December 24, 2013

His Excellency
Ivan Acosta Montalvan
Minister of Finance and Public Credit
Ministry of Finance and Public Credit
Frente al Edificio de la Asamblea Nacional
Managua, Republic of Nicaragua

Agreement for the Republic of Nicaragua’s Readiness Preparation Proposal
Readiness Fund of the FCPF
Grant No. TF 099264

Excellency:

I wish to refer to the Grant Agreement between the Republic of Nicaragua ("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 August 22, 2011 ("Readiness Grant Agreement"), pursuant to which the World Bank agreed to provide to the Recipient a grant in the amount not to exceed US$200,000 for formulating the Readiness Preparation Proposal ("R-PP") ("R-PP Formulation Installment").

Resolution PC2008-2 provides that subject to the availability of funds, certain REDD Country Participants may receive grant funding of up to three million six hundred thousand United States Dollars (US$3,600,000) for formulating and carrying out a Readiness Preparation Proposal ("R-PP").

The Republic of Nicaragua ("Recipient") was selected as a REDD Country Participant. The Participants Committee of the FCPF ("PC") has reviewed the R-PP submitted by the Recipient and acknowledged the great efforts made by the Recipient in formulating its R-PP. Accordingly, the PC, through its Resolution PC/12/2012/4, decided to allocate grant funding to the Recipient in the amount of up to US$3,600,000 million, to enable it to move ahead with preparation for readiness, subject to the terms and conditions set out in said Resolution.

In response to the request for financial assistance made on behalf of the Recipient and the decision of the PC referred to above, I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") acting as Trustee of the Readiness Fund for the FCPF ("Trustee"), agrees to extend to the Recipient a grant in an amount not to exceed three million six hundred thousand United
States Dollars (USD3,600,000 million) ("Second Installment") to assist in the financing of Readiness Preparation Activities (as defined in the Annex to this agreement ("Agreement"). The Second Installment shall be subject to the terms and conditions set forth or referred to in this Agreement, which includes the attached Annex with description of Readiness Preparation Activities. The Second Installment in the amount of US$3,600,000 is in addition to the R-PP Formulation Installment, which has already been fully disbursed in accordance with the terms of the Readiness Grant Agreement.

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 the countersigned copy of this Agreement, this Agreement for the Second Installment shall become effective as of the date of the countersignature.

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

By ________________
C. Felipe Jaramillo
Director
Central America
Latin America and the Caribbean Region

AGREED:

REPUBLIC OF NICARAGUA

By __________________________
Name: ____________
Title: _______________
Date: 12-26-2013
Enclosures:


(2) Charter Establishing the Forest Carbon Partnership Facility, dated October 24, 2012

(3) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions

1.01. Standard Conditions.

(a) 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 in paragraphs (b) and (c) below, constitute an integral part of this Agreement.

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

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

(c) The definition of the term "Project" is replaced to read as follows:

"Readiness Preparation Activities" means the proposed activities, for which the World Bank as the Trustee of the Readiness Fund of the Forest Carbon Partnership Facility has made the Second Installment, for the carrying out of the Recipient’s Readiness Preparation Proposal as said activities are described in the Grant 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; provided that for the purposes of this Agreement, the term “Project”, wherever used in the Standard Conditions, shall mean the Readiness Preparation Activities referred to in Section 2.01 of this Annex, and the following definitions have the following meanings:

(a) “ENDE – REDD+” means Estrategia Nacional para reducir la Deforestación y Degradación Forestal, the Recipient’s national strategy to reduce deforestation and forest degradation.

(b) “GRAAN” means Gobierno de la Region Autonoma del Atlantico Norte, the Recipient’s Government of the Northern-Atlantic Autonomous Region, and any successor or successors thereto.

(c) “GRAAS” means Gobierno de la Region Autonoma del Atlantico Sur, the Recipient’s Government of the Southern-Atlantic Autonomous Region, and any successor or successors thereto.

(d) “INAFOR” means Instituto Nacional Forestal, the Recipient’s National Forestry Institute, and any successor or successors thereto.

(e) INETER means Instituto Nicaraguense de Estudios Territoriales, the Recipient’s Institute of Territorial Studies, and any successor or successors thereto.
Article II
Execution of Readiness Preparation Activities

2.01. Objectives and Description. The objective of the Second Installment is to help the Recipient become ready for future ENDE - REDD+ implementation by preparing its key elements, systems, and/or policies needed, in a socially and environmentally sound manner.

The Readiness Preparation Activities consist of the following parts:

(a) Organization and Consultation, and Grievance Redress
   (i) Promoting and supporting the dialogue and coordination among relevant stakeholders on ENDE-REDD+ related matters.
   (ii) Carrying out of consultations, capacity building and workshops with relevant stakeholders to ensure their adequate participation in Readiness Preparation Activities in accordance with an appropriate consultation and participation plan.
   (iii) Assessing existing feedback and grievance redress mechanisms and, if necessary, strengthening and/or establishing said mechanisms to meet the needs of people who may be affected by ENDE - REDD+.

(b) Development of the ENDE-REDD+
(i) Carrying out of assessments of land use, including the dynamics that cause changes thereto, and forest policy and governance.

(ii) (A) Strengthening of Recipient’s institutions (including, but not limited to, MAGFOR, INETER, INAFOR, MARENA, GRAAN, GRAAS) to enhance their capacity for strategic planning and policy analysis, including incentives in the Recipient’s forestry and agriculture sectors relevant to ENDE-REDD+; (B) improving and promoting control and regulation systems, innovative technologies, knowledge management, as well as environmental awareness in the Recipient’s forestry and agriculture sectors; and (C) strengthening the capacity of, inter alia, MARENA, MAGFOR, INAFOR, GRAAN, GRAAS in the area of territorial planning.

(iii) Designing an ENDE-REDD+ implementation framework, including: (A) the preparation of guidelines and regulations for ENDE-REDD+ arrangements; (B) the development of tools and procedures to monitor benefits and co-benefits resulting from ENDE-REDD+ activities; and (C) the establishment of the necessary institutional arrangements.

(iv) (A) Carrying out of an assessment of potential strategic environmental and social impacts that may arise from future ENDE-REDD+ activities and/or projects and/or strategies in compliance with World Bank’s Safeguard Policies (“Strategic Environmental and Social Assessment”); (B) preparation of a framework for managing and mitigating the environmental and social risks related to investments and carbon finance transactions of the future implementation of ENDE-REDD+ in compliance with World Bank’s Safeguard Policies (“Environmental and Social Management Framework”), including an Indigenous Peoples framework to ensure, inter alia, adequate participation of Indigenous Peoples in future ENDE-REDD+ activities (“Indigenous Peoples Framework”), and process framework to address, inter alia, potential adverse impacts on livelihoods as a result of ENDE-REDD+ activities leading to restricted access to natural resources in legally designated parks and protected areas (“Process Framework”); and (C) preparation of a resettlement policy framework to ensure, inter alia, screening of ENDE-REDD+ activities for potential involuntary resettlement in accordance with World Bank’s Safeguard Policies (“Resettlement Policy Framework”).

(c) Development of a Forest Reference Emission Level and Forest Reference Level

(i) Evaluating the Recipient’s existing information on forest carbon emissions and its capacity to reduce them said emissions.

(ii) Developing a methodology for a reference scenario.

(iii) Strengthening the Recipient’s capacity to: (A) develop a reference scenario and future monitoring thereof; (B) analyze reference level data and level of precision thereof; and (C) preparation of a final proposal of said reference scenario.
Design of a National Forest Monitoring System

(i) Designing: (A) a national planning system on forest resources; and (B) an information system to collect information on the multiple benefits resulting from ENDE-REDD+ activities to stakeholder groups.

(e) Design of a ENDE-REDD+ Monitoring and Evaluation Framework

(i) Developing a monitoring and evaluation system and commissioning of a review thereof by an independent third party.

2.02. **Execution Generally.** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient, through MARENA, 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**

Without limitation upon the provision of paragraph 2.02, the Recipient shall, through MARENA, ensure that the terms of reference for any consultancies related to the carrying out of the Readiness Preparation Activities, or the terms of reference for any technical assistance provided under the Readiness Preparation Activities, shall be satisfactory to the World Bank and, to that end, such terms of reference shall incorporate the requirements of the World Bank’s Safeguard Policies as applied to the advice conveyed through such consultancies and technical assistance.

2.04 **Safeguards.**

The Recipient, through MARENA, shall ensure that:

(a) all terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities and frameworks prepared on the basis of the SESA under the Readiness Preparation Activities pursuant to Section 2.01 of this Agreement are consistent with the World Bank’s Safeguard Policies, as well as the Recipient’s own laws relating to the environment and social aspects; and

(b) any laws or regulations drafted under the Readiness Preparation Activities shall be consistent with said Safeguard Policies and laws.

2.05. **Mid-term Progress Report and Completion Report.** The Recipient shall, through MARENA, prepare a mid-term progress report in accordance with Section 6.3(b) of the Charter and Resolution PC/7/2010/3. Said mid-term progress report shall be furnished to the World Bank by June 30, 2015 and to the Participants Committee by November 30, 2015. The Recipient shall, through MARENA, also prepare a Completion Report in accordance with the provision of Section 2.06(b)(ii) of the Standard Conditions. Said 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, through MARENA, 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 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 for the Readiness Preparation Activities 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 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 Second Installment 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 specified
in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; and (C) Direct Contracting:

(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) 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 (J) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

(f) **Procurement Special Provisions.** In addition and without limitation to any other provisions set forth in this Section, the Procurement Guidelines or the Consultant Guidelines, the following principles of procurement shall expressly govern all procurement of goods, non-consulting services or consultants’ services, as the case may be:

(i) foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding;
(ii) no bids shall be rejected, and no provisional awards shall be made at the time of bid opening;
(iii) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices;
(iv) the invitation to bid shall not publish the estimated cost of the contract;
(v) in the case of Shopping, a minimum of three quotations shall be obtained as a condition to award the contract;
(vi) unless the World Bank may otherwise agree, for the procurement of goods, the "best offer" shall be the one submitted by the bidder whose offer was determined to be the lowest evaluated bid and was found substantially responsive to the bidding document acceptable to the World Bank, provided further that the bidder was determined to be qualified to perform the contract satisfactorily;
(vii) bidders and consultants shall not be allowed to review or make copies of other bidder's bids or consultants' proposals, as the case may be. Likewise, bidders' and consultants' responses to requests of clarifications made by the procuring entity during the bidding process shall not be disclosed to other bidders or consultants, as the case may be. Finally, reports including recommendations for award shall not be shared with bidders and consultants prior to their publication;
(viii) eligibility criteria shall be the one defined in Section I of the Procurement Guidelines and Consultant Guidelines. Articles 17 and 18 of the Procurement Law shall not apply;
(ix) automatic rejection of bids or proposals, as the case may be, due to differences between bid or proposal prices and cost estimates being higher than predetermined percentages, shall not be allowed;
(x) bidders shall have the possibility of procuring hard copies of bidding documents even if they are published on the procurement portal;
(xi) unless so indicated in the applicable World Bank standard bidding documents, pre-bid conferences shall not be conducted;
(xii) bid preparation terms shall not be reduced as a result of re-bidding;
(xiii) consultants shall not be required to submit proposal and/or performance securities;
(xiv) complaints shall be handled as indicated in the appendixes to the Procurement Guidelines and Consultant Guidelines. Articles 110 to 116 of the Procurement Law shall apply in a supplementary manner;
(xv) the procurement of goods and works shall be carried out using standard bidding documents acceptable to the World Bank;
(xvi) the Recipient shall, and shall cause MARENA to: (i) supply SEPA with the information contained in the initial Procurement Plan within 30 days after the Project has been approved by the World Bank; and (ii) update the Procurement Plan at least every three months, or as required by the World Bank, to reflect the actual Project implementation needs and progress and shall supply SEPA with the information contained in the updated Procurement Plan immediately thereafter; and
(xvii) the invitations to bid, bidding documents, minutes of bid opening, requests for expressions of interest and the pertinent summary of the evaluation reports of bids and proposals of all goods, works and consultants' services shall be published in SISCAE and in a manner acceptable to the World Bank. The bidding period shall be counted from the date of publication of the invitation to bid or the date of the availability of the bidding documents, whichever is later, to the date of bid opening.

Article III
Withdrawal of Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Second Installment 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 Second Installment (“Category”), the allocations of the amounts of the Second Installment 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 Second Installment Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants' Services, Workshops and Training, Goods, and Operating Costs</td>
<td>3,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Eligible Expenditures under R-PP Formulation</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Installment</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>3,800,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of Section 3.01, (i) the term "Workshops and Training" means the costs associated with training and workshop participation of personnel involved in the implementation of the Readiness Preparation Activities including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation; and (ii) the term "Operating Costs" means the operating costs incurred on account of the implementation of the Readiness Preparation Activities including office supplies and consumables, utilities, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Readiness Preparation Activities, and travel, lodging and per diems, but excluding salaries of officials of the Recipient's civil service.

3.02. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2017.

**Article IV**

**Recipient's Representative; Addresses**

4.01. **Recipient's Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance and Public Credit.

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

Km 12.5 Carretera Norte,
Frente a Zona Franca Industrial Las Mercedes
Managua, Nicaragua

Telephone: +505-22632870

Email: raraquistain@marena.gob.ni.

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

1 The R-PP Formulation Installment has been fully disbursed in accordance with the terms of the Readiness Grant Agreement.
United States of America

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