June 17, 2014

His Excellency Ato Stafian Ahmed  
Minister of Finance and Economic Development  
Ministry of Finance and Economic Development  
Federal Democratic Republic of Ethiopia  
Addis Ababa

Re: Grant Agreement for BioCF Plus Additional Funding for the REDD+ Readiness Preparation Support in Ethiopia  
Grant No. TF017284

Excellency:

In response to the request for financial assistance made on behalf of the Federal Democratic Republic of Ethiopia ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by donors to the BioCarbonFund Technical Assistance Fund (BioCF Plus), proposes to extend to the Recipient a grant in an amount not to exceed ten million United States Dollars (U.S.$10, 000,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("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 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 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

By

Guang Z. Chen
Country Director for Ethiopia
Africa Region

AGREED:

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By

Authorized Representative

Name

State Minister

Title

Date: July 13, 2014

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(3) 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
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 18bis to read as follows:

18bis "Readiness Preparation Activities" means the activities, described in the 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 or in this Agreement, and the following terms have the following meanings:

(a) "Kebele" means the smallest tier of government in the administrative system of the Recipient.

(b) "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.

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

(d) "Woreda" means the third tier of government in the administrative system of the Recipient 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. It is expected that this objective will be achieved through the strengthening of the capacity of Ethiopia’s institutions dealing with land use on REDD+.

The Readiness Preparation Activities consist of the following parts:
Part 1: Support to the National Readiness Management Arrangements

a) Support the REDD+ structures in regional states (Regional Steering Committees, REDD+ Technical Committees, and the Regional REDD+ coordination units), including financial support to cover costs of staff, communication, office supplies and equipment, and workshops and training.

b) Promote capacity building and institutional strengthening related to REDD+ at the Woreda and Kebele levels. Those areas where REDD+ pilot projects would take place will be prioritized, so as to ensure that the knowledge generated from such pilots will inform the national REDD+ Strategy preparation and the options for legal and institutional arrangements for REDD+.

c) Cover some of the recurring administrative and operational costs of the national REDD+ Secretariat.

Part 2: Establishment of Monitoring, Reporting, and Verification (MRV) System and a Reference Emissions Level (REL) for REDD+

a) Establish the national MRV System for REDD+

A. Establish institutional arrangements and data management system to support the national MRV system, including the establishment of the MRV technical expert group and other institutional arrangements for MRV implementation, and an assessment of existing data storage and management system relevant for MRV.

B. Support the national MRV institutions to assess historical cover change and to monitor activity data, including development of a national forest definition through a series of workshops and consultation with relevant stakeholders, provision of training on relevant techniques and software usage, preparation of a basic land-cover/land-use map for REDD+ use, and updating of the forest cover map.

C. Conduct the National Forest Inventory (NFI), establish and track permanent sample plots in the Recipient country to collect carbon and other forest relevant data. Carry out training and workshops on field data collection and compilation, and Global Positioning System (GPS) usage. Collect and conduct an assessment of relevant social, economic and environmental data.

D. Provide capacity building and training to government, research and civil society organizations, and other relevant stakeholders including decentralized forestry offices and local communities, on the national forest monitoring system (NFMS), field data collection and local-level mapping. Support the participation of technicians in regional and international workshops on MRV, and the development of guidebooks, and training and communication materials on MRV. Test and support the MRV systems.

b) Establish the national REL and the greenhouse gas (GHG) inventory process and framework, including testing of different REL approaches and analysis of key national circumstances for RELs. Conduct training on GHG inventories for land use sectors and on reporting requirements for REDD+ under the UN Framework Convention on Climate Change.
Part 3: Preparation of REDD+ Pilot Projects

Identify and support the preparation of REDD+ pilot projects, including the Oromia forest landscape project in Oromia regional state, in accordance with the guidelines prepared by the World Bank and the REDD+ Secretariat. The Grant will not finance investments in these REDD+ pilot projects, but solely the preparatory activities. This pilot project preparation work would be supported by Grant to help carry out activities, such as: (i) engaging and informing local communities about the proposed projects/sites; (ii) training officials and community members in key activities; (iii) identifying and consulting on institutional and legal arrangements for the future implementation of the projects; (iv) preparing a baseline of GHG emissions, locally-appropriate monitoring and reporting systems and estimates of potential emissions reductions from the pilot project implementation; (v) estimating costs for the implementation of the activities identified; (vi) identifying social and environmental risks and devising proper mitigation measures taking into account good practices and guidelines established by the Government of Ethiopia and the World Bank; and (vii) consulting on and preparing benefit sharing arrangements for the implementation of the project.

2.02. Execution Generally. The Recipient declares its commitment to the objectives of the Grant. To this end, the Recipient shall carry out the Readiness Preparation Activities through the Ministry of Environment and Forest (MEF) 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 ensure that, throughout the period of implementation of the Readiness Preparation Activities, national and Regional REDD+ Steering Committees, the REDD+ Secretariat, and the 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. For the Oromia forest landscape project, as specified in paragraph 2.01 above, a Memorandum of Understanding shall be entered into between the MEF and the regional state of Oromia by June 27, 2014, or in any event prior to any preparation activities pertaining to the Oromia forest landscape project are implemented.

2.04 Safeguards. The Recipient shall ensure that: (i) all terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities and (ii) all pilot project preparation activities to be supported by the Grant as described in Part 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. The identification and preparation of the pilot projects shall follow guidelines prepared by the World Bank and the REDD+ Secretariat. All pilot projects shall be screened and subjected to World Bank’s social and environmental safeguards due diligence before they enter the implementation phase, in the event that their implementation is financed by the World Bank.

2.05. Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Readiness Preparation Activities and prepare reports in accordance with the provisions of Section 2.06 of the Standard Conditions. Each report shall cover the 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. (b) 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.

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 calendar 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 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

(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 (“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 (“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 International Competitive Bidding.
(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; and (C) National Competitive Bidding, subject to the following additional provisions:

(1) The Recipient’s standard bidding documents for procurement of goods and works acceptable to the Bank shall be used. At the request of the Borrower, 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 Bank.

(2) 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.

(3) 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.

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

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

(6) Bids submission shall be one envelope and opened on the same date of deadline for bid submissions. 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.

(7) 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, or new bids shall not be solicited, without the Bank’s prior written
concurrency. No bids shall be rejected on the basis of comparison with the cost estimates without the Bank's prior written concurrence.

(8) 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: (a) 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 (b) Acts intended to materially impede the exercise of the Bank's audit and inspection rights constitutes an obstructive practice as defined in the para. 1.16 a (v) of the Procurement Guidelines.

(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.

(ii) The following methods, other than Quality- and Cost-based Selection, 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; (G) Single-source procedures for the Selection of Individual Consultants; and (H) Selection of United Nations Agencies.

(c) 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 Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) 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>Goods, Training, Operating Costs, non-consulting services and consultants’ services under the Readiness Preparation Activities</td>
<td>10,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>10,000,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this Section, the terms:

(a) “Training” means the following expenditures incurred in providing training, seminars or workshops: (i) travel by participants and presenters to the training or workshop site; (ii) per diem allowances of such persons during the training, seminars or workshop; (iii) honoraria for the presenters; (iv) rental of facilities; (v) materials, supplies; and (vi) translation and interpretation services; and

(b) “Operating Costs” means the incremental operating expenses incurred on account of the implementation of the Readiness Preparation Activities, management and monitoring including on account of operation and maintenance costs of office and office equipment; office supplies, additional staff costs, travel and supervision costs, per diem, but excluding the salaries and indemnities of officials and public servants 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 3 (three) years after the date of countersignature of this Agreement by the Recipient.

**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. **Recipient’s Address.** 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

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