Strategic Climate Fund
Forest Investment Program
Grant Agreement

(Dedicated Grant Mechanism for Indigenous Peoples Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as Implementing Entity of the Forest Investment Fund
under the Strategic Climate Fund

and

Centro de Agricultura Alternativa do Norte de Minas (CAA/NM)

Dated April 29, 2015
 AGREEMENT dated April 29, 2015, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as Implementing Entity of the Forest Investment Fund under the Strategic Climate Fund and Centro de Agricultura Alternativa do Norte de Minas (CAA/NM) ("Recipient").

WHEREAS the Federative Republic of Brazil ("FRB or "Member Country"), on May 30, 2014, has endorsed the Dedicated Grant Mechanism (DGM) for Indigenous Peoples in FRB and said endorsement has been granted in accordance with the provisions of the DGM Framework Operational Guidelines approved by the FIP Subcommittee on October 31, 2011, and endorsed by the IPTC representatives in October 2011.

The Recipient and the World Bank hereby agree as follows:

 Article I
 Standard Conditions; Definitions


1.02. 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.

 Article II
 The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient, in close collaboration with the NSC, shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient
shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III**

**The Grant**

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to Six Millions Five Hundred Thousand United States Dollars ($6,500,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned Strategic Climate Fund (SCF) 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, 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 SCF, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

**Article IV**

**Effectiveness; Termination**

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) that the Operational Manual has been adopted by the Recipient; and

(b) that the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary corporate action.

4.02. As part of the evidence to be furnished pursuant to Section 4.01 (b), 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 that on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.
4.03. Except as the Recipient and the World Bank shall otherwise agree, this 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 4.01 ("Effective Date"). 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 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.

4.04. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement (the Effectiveness Deadline), 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.

4.05. Without prejudice to Section 4.01 of this Agreement, the Effectiveness Deadline shall in no case be later than eighteen (18) months after the World Bank's approval of the Grant.

Article V  
Recipient's Representative; Addresses

5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its General Director.

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

Centro de Agricultura Alternativa do Norte de Minas (CAA/NM)
Rua Doutor Veloso, 151 – Centro
Montes Claros, Minas Gerais
Federative Republic of Brazil

Telephone: (5538) 3221-2150

5.03. 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:
AGREED at Brasilia, Federative Republic of Brazil, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as Implementing Entity of the Forest Investment Fund
under the Strategic Climate Fund

By

Authorized Representative

CENTRO DE AGRICULTURA ALTERNATIVA DO NORTE DE MINAS

By

Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are: (i) to strengthen the engagement of the Cerrado Biome’s indigenous peoples and traditional communities in the FIP, REDD+ and similar climate change oriented programs at the local, national and global levels, and (ii) to contribute toward improving livelihoods, land use and sustainable forest management in their territories.

The Project consists of the following parts:

**Part 1: Sustainable and Adaptive Community Initiatives**

Supporting IPTCs in developing on-the-ground, no regrets community activities for the promotion of sustainable forest and land use management systems, more resilient livelihoods, ethno-development, and adaptation to climate-related changes, through the provision of:

(a) IPTC Grants to carry out community-demand driven: (i) Natural Resource Management Subprojects; (ii) Immediate Threat Response Subprojects; and (iii) Market-Oriented Productive Subprojects.

(b) Training to enhance the technical and managerial capacities of IPTC Organizations, and technical assistance to support the preparation and if selected, the implementation of proposals for Subprojects.

**Part 2: Capacity Building and Institutional Strengthening**

Increasing IPTC’s access to finance resources for forest, land use and sustainable natural resource management, and the participation in FIP, REDD+ and climate change related decision making processes, through: (a) the carrying out of the Project’s communication and dissemination strategy, reach target groups, and mobilize community and organizations; (b) the provision of training and the carrying out of informational workshops and capacity building activities; and (c) the provision of support for the creation and consolidation of representative community-based organizations.

**Part 3: Project Management, Monitoring and Evaluation**

Provision of support for the technical and administrative management of the Project, including supervision, monitoring and evaluation activities, operating costs, as well as Project audits.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. National Steering Committee

The Recipient shall carry out all activities under the Project in close coordination with the National Steering Committee (the “NSC”), following the guidelines set forth in the Project Operational Manual and in the DGM Framework Operational Guidelines.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of 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. Project Operational Manual and Safeguards

1. The Recipient shall carry out the Project in accordance with a manual (the Project Operational Manual), satisfactory to the World Bank, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following: (a) the detailed description of Project implementation activities and the detailed institutional arrangements of the Project; (b) eligibility criteria for funding of Subprojects, in accordance with the criteria established by the DGM Framework Operational Guidelines; (c) institutional roles and responsibilities of the Recipient and NSC under the Project; (d) guidelines for the adoption of an integrated pest management approach in all applicable activities to be developed under the Project; (e) the Project administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures; (f) the monitoring indicators for the Project; and (g) the ESMF. In the event that any provision of the Project Operational Manual shall conflict with this Agreement, the terms of this Agreement shall prevail.

2. The Recipient shall: (a) implement the Project in accordance with the ESMF (including provisions for natural habitats, forests, and pest management); and (b) implement and/or cause to be implemented, the pertinent environmental management plan for a respective Subproject, in accordance with its terms and in a manner acceptable to the World Bank.
D. **Subprojects.**

For the purposes of carrying out Part 1(a) of the Project, the Recipient shall:

(a) after the selection by NSC of a Subproject in accordance with the guidelines and procedures set forth in the Project Operational Manual, enter into an agreement with the eligible IPTC Organization ("Subproject Agreement"), under terms and conditions approved by the Bank and included in the Project Operational Manual, for the provision of Micro Grants for the implementation of said Subproject;

(b) ensure that each Subproject Agreement is prepared based on the model form approved by the World Bank and included in the Project Operational Manual, in which the Recipient shall obtain rights adequate to protect its interests and those of the World Bank, including the right to: (1) suspend or terminate the right of the IPTC Organization to use the proceeds of the Micro Grant, or obtain a refund of all or any part of the amount of the Micro Grant then withdrawn, upon the IPTC Organization’s failure to perform any of its obligations under the Subproject Agreement; and (2) require each IPTC Organization to: (a) carry out its pertinent Subproject with due diligence and efficiency and in accordance with sound technical, economic, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient, and the Environmental and Social Management Framework; (b) provide, promptly as needed, the resources required for the carrying out of the Subproject; (c) procure the goods, works, Non-consulting Services and consultants' services to be financed out of the Micro Grant in accordance with the provisions of this Agreement; (d) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the pertinent Subproject and the achievement of its objectives; (e) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the Bank for community driven initiatives; (f) enable the Recipient and the World Bank to inspect the pertinent Subproject, its operation and any relevant records and documents; and (g) prepare and furnish to the Recipient and the NSC all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and

(c) exercise its rights and carry out its obligations under the Subproject Agreements in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Loan. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend,
abrogate, waive, terminate or fail to enforce any Subproject Agreement or any provisions thereof.

E. **Grievance Redress Mechanism**

The Recipient shall, not later than sixty (60) days after the Effective Date, develop, in form and substance acceptable to the Bank and following the guidelines set forth in the Project Operational Manual, a grievance redress mechanism that encompass transparent, timely and fair procedures, for the purposes of ensuring that all complaints received from IPTCs and other interested stakeholders related to any activity under the Project, including grievances related to a Micro Grant award decision, representation in the NSC, or the governance of the program, are properly and timely addressed.

Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports; Completion Report**

1. 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 the 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.

2. 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.

B. **Financial Management; Financial Reports; Audits**

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than one month after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall have the Financial Statements for the Project 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.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. 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:

(a) 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, works and non-consulting services, and 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

(b) the provisions of this Section III, 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”).

2. Definitions. The capitalized terms used below in 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.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. National Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding, (including the method known as “pregão eletrônico” as provided in the Member Country’s law No. 10520 of July 17, 2002, under any e-procurement system acceptable to the Bank), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than National Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; (b) Direct Contracting; and (c) Community Participation procedures which have been found acceptable to the World Bank.

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for 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.

D. **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.

**Section IV. Withdrawal of Grant Proceeds**

A. **General**

1. 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 table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, Training and consultants' services required for Subprojects under Part 1(a) and 1(b) of the Project</td>
<td>4,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants' services and Training required for Part 2 of the Project</td>
<td>1,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, consultants' services Training and Operating Costs required for Part 3 of the Project</td>
<td>1,200,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>6,500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section:

(a) the term “Operating Costs” means the reasonable incremental operational costs (which would not have been incurred absent the Project), related to Project technical and administrative management monitoring and supervision required under the Project, including *inter alia*: (i) operation and maintenance of vehicles, fuel and spare parts; (ii) equipment and computer maintenance; (iii) shipment costs (whenever these costs are not included in the price of the goods); (iv) office supplies; (v) rental of office facilities; (vi) utilities; (vii) travel costs (including accommodations, transportation costs and *per diem*); (viii) communication costs, including advertisement for procurement purposes; and (ix) organization of NSC meetings; and
the term “Training” means expenditures (other than those for consultants’ services) incurred by the Recipient in connection with the carrying out of training, seminars, and workshops, including the reasonable travel costs (e.g., accommodations, transportation costs and per diem) of trainees and trainers (if applicable), catering, rental of training facilities and equipment, logistics and printing services, as well as training materials and equipment under the Project.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $65,000 equivalent may be made for payments made prior to this date but on or after November 12, 2014, for Eligible Expenditures under Category (3) of the Project.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 30, 2020.
APPENDIX

A. Definitions


2. “BIP” means Brazil investment plan, the plan endorsed by the FIP Subcommittee on May 18, 2012 aimed at promoting sustainable land use and forest management improvement in the Cerrado Biome in order to reduce pressure on remaining forests and greenhouse gas emissions and to increase CO₂ sequestration.

3. “CAA/NM” means Centro de Agricultura Alternativa do Norte de Minas, a non-profit non-governmental organization registered in the civil registry of the Member Country’s state of Minas Gerais on April 3, 1989.

4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

5. “Cerrado Biome” means the savannah and dry forest biome located at the central highland of the Member Country’s territory, which covers an area equivalent to 200 million hectares.


7. “DGM Framework Operational Guidelines” means the operational guidelines developed jointly by the multilateral development banks (as implementing entities of the FIP) in collaboration with the global transitional committee of the DGM, approved by the FIP Subcommittee on October 31, 2011 and endorsed by the IPTC representatives in October 2011 that includes the objectives, principles, overarching grant eligibility criteria, procedures, grievance redress and complaints mechanism, as well as the role of different institutions in the governance of the program.

8. “Environmental and Social Management Framework or ESMF” means the Recipient’s framework dated December 4, 2014, acceptable to the World Bank, as published and available to the public on the website www.caa.org.br, which contains the environmental protection measures in respect of the Project, including: (i) protection of natural habitats and pest management; (ii) guidelines for the
identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project; (iii) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (iv) the recommendation of mitigation measures for each negative impact identified; and (v) measures for enhancing each identified positive impact.

9. "FIP" means Forest Investment Program, a targeted program under the Strategic Climate Fund (STF).

10. "FUNAI" means Fundação Nacional do Índio, the Member Country’s National Foundation for Indigenous Peoples created by the Member Country’s Decree No. 564 dated June 8, 1992, pursuant to the Member Country’s Law No. 5371 dated December 5, 1967.

11. “Immediate Threat Response Subproject” means any eligible investment aimed at supporting IPTCs that are under severe and immediate threat to their forest, natural resources, livelihood needs, physical and cultural survival due to manmade and climate-related challenges, approved in accordance with the Project’s Operational Manual and referred to in Part 1(a)(ii) of the Project, to be financed with a Micro Grant under the pertinent Subproject Agreement.

12. “IPTC” means indigenous peoples and traditional communities located in the Member Country’s territory.

13. “IPTC Organizations” means an indigenous people and traditional communities’ organization and/or a group of IPTC organized into a legally established private association, all of which, upon meeting the criteria set forth in the Project Operational Manual, have been selected for participating in the Project.

14. “Market Oriented Productive Subproject” means any eligible investment aimed at supporting IPTCs that have proven organizational capacity in handling external funds and need support to increase their access to markets for the commercialization of agricultural and/or timber forest products, approved in accordance with the Project’s Operational Manual and referred to in Part 1(a)(iii) of the Project, to be financed with a Micro Grant under the pertinent Subproject Agreement.

15. “Micro Grants” means a grant made out of the proceeds of the Grant from the Recipient to a selected IPTC Organization for the partial financing of an eligible Subproject, subject to the specific terms and conditions set forth in the Project’s Operational Manual and in the relevant Subproject Agreement.

17. "National Steering Committee or NSC", means the committee comprising representatives from IPTC organizations, MMA, FUNAI, BIP Inter-ministerial Committee and the World Bank, following DGM Framework Operational Guidelines, being the Recipient its Executive Secretariat, and charged with the oversight of Project implementation and as a deliberative body required to, inter alia: (i) decide, jointly with the Recipient, on the annual working plans, eligibility criteria and funding of Subprojects; (ii) review and make funding decisions on eligible Subprojects proposals; (iii) provide oversight of Project implementation; and (iv) review monitoring and evaluation reporting under the Project.

18. "Natural Resource Management Subproject" means any eligible investment aimed at supporting IPTCs that are located in environmentally priority and vulnerable areas in which manmade threats and climate-related risks may bring major loss or decline in the long-term quality of valued species, habitats and landscapes, widespread decline in land and water quality.


20. "Procurement Plan" means the Recipient's procurement plan for the Project, dated January 19, 2015, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

21. "Project Operational Manual" means the manual referred to in Section I.B.1 of Schedule 2 to this Agreement.

22. "REDD+" means reducing emissions for deforestation and forest degradation, and the role of conservation, sustainable forest management and enhancement of forest carbon stocks.


25. "Subproject Agreement" means each agreement to be entered into between the Recipient and an eligible IPTC Organization, as specified in Section D of Schedule 2 to this Agreement.