD+ Readiness Organization, Consultation and Grievance Redress

- (i) Strengthening the capacity of the Recipient, through the financing of: (A) technical experts to support MADS in preparing the REDD+ Strategy at the national and regional levels; and (B) the participation of MADS's delegates in REDD+ international related events with relevance to the REDD+ Strategy.
- (ii) Designing a feedback and grievance redress mechanism for REDD+, through a review of existing structures and mechanisms, the implementation of technology-based tools, as well as capacity building and dissemination of information to targeted groups.
- (iii) Enhancing stakeholder consultation and participation through , (A) the provision of support to key stakeholders platforms at the national and regional levels; (B) the organization of meetings to facilitate information dissemination and consultation processes with Indigenous Peoples, small farmers (*campesinos*), Afro-Colombian communities (*Comunidades Negras*) and women groups; and (C) the implementation of the Member Country's communications strategy on REDD+.

(b) Assessment of Social and Environmental Impacts

- (i) Continuing the SESA process by preparing and implementing the SESA Work Plan.
- (ii) Preparing an ESMF, including an Indigenous Planning Peoples Framework (IPPF), a Resettlement Policy Framework ("RPF") and, if applicable, a Process Framework ("RP"), all in accordance with the World Bank's Safeguards Policies.

(c) Program Monitoring and Evaluation Framework

- (i) Conducting third party independent financial audits of the Grant proceeds.

2.02. **Execution Generally.** The Recipient, in coordination with MADS, declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities 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.** (a) MADS shall, throughout the life of the Readiness Preparation Activities, collaborate and cooperate with the Recipient so as to allow the Recipient to successfully carry out the Project Preparation Activities.

(b) The Recipient, in coordination with MADS, shall prepare and thereafter maintain throughout the implementation of the Readiness Preparation Activities an operational manual (the "Operational Manual") satisfactory in form and substance to the World Bank, therein setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Readiness Preparation Activities including, inter alia, the following: (i) a detailed description of the Readiness Preparation Activities; (ii) the administrative, financial, accounting, auditing, procurement and disbursement procedures for the implementation of the Readiness Preparation Activities, including the relevant standard documents; and (iii) the plan for the monitoring, evaluation and supervision of the Readiness Preparation Activities, including the performance indicators.

2.04 **Safeguards.** The Recipient, in coordination with MADS, shall ensure that all: (i) terms of reference for any technical assistance, consultancies 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 Section 2.01(b) of this Agreement are consistent with, and pay due attention to, the World Bank's Safeguards Policies, as well as the Member Country's own laws relating to environment and social aspects.

2.05. **Mid-term Progress Report and Completion Report.** The Recipient shall, in collaboration and cooperation with MADS, not later than 18 (eighteen) months after the Effective Date, 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 as part of the Project Report not later than 45 days after the end of each semester, covering the semester, 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 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.

2.07. **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 and revised in July 2014 ("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 and revised in July 2014 (“Consultant Guidelines”).

2.08. 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 in coordination with MADS 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.

Article III Withdrawal of Grant Proceeds

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

<u>Category</u>	<u>Amount of the Grant Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (inclusive of Taxes)</u>
(1) Goods, Consultants’ Services, non-consulting Services, Workshop and Training, and Operating Costs and for Readiness Preparation Activities under Section 2.01(a), (b) and (c)	3,600,000	100%

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 consultant’s services); and

(ii) the term “Operating Costs” means reasonable recurrent expenditures that would not have been incurred by the Recipient, as the case may be, absent the Project, such as for office supplies and maintenance, communications, transportation and other expenses related to day-to-day Project management and participation in national and international

REDD+ related events with relevance to the REDD+ Strategy. Any participation in aforementioned international events shall have been approved by the World Bank.

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 Effective Date of this Agreement, except that withdrawals up to an aggregate amount not to exceed seven hundred twenty thousand United States dollars (US\$ 720,000) may be made for payments made prior to this date but in no case earlier than 12 months prior to the Effective Date of this Agreement, for Eligible Expenditures.

3.03. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 31, 2018.

Article IV Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished that the Recipient, in coordination with MADS, has prepared an Operational Manual, acceptable to the World Bank.

4.02. As part of the evidence to be furnished pursuant to Section 4.01 of this Agreement, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of competent officials of the Recipient and MADS, showing that, on behalf of the Recipient and MADS, that this Agreement has been duly authorized or ratified by each, and executed and delivered on behalf of each of them, and is legally binding upon the Recipient and MADS in accordance with its terms.

4.03. Except as the Recipient, in coordination with MADS, and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient and MADS notice of its acceptance of the evidence required pursuant to Section 4.01. If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Grant Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.04. ***Termination for Failure to Become Effective.*** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

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 Executive Director.

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

Fondo Acción
Carrera 7 # 32-33, Piso 27
Bogotá, D.C.
COLOMBIA
Phone: (+57-1) 2853862
Email: elfondo@fondoaccion.org

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
Facsimile: 1-202-477-6391