

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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April 8, 2014

Mr. Milcíades Gadelha de Lima
Director - President
Fundação Agente para o Desenvolvimento do Agronegócio e Meio Ambiente
Rua Visconde da Parnaíba, 1703 – Sala 02
Ed. Prof. Raimundinho Andrade, Horto Florestal, CEP: 64049-570 – Teresina, PI.
Brazil

Re: Grant No. TF016192
Rural Environmental Cadastre and Fire Prevention in Piauí State Project

Dear Sir:

In response to the request for financial assistance made on behalf of *Fundação Agente para o Desenvolvimento do Agronegócio e Meio Ambiente* (“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 the Department of Environment, Food and Rural Affairs United Kingdom of Great Britain and Northern Ireland (“Donor”) under the Brazil Cerrado Climate Change Mitigation Trust Fund, proposes to extend to the Recipient for the benefit of Federative Republic of Brazil (“Member Country”), a grant in an amount not to exceed four million four hundred thousand United States Dollars (US\$4,400,000) (“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 project described in the Annex (“Project”).


This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. 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 Project 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.

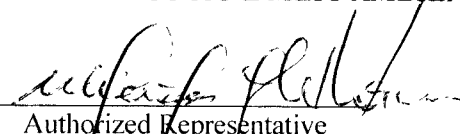
Thereafter, this Agreement shall become effective upon: (i) receipt by the World Bank of this countersigned copy; and (ii) the signing and effectiveness of the Technical Cooperation Agreement referred to in Section 2.03 (a)(ii) of the Annex to this Agreement (Effective Date); provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By 
Deborah Wetzel
Director
Brazil Country Management Unit
Latin America and the Caribbean Region

AGREED:

**FUNDAÇÃO AGENTE PARA O DESENVOLVIMENTO
DO AGRONEGÓCIO E MEIO AMBIENTE**

By 
Authorized Representative
Name MILCLADES GADELHA DE LIMA
Title DIRETOR PRESIDENTE
Date: 14 DE ABRIL DE 2014

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

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”) 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 or in this Agreement and the following additional terms have the following meanings:

(a) “CAR” means rural environmental registration, an electronic register of rural landholdings, maintained by an official environmental entity aimed at effectively monitoring, supervising, controlling, planning and ensuring the environmental compliance of landholdings, according to the Forest Code, Law 12,651/2012.

(b) “Cerrado” means a tropical biome located within the Member Country’s central region.

(c) “EMF” means the Recipient’s Environmental Management Framework dated August 20, 2013, acceptable to the World Bank, and published in <http://www.semar.pi.gov.br/publicacoes.php> which contains the environmental protection measures in respect of the Project, including, *inter alia*: (a) the guidelines for carrying out the environmental screenings and assessments referred to in Section 2.01 of this Agreement; (b) the generic description of the type of environmental impacts which may affect the Project; (c) the guidelines to be followed to prevent forest degradation and promote reforestation and regeneration of natural forests; (d) the guidelines to be followed to prevent natural habitat conversion or degradation; (e) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (f) the recommendation of mitigation measures for each negative impact identified; and (g) measures for enhancing each identified positive impacts; as such framework may be revised from time to time with the agreement of the World Bank.

(d) “Fundação Agente para o Desenvolvimento do Agronegócio e Meio Ambiente – Fundação Agente” means a non-profit organization established and operating in the Member Country’s territory pursuant to its by-laws, dated September 4, 1998.

(e) “MMA” means *Ministério do Meio Ambiente*, the Member Country’s Ministry of Environment, or any successor thereto.

(f) “Piauí State” and “State” mean *Estado do Piauí*, a State of the Member Country.

(g) “State Committee” means *Comitê Estadual de Prevenção e Combate à Incêndios Florestais*.

(h) “SEMAR” means *Secretaria de Meio Ambiente e Recursos Hídricos do Estado do Piauí*, the Piauí State Secretariat of Environment and Water Resources.

(i) “SICAR” means *Sistema Nacional de Cadastro Ambiental Rural*, the National system for rural environmental cadastre.

(j) “Targeted Municipality” means the municipalities located in the State of Piauí where the Project will be implemented as set forth in the Operational Manual; and “Targeted Municipalities” means the plural thereof.

(k) “Technical Cooperation Agreement” means the agreement referred to in Section 2.03 (a)(ii) of this agreement.

Article II Project Execution

2.01. ***Project Objectives and Description.*** The Project’s objective is to promote the reduction of climate change impacts in the Cerrado of Southern Piauí by: (i) promoting the environmental regularization of landholdings in the targeted municipalities; and (ii) Preventing and combatting forest fires through the integration of local actors and promoting the adoption of sustainable production practices in the targeted municipalities.. The Project consists of the following parts:

Part I: Rural Environmental Regularization

Building the institutional capacity of the State and the Targeted Municipalities agencies to implement the CAR and developing a framework to support the recovery of degraded areas in the Targeted Municipalities through the carrying out of a program of activities including:

- (a) the set-up and operation of an electronic infrastructure to host the CAR system;
- (b) the provision of support to the State and the Targeted Municipality agencies to develop the necessary information for the establishment of a complete registration of landholdings, including the design of a map of land use and the carrying out of surveys of the areas not geo-referenced;
- (c) the establishment of a communication strategy to disseminate the CAR and its regulation; and the carrying out of a mobilization campaign to increase the State and Targeted Municipalities stakeholders’ participation in the implementation of the CAR;
- (d) the provision of training to stakeholders, the State and Targeted Municipalities officials on how to register the CAR;
- (e) the provision of support to the State and Targeted Municipalities agencies to resolve conflicts and inconsistencies in the CAR data;
- (f) the capacity-building of the State and Targeted Municipality agencies to validate the CAR entries and to issue CAR certificates;
- (g) the carrying out of workshops and seminars to promote the CAR;

- (h) the preparation of: (i) plans for recovery of degraded areas of small landholdings; and (ii) the environmental assessment of the Targeted Municipalities;
- (i) the establishment, structuring and strengthening of degraded areas recovery centers;
- (j) the establishment of seed collectors' network in the Targeted Municipalities and/or nurseries linked to the recovery centers;
- (k) the carrying out of technical training courses on degraded areas recovery and sustainable economic alternatives; and
- (l) the design of a strategy of financial sustainability of the degraded areas recovery centers.

Part II: Prevention and Control of Forest Fires

Strengthening the State's and Targeted Municipalities' capacity to prevent and combat forest fires and developing and promoting alternative rural practices to the use of fire through the carrying out of a program of activities including:

- (a) the capacity-building of the State Committee to prevent and combat forest fires in the Targeted Municipalities; and (ii) establish a controlled fire authorization modules in the State system;
- (b) the establishment of municipal committees or municipal protocols;
- (c) the design of a regional contingency plan;
- (d) the development of municipal operating plans;
- (e) the development of a communication strategy to disseminate actions and best practices on preventing and combating forest fires;
- (f) the carrying out of training for landholders on preventing and combating forest fires;
- (g) the establishment of municipal situation rooms for monitoring deforestation and forest fires;
- (h) the implementation of demonstration units to the use of alternative agriculture practices and the promotion of community protocols of forest fire prevention;
- (i) the carrying out of training for landholders in practical alternatives to the use of fire and sustainable economic activities;
- (j) the carrying out of training and environmental education for landholders on preventing and combating forest fire; and

- (k) the support to preventive and repressive inspection efforts.

Part III: Administrative and Financial Management

Supporting effective and efficient management of Project implementation, including carrying out Project coordination, monitoring and reporting, financial management, procurement and auditing.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project with the technical collaboration of SEMAR 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”); (c) this Article II; and (d) the EMF, and the pertinent environmental management plans (prepared in accordance with the provisions set forth in the EMF) derived from said EMF, when applicable, all in a manner acceptable to the World Bank.

2.03. ***Institutional and Other Arrangements.*** (a) For the purposes of carrying out the Project, the Recipient shall maintain at all times during Project implementation professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank, to perform all Project’s related functions including, *inter alia*, procurement and financial management.

(b) Without limitation upon the provisions of the above paragraph, the Recipient shall, with the coordination support of MMA, enter into a technical cooperation agreement (the Technical Cooperation Agreement) with the Piauí State, through SEMAR, under terms and conditions satisfactory to the World Bank, therein setting forth the roles and responsibilities of each party in the implementation of the Project, including, *inter alia* the following: (i) the responsibility of the Recipient to carry out the overall financial and administration management of the Project; and (ii) the responsibility of SEMAR to carry out the technical aspects of Project implementation, including, preparing terms of reference and carrying out the overall technical monitoring and supervision of the Project.

(c) exercise its rights and comply with its obligations under the Technical Cooperation Agreement in such manner as to protect the interests of the Member Country, the Piauí State, the Recipient and the World Bank and to accomplish the objective of the Grant, and except as the World Bank shall otherwise agree, the Recipient shall not amend, assign, abrogate, waive or fail to enforce the Technical Cooperation Agreement or any provision thereof. In case of any conflict between the terms of the Technical Cooperation Agreement and those of this Agreement, the terms of this Agreement shall prevail. The Recipient shall promptly inform the World Bank of any condition which interferes or threatens to interfere with the performance of the Recipient respective obligations under such agreement.

2.04. ***Project Monitoring, Reporting and Evaluation.*** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of monitoring and performance indicators acceptable to the World Bank. Each Project Report shall cover the period of one

calendar semester, 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. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants in accordance with the provisions of Section 2.07 of this Agreement.

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 one month 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.

2.06. **Procurement**

(a) General. All goods, works, non-consulting services and consultants' services required for the Project 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) "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, works and non-consulting services;
- (ii) "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 Project in accordance with paragraph 1.18 of the Procurement Guidelines and] paragraph 1.25 of the Consultant Guidelines ("Procurement Plan"). The procurement plan shall be prepared, updated and submitted electronically through SEPA System.

(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, Works and Non-consulting Services

- (i) Except as otherwise provided in sub-paragraph (ii) below, goods, works 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, works and non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding, including in respect of goods, non-consulting services and works, *convite, tomada de preços* and *concorrência* set forth in the Recipient's Law No. 8.666 of June 21, 1993, as well as procurement in accordance with the method known as "*pregão eletrônico*", as provided in the Recipient's Law No. 10520, of July 17, 2002, and in Decree No. 5450 of May 31, 2005, under "COMPRASNET" (the Recipient's procurement portal), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the World Bank; (B) Shopping; (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, 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.

(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. Supervision of procurement would be carried out through prior review supplemented by supervision missions with post review at least once a year. A yearly external procurement audit satisfactory to the Bank or yearly Independent Procurement Review (IPR) will be required to assess and verify a sample of processes carried out under this Project.

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:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (exclusive of Taxes)
(1) Goods, Works, Non-consulting services and Consultants' services, Seminars and Workshops	3,960,000	100%
(2) Operating Costs	440,000	100%
TOTAL AMOUNT	4,400,000	

For the purposes of this Section the term:

(i) "Operating Costs" means the operating costs incurred for the purposes of the implementation of the Project including: (A) operation and maintenance of vehicles, repairs, fuel and spare parts; (B) equipment and computer maintenance; (C) shipment costs (whenever these costs are not included in the cost of goods); (D) office supplies; (E) rent for office facilities; (F) utilities; (G) travel and per diem costs for technical staff carrying out supervisory and quality control activities; (H) communication costs including advertisement for procurement purposes; and (I) salaries for the Recipient's operational staff.

(ii) "Seminars and Workshops" means the costs associated with the preparation and carrying out of seminars and workshops including, travel, accommodation and subsistence costs for seminar and workshop participants, rental of seminar and workshop facilities and equipment, communication costs associated with the seminars and workshops, and preparation and reproduction of seminar and workshop materials and other costs directly related to the preparation and implementation of seminars and workshops.

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, except that withdrawals up to an aggregate amount not to

exceed \$440,000 equivalent may be made for payments made prior to this date but on or after July 1, 2013, for Eligible Expenditures.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2016.

**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 Director.

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

*Fundação Agente para o Desenvolvimento do Agronegócio e Meio Ambiente
Rua Visconde da Parnaíba, 1702 – Sala 02
Ed. Prof. Raimundinho Andrade, Horto Florestal, CEP: 64049-570 – Teresina, PI.
Brazil*

Facsimile:

(86) 3233-0200

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
Washington, D.C.

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1-202-477-6391