

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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October 5, 2010

**CONFORMED COPY**

Mr. Diego Andrés Molano Aponte  
*Alto Consejero*  
*Agencia Presidencial para la Acción*  
*Social y la Cooperación Internacional*  
bien  
Calle 7 No. 6-54  
Bogotá, Colombia

Ms. Beatriz Elena Uribe Botero  
*Ministro de Ambiente, Vivienda y Desarrollo Territorial*  
*Ministerio de Ambiente, Vivienda y Desarrollo Territorial*  
Calle 37 No. 8-40  
Bogotá, Colombia

Mr. José Luis Gómez Rodríguez  
*Secretario Ejecutivo*  
*Fondo para la Acción Ambiental y la Niñez*  
Carrera 7 No. 32 - 33 Oficina 2703 ·  
Bogotá, Colombia

Re: Republic of Colombia: Preparation Grant Agreement for Readiness Plan  
Readiness Fund of the FCPF  
Grant No. TF097224

Dear Mr. Molano, Ms. Uribe, Mr. Gómez:

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.

Resolution PC2008-2 provides that, subject to the availability of funds, a REDD Country Participant may receive grants up to three million six hundred thousand United States Dollars (US\$3,600,000) (“Total Grant”) for formulating and executing a Readiness Preparation Proposal (“R-PP”).

Resolution PC2008-3 of the Participants Committee regarding Grant Allocation for REDD Country Participants (“Resolution PC2008-3”) further provides that the Total Grant may be made available in two or three installments, with the first installment in the amount of two-hundred thousand United States Dollars (US\$200,000) (“First Installment”), available to the Eligible REDD Country upon its selection as a Participant in the FCPF for the purpose of formulating a R-PP.

In response to the request for financial assistance made on behalf of the Member Country, I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility (“Trustee”), agrees to extend to the *Fondo para la Acción Ambiental y la Niñez* (the “Recipient” or “FAAN”) for the benefit of the Republic of Colombia (“Member Country”), a grant in an amount not to exceed two hundred thousand United States Dollars (U.S.\$200,000) (“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 activities described in the Annex (“Formulation Activities”).

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) the request No. 2009-663-039956-2 from MAVDT (as defined in the Annex) dated December 16, 2009, requesting DNP’s (as defined in the Annex) favorable opinion regarding the selection of FAAN (as defined in the Annex), as the administrator of the First Installment and as implementing entity of the Formulation Activities.

(c) the letter from DNP dated January 29, 2010, in response to MAVDT request No. 2009-663-039956-2 dated December 16, 2009, in which DNP provides a favorable opinion regarding the selection of FAAN, as the administrator of the First Installment and as implementing entity of the Formulation Activities, provided that the Member Country (acting through MAVDT) continues to lead the R-PP strategy;

(d) the letter from *Acción Social* (as defined in the Annex and in fulfillment of *Acción Social’s* role set forth in the Decree No. 2465, dated July 19, 2005) dated March 8, 2010, in response to MAVDT request No. 1000-E2-18477, received by *Acción Social* from the Ministry of Finance and Public Credit (as defined in the Annex) in which *Acción Social* provides its no objection to the selection of FAAN as the administrator of the First Installment and as implementing entity of the Formulation Activities.

The Member Country was selected as a REDD Country Participant and based on the favorable opinions referred to in the previous paragraph from DNP, *Acción Social* and MAVDT, the Member Country has designated FAAN to receive the First Installment of the Total Grant and, in coordination with the Member Country (acting through MAVDT) to prepare the R-PP.

The Trustee may enter into one (or more than one) supplementary agreement to this grant agreement with the Recipient for the purpose of extending the balance of the Total Grant, subject to the availability of funds, terms and conditions set forth in attachment II to Resolution PC2008-3 and a decision by the Participants Committee.

The Member Country and the Recipient represent, by confirming its agreement below, that they are authorized to enter into this Agreement and to carry out the Formulation Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s and the Member Country’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.

Sincerely,

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**  
**Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility**

By /s/ Gloria M. Grandolini  
Country Director  
Country Management Unit  
Colombia and Mexico

**AGREED:**

**REPUBLICA DE COLOMBIA**  
**AGENCIA PRESIDENCIAL PARA LA ACCIÓN SOCIAL**  
**Y LA COOPERACION INTERNACIONAL (ACCIÓN SOCIAL)**

By /s/ Diego Andrés Molano Aponte  
(Authorized Representative)

Title: Director General

Date: October 19, 2010

**REPUBLICA DE COLOMBIA**  
**MINISTERIO DE AMBIENTE, VIVIENDA Y DESARROLLO TERRITORIAL**

By /s/ Claudia Mora P.

Title: Acting Minister

Date: October 12, 2010

**FONDO PARA LA ACCION AMBIENTAL Y LA NIÑEZ (FAAN)**

By /s/ José Luis Gómez Rodríguez  
(Authorized Representative)

Title: Executive Secretary

Date: October 12, 2010

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010.
- (2) Charter Establishing the Forest Carbon Partnership Facility, dated March 2, 2010.
- (3) Disbursement Letter dated \_\_\_\_\_, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
- (4) Member Country's Readiness Plan Idea Note.
- (5) FCPF template for the R-PP.
- (6) Member Country's REDD Participation Agreement
- (7) Member Country's Application for a Grant to prepare the Readiness Preparation Proposal

## Article I

### Standard Conditions; Definitions

1.01 **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 1, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

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, or in this Agreement.

(a) “*Acción Social*” means *Agencia Presidencial para la Acción Social y Cooperación Internacional*, the Member Country’s agency responsible for international cooperation in social sectors, and any successor or successors thereto;

(b) “DNP” means *Departamento Nacional de Planeación*, the Member Country’s Planning Department or its successor or successors thereto;

(c) “FAAN” means *Fondo para la Acción Ambiental y la Niñez*, the Fund for Environmental Action and Childhood established on June 23, 2000 and vested with legal personality and authorized to operate in the Member Country’s territory as a nonprofit organization in accordance with the certification No. R027746652 issued by the Chamber of Commerce of Bogotá on March 11, 2010 and pursuant to its By-Laws (*Estatutos*), dated April 2005 as amended to the date of this Agreement; and

(d) “MAVDT” means *Ministerio de Ambiente, Vivienda y Desarrollo Territorial*, the Member Country’s Ministry of the Environment, Housing and Territorial Development or its successor or successors thereto.

## Article II

### Execution of Formulation Activities

2.01. **Grant Objectives and Description.** The objective of the Grant is to assist the Recipient in coordination with the Member Country (acting through MAVDT) to develop a R-PP for the Member Country, on the basis of the Readiness Plan Idea Note following the FCPF template for the R-PP. The Formulation Activities consist of the following parts:

(a) Setting up of a multi-stakeholder national REDD working group, responsible for following up on REDD activities.

(b) Preparation of a consultation and outreach plan to be executed during the implementation phase of the R-PP, and conducting consultations among key stakeholders.

(c) Assessment of land use and forest policies and governance in the forestry sector.

(d) Preparation of the terms of reference for the development of the Member Country's REDD strategy.

(e) Preparation of the terms of reference for the design of the Member Country's REDD implementation framework.

(f) Preparation of a social and environmental impact analysis methodology and the terms of reference to carry out said analysis.

(g) Preparation of the terms of reference for the development of the reference scenario for emissions from deforestation and forest degradation.

(h) Preparation of the terms of reference for establishing the monitoring, reporting and verification system for changes in forest cover and changes in carbon stocks at the national level.

(i) Carry out of an assessment of the investment and capacity building needs for the implementation of the Member Country's REDD strategy.

(j) Setting up of a monitoring and evaluation program to encourage efficient and transparent management of resources and to help the Member Country keep track of its progress towards readiness.

2.02. **Grant Execution Generally.** The Recipient declares its commitment to the objectives of the Formulation Activities. To this end, the Recipient shall carry out the Formulation 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 ("Anti-Corruption Guidelines"), with the modifications set forth in the Appendix to this Agreement; and (c) this Article II.

2.03. **Institutional and Other Arrangements.** (a) The Recipient shall ensure that: (i) the terms of reference for any consultancies related to the development of the R-PP, or the terms of reference for any technical assistance provided under the Formulation Activities, shall be satisfactory to the World Bank and, to that end, such terms of reference shall incorporate the requirements of the World Bank safeguard policies as applied to the advice conveyed through such consultancies and technical assistance; (ii) the R-PP is used solely to formulate the R-PP strategy of the Member Country; (iii) MAVDT representatives are timely informed on the progress and results of the implementation of Formulation Activities; and (iv) title to any materials developed with Grant funds is retained by the Member Country. The word "materials" may include, but is not limited to, reports, studies, photographs (and negatives), computer software, drawings, writings or other similar works or documents, along with all supporting data and material produced under this Grant. The Recipient agrees to provide the Member Country with copies of the referred materials at no cost, upon request.

(b) The Member Country (acting through MAVDT) shall, throughout the life of the Project, collaborate and cooperate with the Recipient so as to allow the Recipient to successfully carry out the Project Formulation Activities.

2.04. **Formulation Activities Report and Completion Report.** The Recipient shall prepare the Formulation Activities Report and Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Formulation Activities Report shall be furnished to

the World Bank every six months. 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 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 Project are prepared and furnished to the World Bank not later than 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 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 and services required for the Formulation 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 under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;
- (ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“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 Formulation Activities in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods.

- (i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures:

- (ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) Shopping, subject to the provisions of paragraph 3.13 (a) of the Procurement Guidelines; and (B) Direct Contracting with the World Bank's prior approval.
- (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 may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Selection under a Fixed Budget; (B) Selection based on Consultants' Qualifications; (C) Least Cost Selection; (D) Quality Based Selection; (E) Single-source Selection with Bank's Prior Approval; and (F) Selection of Individual Consultants, subject to the provisions of paragraph 5.4 of the Consultants' Guidelines and subject to prior approval by the World Bank.
- (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 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:



<b>Category</b>	<b>Amount of the Grant Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Consultants' Services	90,000	100%
(2) Training and Workshops	90,000	100%
(3) Goods	12,000	100%
(4) Operating Costs	8,000	100%
<b>TOTAL AMOUNT</b>	<b>200,000</b>	

For the purpose of Section 3.01:

(a) the term “Training and Workshops” means the reasonable costs associated with training and workshop participation of personnel involved in the implementation of the Formulation Activities including reasonable 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

(b) the term “Operating Costs” means the reasonable operating costs incurred on account of the implementation of the Formulation 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 Formulation Activities, and travel, lodging and per diems, but excluding salaries of officials of the Member Country 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 June 30, 2012.

#### **Article IV Additional Remedies**

4.01 ***Additional Event of Suspension.*** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the Default in Implementation set forth in Section 6.5 (a) (i) of the Charter.

#### **Article V 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 *Secretario Ejecutivo*.

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

*Fondo para la Acción Ambiental y la Niñez (FAAN)*  
Carrera 7 No. 32 - 33 Oficina 2703 ·  
Bogotá, Colombia  
Fax: + (57 -1) 2454145

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)	

## APPENDIX

### Modifications to the Standard Conditions and the Anti-Corruption Guidelines

**Section I.** The Standard Conditions are modified as follows:

1. The following term shall be inserted as paragraph 6 (bis):

6bis. “Charter” means the Charter Establishing the Forest Carbon Partnership Facility, as may be amended from time to time;”

2. The definition of the term “Project” is replaced to read as follows:

“Formulation Activities” means the proposed activities, for which the Bank as the Trustee of the Readiness Fund of the Forest Carbon Partnership Facility has made the Grant, for the preparation by the Recipient of a ‘Readiness Preparation Proposal.’”

**Section II.** The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”