Mr. Jorge Daccaret  
Executive Director  
Agencia de Cooperación Internacional de Chile–AGCI  
Santiago, Chile

Grant Agreement for Chile’s Readiness Preparation Proposal  
Readiness Fund of the FCPF  
Grant No. TF016024

Dear Mr. Daccaret:

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, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.

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 (USD3,800,000) for formulating and carrying out a Readiness Preparation Proposal (“R-PP”).

The Republic of Chile (“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/14/2013/3, decided to allocate grant funding to the Recipient in the amount of up to three million six hundred thousand Dollars (USD3,600,000) (“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 United States dollars (USD 200,000) (together with the Preparation Installment, the “Grant”) for the Recipient to strengthen national feedback and grievance redress mechanisms, 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 World Bank, acting as trustee of the Readiness Fund for the FCPF, agrees to extend the Grant to the Recipient to assist in the financing of Readiness Preparation Activities (as defined in the Annex to this Agreement). The Grant shall be subject to the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex with description of Readiness Preparation Activities.

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 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 shall become as of the date specified by the World Bank in accordance with Article IV of the Annex to this Agreement ("Effective Date").

Very truly yours,

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

By

Susan G. Goldmark
Director
Bolivia, Chile, Ecuador, Peru and Venezuela
Latin America and the Caribbean Region

AGREED:

AGENCIA DE COOPERACIÓN INTERNACIONAL DE CHILE

By

Name
Title
Date:

Enclosures:


(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.


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 18 bis to read as follows:

18bis "Readiness Preparation Activities" means the activities, described in the 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 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, the Charter Establishing the Forest Carbon Partnership Facility (“Charter”), or in this Agreement.

a. “AGCI Legislation” means the Member Country’s Law No. 18.989, dated July 13, 1990 and published on July 19, 1990, as said law has been amended to the date of this Agreement.

b. “ChileCompra” means the Recipient’s institution administering the Recipient’s public procurement, established by Law No. 19.886, dated July 11, 2003 and published on July 30, 2003, as said law has been amended to the date of this Agreement.

c. “CONAF” means Corporación Nacional Forestal, the National Forestry Corporation, a private legal entity registered at the city of Santiago de Chile, and under the administrative jurisdiction of Ministerio de Agricultura, the Recipient’s Ministry of Agriculture, or any successor or successors thereto, acceptable to the World Bank.

d. “Indigenous Peoples” means indigenous peoples as defined in the World Bank’s operational policy 4.10.

e. “Mercado Público” means the Recipient’s procurement platform administered by ChileCompra, or any successor or successors thereto, acceptable to the World Bank.
f. “PBCCh” means *Plataforma de Generación y Comercio de Bonos de Carbono del Sector Forestal de Chile* a platform for the generation, registration, and trading of forest carbon credits compatible with the leading international voluntary market standards.

g. “PBCCh Typologies” means a set of standardized criteria for measuring, monitoring and assessment of forest carbon projects in selected regions.

h. “Subsidiary Agreement” means the agreement between the Recipient and CONAF, referred to in Section 2.03 of this Agreement.


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**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. The Readiness Preparation Activities consist of the following parts:

(a) **Organization, Consultation and Grievance Redress**

   (i) Strengthening the knowledge and capacity of CONAF’s staff and other qualified individuals in areas such as voluntary carbon markets and forest carbon project development and certification by offering (A) up to 16 qualified staff the opportunity to acquire a diploma in applied management for forestry and climate change; and (B) up to 20 qualified individuals training in the validation and verification of projects under the PBCCh Typologies;

   (ii) Carrying out of consultations and workshops with relevant stakeholder groups, and specifically Indigenous Peoples, to ensure and facilitate their participation in Readiness Preparation Activities in accordance with a consultation and participation plan acceptable to the World Bank; and

   (iii) Assessing existing feedback and grievance redress mechanisms and, if deemed necessary by the World Bank, reinforcing and/or creating said mechanisms, satisfactory to the World Bank, to meet the needs of people who might be affected by REDD+.

(b) **Preparation of REDD+ Strategy**

   (i) Carrying out of an assessment study and workshops with the objective to come up with a legal definition of forest degradation in the Recipient’s territory based on a comparative analysis of the definitions of forest degradation used at the international level,
(ii) Preparing a study to assess the current distribution of native forest cover under different forms of land ownership, prioritizing Indigenous Peoples communities and small and medium size farmers.

(iii) Developing up to five PBCCh Typologies in the southern regions of the Recipient's territory;

(iv) Designing a national unit for the administration and registration of forest carbon credits housed at CONAF;

(v) Deploying additional forestry extension workers in the southern regions of the Recipient's territory; and

(vi) (A) Carrying out of an assessment of potential strategic environmental and social impacts that may arise from future 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 a national REDD+ strategy 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 REDD+ activities ("Indigenous Peoples Framework"), and process framework to address, inter alia, potential adverse impacts on livelihoods as a result of 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 REDD+ activities for potential involuntary resettlement in accordance with World Bank's Safeguard Policies ("Resettlement Policy Framework").

(c) Development of Forest Reference Level and Forest Monitoring Systems

(i) Developing (A) the technical design to expand the list of variables sampled in the Recipient's forest carbon and wood energy monitoring system and the Recipient's inventory of forest ecosystems; (B) cost-effective methodologies and protocols to measure carbon dioxide emissions from degradation based on national and international experiences; and (C) an analysis of the impacts of demographic, economic, and social variables, as well as public policies, on the forest degradation dynamics;

(ii) Carrying out of workshops for the validation and dissemination of the technical design of the Recipient’s reference level;

(iii) Carrying out of an assessment of the design for measuring, reporting and verification system with the objective of compliance with international requirements, as these may evolve; and

(iv) Developing criteria and indicators for monitoring environmental and social benefits, as well as potential negative impacts resulting from the Recipient's REDD+ strategy, including the conduct of workshops to validate and disseminate the results.
2.02. **Execution Generally.** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities through CONAF 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 **Subsidiary Agreement.**

a. To facilitate the carrying out of the Readiness Preparation Activities, the Recipient shall make the proceeds of the Grant available to CONAF under a subsidiary agreement ("Subsidiary Agreement") between the Recipient and CONAF, under terms and conditions approved by the World Bank, which shall include, *inter alia*:

(i) The Recipient’s obligation to:

(A) manage the Designated Account and a local currency account from which advances of Grant funds to CONAF will be made by the Recipient to finance local expenditures;

(B) prepare and submit requests for withdrawal of Grant funds; and

(C) review documentation provided by CONAF to record Readiness Preparation Activities expenditures at an aggregate level; and

(ii) The obligation of CONAF to:

(A) carry out the Readiness Preparation Activities in accordance with the Environmental and Social Management Framework, the Indigenous Peoples Policy Framework and the Process Framework and Resettlement Policy Framework, and the provisions of the Anti-Corruption Guidelines;

(B) procure the goods, consultants’ services and non-consulting services to be financed out of the proceeds of the Grant in accordance with the provisions of this Agreement;

(C) maintain policies and procedures adequate to enable the Recipient to monitor and evaluate the progress of the Readiness Preparation Activities and the achievement of their objectives;

(D) maintain a financial management system and prepare financial reports in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources received from the Recipient, and expenditures related to the Readiness Preparation Activities;

(E) enable the Recipient and the World Bank to inspect the Readiness Preparation Activities, their operation and relevant records and documents;

(F) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and

(G) carry out the Readiness Preparation Activities in accordance with the provisions of the Anti-Corruption Guidelines.
(iii) The right of the Recipient to suspend or terminate the right of CONAF to use the proceeds of the Grant, or obtain refund of all or any part of the amount of the Grant then withdrawn, upon CONAF’s failure to perform any of their obligations under the Subsidiary Agreement.

b. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

2.04 Safeguards. The Recipient shall cause the Executing Agency to 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, through CONAF, shall, not later than March 16, 2015, 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 Resolution PC/7/2010/3. The Recipient, through CONAF, 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 not later than forty five days after the end of each calendar, covering the calendar, 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 such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient or any other period agreed with the Bank. 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 and 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 specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping and (C) Direct Contracting.

(iii) For goods and non-consultant services estimated to cost below $350,000 equivalent, *Mercado Público of Chilecompra* and Framework Agreements (*Convenios Marco*) may be used as an alternative to National Competitive Bidding or Shopping.

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

(iii) For consultant services, contracts estimated to cost below $300,000 equivalent, the procedures of Chilecompra may be followed as a form, acceptable to the Bank.

(iv) The call for expression of interest and award of contracts for consultant services costing $300,000 equivalent or more, and which are selected following the procedures set forth in paragraphs 1 & 2 above, shall be published in the Chilecompra portal.

(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 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ Services, Workshops and Training and Operating Cost and Goods</td>
<td>3,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,800,000</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 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 March 15, 2016.

**Article IV**

**Additional Remedies**

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) The AGCI Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the World Bank, the ability of the Recipient and/or CONAF to comply with any of their respective obligations under this Agreement or the Subsidiary Agreement, as the case may be.

(b) The CONAF shall have failed to comply with any of their pertinent obligations under the Subsidiary Agreement.

**Article V**

**Effectiveness; Termination**

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished that the condition that the Subsidiary Agreement referred to in Section 2.03 of this Agreement has been executed on behalf of the Recipient and CONAF has been satisfied.

5.02 As part of the evidence to be furnished pursuant to Section 5.01 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 a competent official of the Recipient, showing the following matters:

(a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by it, and executed and delivered on its behalf, and is legally binding upon it in accordance with its terms;
(b) the Subsidiary Agreement referred to in Section 2.03 of this Agreement has been duly authorized or ratified by the Recipient and CONAF and is legally binding upon each such party in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Grant Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01. 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.

5.04. Termination for Failure to Become Effective. This Grant 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 Grant 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 (Director Ejecutivo).

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

Teatino 180, piso 8
Santiago
Chile

Facsimile:
+56(2)827-5756

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

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