His Excellency
Mr. Guido Mantega
Minister of Finance
Ministry of Finance
Esplanada dos Ministérios, Bloco "P", 8º Andar
70048-900 Brasília, D.F.
Brazil

Re: BRAZIL: IDF Grant for Breaching the Justice Gap in Brazil through
Conselho Nacional de Justiça Project - IDF Grant No. TF010771

Excellency:

In response to the request for financial assistance made on behalf of the Federative Republic of Brazil ("Recipient" or "Member Country"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient, for the benefit of the Conselho Nacional de Justiça ("CNJ"), a grant from the World Bank’s Institutional Development Fund ("IDF") in an amount not to exceed four hundred and fifty thousand United States Dollars (US$ 450,000) ("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 activities (Activities) described in the Annex ("Project").

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement through the letter from Comissão de Financiamento Externos COFIEX No 1271 dated November 1, 2011, 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. This Agreement shall become effective upon receipt by the World Bank of evidence that the conditions of effectiveness listed in Section 4.01 of the Annex to this Agreement have been fulfilled and have been considered satisfactory to the World Bank.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By, Deborah L. Wetzel
Director
Brazil
Latin America and the Caribbean Region
AGREED:

FEDERATIVE REPUBLIC OF BRAZIL

By: [Signature]

Authorized Representative

Name: Sonia Portella
Title: General Coordinator FAPN
Date: April 17, 2012

WITNESSED:

CONSELHO NACIONAL DE JUSTIÇA - CNJ

By: [Signature]

Authorized Representative

Name: Cezar Peluso
Title: President of CNJ
Date: April 17, 2012

Enclosures:

(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.**


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) "Cooperation Agreements" means agreements between CNJ and the Pilot States, which will identify the activities to be carried out by each of the Subprojects as set forth in Section 2.01 Component 2 of this Agreement.

(b) "Operational Manual" means the operational manual for Project implementation as set forth in Section 2.03 (a) of this Agreement.

(c) "Pilot States" means the three to five States of the Member Country that will be selected as a result of the Diagnostic Study.

(d) "Project Implementation Unit" "PIU" or "Diretoria Geral" means a unit of the Department of International Affairs within the administrative structure of CNJ, responsible for carrying out the daily implementation (including procurement and financial management), monitoring and evaluation of the Project, as set forth in Section 2.02 of this Agreement.

(e) "Project Implementing Entity" or "CNJ" means "Conselho Nacional de Justiça", (in English: National Justice Council) an institution of the Brazilian judicial system created in 2004 by a Constitutional Amendment, as a part of the Judicial Reform whose attributions are, inter alia, to ensure that the judicial system remains autonomous, to conduct disciplinary proceedings against members of the Judiciary, and to compile and publish statistics on the Brazilian court system.

(f) "Subprojects" means demand driven initiatives (based on the needs of each Pilot State and the conclusions of the Diagnostic Study) including Activities such as institutional capacity strengthening, workshops, training, preparation of manuals and training materials, improvement of work flows and deadlines, improvement of the reception of users/public (client-orientation), technical assistance in the area of court management, and study tours in States in the Member Country in which the judiciary is effective and efficient. These Subprojects will be negotiated with each Pilot State through a Cooperation Agreement to be entered into with CNJ.

(g) "Subsidiary Agreement" means an agreement to be signed between the Recipient and the Project Implementing Entity for the implementation of the Project as set forth in Section 2.03 (a) of this Agreement.
Article II
Project Execution

2.01.  *Project Objectives and Description.*

The objective of the Project is to strengthen the capacity of CNJ to promote geographic equality and equity in the offering of justice services and contribute to reducing the gaps existing between the judiciaries of the most advanced States and the poorest States of the Recipient by improving the quality of public spending in three to five Pilot States in which the deficiencies of the judicial system are more acute. The Project consists of the following parts:

**Component 1: Diagnostic Study on State Judiciary Inequality and Subprojects in Pilot States**

This component will support the carrying out of: (a) a diagnostic study and workshop in order to measure and take stock of the existing situation in the twenty seven (27) State judicial systems of the Recipient; and (b) capacity building Activities through Subprojects in three to five Pilot States which require most urgent attention, based on the conclusion of said diagnostic study.

**Component 2: Subproject Coordination**

This component will provide support to CNJ for the hiring of a national consultant to coordinate Subprojects with the close supervision of CNJ.

2.02.  *Project Execution Generally.*

The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project Implementing Entity, through the PIU, to carry out the Project 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; (d) the Procurement Plan; (e) the Subsidiary Agreement; and (e) the Operational Manual.

2.03.  *Institutional and Other Arrangements.*

Without limitation upon the provisions of Section 2.02 above, the Recipient shall:

(a)  (i) in order to facilitate the carrying out of the Project, make available on a grant basis, the proceeds of the Grant to the Project Implementing Entity under a Subsidiary Agreement between the Ministry of Finance of the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank.

(ii) exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient, the Project Implementing Entity and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.”
(b) cause the Project Implementing Entity, through the PIU, and in respect of the Project, to:

(i) maintain the Operational Manual on terms and conditions acceptable to the World Bank mandating the PIU to implement the Project;

(ii) exercise its rights and carry out its obligations under said Operational Manual in such manner as to protect the interests of the Recipient, the Project Implementing Entity and the World Bank, and to accomplish the purposes of the Grant, including details of Project Activities, financial management, institutional and procurement arrangements and implementation details for the Subprojects in the selected Pilot States; and

(iii) not amend, waive or fail to enforce said Operational Manual or any provision thereof in a manner which would, in the opinion of the World Bank, affect the capacity of the Project Implementing Entity or the PIU to implement any of their obligations under this Agreement or under the Subsidiary Agreement.

(c) cause the Project Implementing Entity, through the PIU, to promptly provide as needed, in kind contribution for inter alia, office and training facilities, staff services, local transportation, and administrative support.

(d) cause the Project Implementing Entity, for the purpose of implementing the Subprojects, to:

(i) enter into and thereafter maintain agreements (Cooperation Agreements) with the selected Pilot States to cause said Pilot States to implement the Subprojects as further detailed in the Operational Manual. Said Cooperation Agreements with the Pilot States shall include, inter alia:

   (A) the Pilot State’s obligation to implement the Subprojects with due diligence and efficiency in a manner satisfactory to the World Bank and further detailed in the Operational Manual; and

   (B) the Pilot State’s obligation to: (1) participate in periodic assessment and monitoring of the Subprojects; (2) comply with the pertinent provisions of the Anti-Corruption Guidelines; and (3) furnish to the World Bank any information reasonably requested with respect to the Subprojects, as well as provide access reasonably requested to Subprojects sites, facilities and equipment.

(ii) suspend or terminate the right of the Pilot States to benefit from the proceeds of the Grant, upon the Pilot States’ failure to perform any of its respective obligations under the relevant Cooperation Agreement with CNJ; and

(iii) exercise its rights and comply with its obligations under the agreements with the Pilot States and cause the Pilot States to exercise their rights and comply with their obligations under the Cooperation Agreement with CNJ, all in such a manner as to protect the interests of the World Bank and of the Recipient and to accomplish the objective of the Project, and except as the World Bank shall otherwise agree, CNJ shall not assign, amend, abrogate, waive or fail to enforce any of the agreements with the Pilot States and
shall insure that the Pilot States do not assign, amend, abrogate, waive or fail to enforce any of the agreements with CNJ or any of the provisions thereof.

(e) In case of any conflict between the terms of the Cooperation Agreements with the Pilot States and those of this Agreement, the terms of this Agreement shall prevail.

2.04. Project Monitoring, Reporting and Evaluation.

(a) The Recipient shall cause the Project Implementing Entity, through the PIU, to monitor and evaluate the progress of the Project and prepare semi-annual Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in the Operational Manual. Each Project Report shall cover a period of six months and shall be furnished to the World Bank not later than one month after the date of such period.

(b) The Recipient shall cause the Project Implementing Entity, through the PIU and upon the World Bank’s request, to 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 five months after the Closing Date.

2.05. Financial Management

(a) The Recipient shall cause the Project Implementing Entity, through the PIU, to 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 cause the Project Implementing Entity, through the PIU, to 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 semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall cause the Project Implementing Entity through the PIU, to have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. The PIU shall present two audits during the three-year duration of this Agreement. The first one from the Effective Date through December 31, 2013, and a second audit from January 01, 2014 through the end of the grace period expected by July 30, 2015. The audit Financial Statements for such period shall be furnished to the World Bank on the following dates: June 30, 2014 and January 31, 2016, respectively.

2.06. Procurement

(a) General. All goods 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:

(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 CNJ for the Project 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. Goods shall be procured under contracts awarded on the basis of 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) Selection based on Consultants' Qualifications; (B) Single-source Selection of consulting firms; (C) Selection of Individual Consultants; and (D) 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.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.**

The Recipient, through the General Director of CNJ, 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 US Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>1,600</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services (including travel and per diem)</td>
<td>368,400</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>80,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>450,000</td>
<td></td>
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</table>

For the purposes of this Section, the term “Training” means: (a) training materials and rental of training facilities; and (b) reasonable travel costs and per diem for trainees, as well as for study tours.

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 neither the Recipient nor the Project Implementing Entity.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

**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) The *Subsidiary Agreement* has been executed and delivered in form and substance satisfactory to the World Bank and all conditions precedent to its effectiveness or to the right of the Project Implementing Entity to make withdrawals under said Subsidiary Agreement have been fulfilled.

(b) A *legal opinion or opinions*, satisfactory to the World Bank of counsel acceptable to the World Bank, have been furnished to the World Bank, confirming that: (i) the execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental and corporate action; and (ii) the execution and delivery of the Subsidiary Agreement on behalf of the Project Implementing Entity has been duly authorized or ratified by all necessary governmental and corporate action.

(c) The *Operational Manual* referred to in Section 2.02 (e) and 2.03 (a) of the Annex to this Agreement has been prepared and adopted by the Project Implementing Entity in a manner satisfactory to the World Bank.
4.02. 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 has ceased to exist.

4.03. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not been declared effective 90 days after its signature, 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 and the Project Implementing Entity of such later date.

4.04. **Termination for Lack of Implementation or Disbursement.** This Agreement and all obligations of the parties under it shall terminate if it has not started implementation or has not disbursed any funds by May 2, 2012, 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 and the Project Implementing Entity 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 Minister of Finance.

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

Ministério da Fazenda  
Procuradoria Geral da Fazenda Nacional - PGFN  
Esplanada dos Ministérios, Bloco “P”- 8º Andar  
70048-900 Brasília, D.F. - Brazil  
Facsimile: (55-61) 3412-1740

With a copy to:

SEAIN - Secretaria de Assuntos Internacionais do Ministério do Planejamento, Orçamento e Gestão  
Esplanada dos Ministérios - Bloco K - 5º andar  
70040-906 Brasília, DF - Brazil  
Facsimile: (55-61) 2020-5006

Conselho Nacional de Justiça – CNJ  
Anexo I - Supremo Tribunal Federal  
Praça dos Três Poderes, S/N  
Brasília – DF, 70175-901 - Brazil  
Facsimile: (55-61) 3217-4515
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

<table>
<thead>
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<th>Cable:</th>
<th>Telex:</th>
<th>Facsimile:</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTBAFRAD</td>
<td>248423 (MCI) or</td>
<td>1-202-477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>64145 (MCI)</td>
<td></td>
</tr>
</tbody>
</table>