Strategic Climate Fund
Forest Investment Program
Grant Agreement

(Sustainable Production in Areas Previously Converted to Agricultural Use Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as administrator of the Forest Investment Program
under the Strategic Climate Fund

and

SERVIÇO NACIONAL DE APRENDIZAGEM RURAL (SENAR)

Dated August 1, 2014
AGREEMENT dated August 1, 2014, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION ("World Bank"), acting as administrator of the Forest Investment Program under the Strategic Climate Fund and SENAR ("Recipient");

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 objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project in collaboration with MAPA and with the assistance of EMBRAPA, all 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 ten
million six hundred and twenty thousand United States Dollars ($10,620,000) ("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 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, 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.

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 execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate action; and (b) that the Project Operational Manual has been adopted by the Recipient in a manner acceptable to the World Bank.

4.02. As part of the evidence to be furnished pursuant to Section 4.01 (a), 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, 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 Executive Secretary.

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

Serviço Nacional de Aprendizagem Rural (SENAR)
SGAN 601 Módulo K, Edifício Antônio Ernesto de Salvo, 1º andar
Brasília, DF, CEP: 70830-903
Brazil

With copy to:

Ministério da Agricultura, Pecuária e Abastecimento
Esplanada dos Ministérios, Bloco D, Anexo B, Sala 131
Brasília, DF - CEP 70043-900

Facsimile: (55-61) 322-35350

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

Facsimile: (1-202) 477-6391
AGREED at Brasilia, Federative Republic of Brazil as of the day and year first above written.

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

By

Authorized Representative

SERVIÇO NACIONAL DE APRENDIZAGEM RURAL (SENAR)

By

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to promote the adoption of selected sustainable low carbon emissions agricultural technologies by mid-sized producers in the *Cerrado* Region.

The Project consists of the following parts:

**Component 1: Producer Training**

(a) Provision of support for the planning and preparation of dissemination events and training courses in the *Cerrado* States, including, *inter alia*: (i) identification of demands, prioritized technologies and sub-regions in each of the *Cerrado* States; (ii) definition and preparation of training courses and production of printed and audiovisual course materials; and (iii) selection and training of course instructors.

(b) Carrying out of a communication and dissemination campaign to inform potential stakeholders (farmers, farm technicians and rural institutions) about the scope and rules of the ABC Plan and the Project through dissemination events and mass-media outlets.

(c) Provision of training to rural producers and farm technicians on ABC Plan technologies and farm management, including courses on, *inter alia*: (i) no-tillage farming systems; (ii) recovery of degraded pasture land; (iii) crop-livestock-forestry integration; (iv) cultivated commercial forests; and (v) farm management and formulation of project proposals to be considered for funding under the ABC Plan.

**Component 2: Field Technical Assistance**

Carrying out of a pilot technical assistance program for selected rural producers located in four of the *Cerrado* States, including, *inter alia*: (a) the selection and training of technical supervisors and field technicians for the provision of technical assistance to rural producers on ABC Plan technologies; (b) the provision of technical assistance for the implementation of ABC Plan technologies to selected farms; and (c) the establishment of technological reference units in selected farms, as a basis for the dissemination of practical lessons learned in the adoption of ABC Plan technologies to Project stakeholders.

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

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

Project Execution

Section I. Institutional and Other Arrangements

A. Implementation Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall enter into a cooperation agreement ("Cooperation Agreement") with MAPA, under terms and conditions approved by the World Bank, including the responsibility of MAPA to provide technical guidance to the Recipient and oversee Project implementation.

2. The Recipient shall exercise its rights and carry out its obligations under the Cooperation 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 Cooperation Agreement or any of its provisions.

3. For the purposes of carrying out the Project, the Recipient shall, at all times during Project implementation, maintain professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank to perform all Project related functions, including, inter alia, procurement and financial management.

4. The Recipient shall establish by no later than 30 days after the Effective Date, and thereafter operate and maintain throughout the period of implementation of Project activities, a Project monitoring committee (the "PMC"); which committee shall be composed by representatives of the Recipient, MAPA and EMBRAPA, with functions, powers, resources and competencies acceptable to the World Bank as defined in the Project Operational Manual, and such PMC shall be required for it to: (a) provide overall inter-agency cooperation and general oversight of Project implementation; (b) review and approve the annual Project implementation plans and budgets, and suggest any necessary adjustments to any of said documents; and (c) review monitoring and evaluation reporting under the Project.

5. Without limitation to the provisions of Section II.A.1 of this Schedule, the Recipient shall carry out an in-depth review (the "Mid-Term Review") jointly with MAPA and the World Bank two years after the date of this Agreement or such later date as the World Bank shall agree, on the progress achieved in the implementation of the Project.
B. 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) guidelines for the adoption of an integrated pest management approach in all applicable activities to be developed under the Project; (c) the Project administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures; (d) the monitoring indicators for the Project; and (e) 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) thereafter comply with and/or cause to be complied with, at the participant level the pertinent environmental management guidelines, in accordance with its terms and in a manner acceptable to the World Bank.

3. The Recipient shall ensure that the terms of reference for any consultancies related to the technical assistance provided under the Project, shall be satisfactory to the World Bank and, to that end, such terms of reference shall require that the advice conveyed through such consultancies and technical assistance be consistent with the requirements of the World Bank’s Safeguard Policies.

C. 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").

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 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 forty-five days 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. Such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each 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, 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 and non-consulting services, and Sections I through V 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”).

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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 and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** 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:

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<td>(a) National Competitive Bidding (including the method known as &quot;pregão eletrônico&quot;, as provided in the Member Country’s Guarantor’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 World Bank</td>
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<td>(b) Shopping ( including the method known as &quot;pregão eletrônico&quot;, as provided in the Member Country’s Law No. 10520, of July 17, 2002, under any e-procurement system acceptable to the World Bank)</td>
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<td>(c) Direct Contracting</td>
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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) Selection under a Fixed Budget; (b) Least Cost Selection; (c) Selection based on Consultants’ Qualifications; (d) Procedures set forth in paragraph 5 of the Consultants Guidelines for the selection of Individual Consultants; and (e) Single-source Selection.
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.

E. **Annual Procurement Audit**

The Recipient shall:

(a) have all the Project procurement records and documentation for each calendar year of the Project reviewed, in accordance with appropriate procurement principles, by independent reviewers acceptable to the World Bank;

(b) furnish to the World Bank as soon as available, but in any case not later than six months after the end of each such year, the procurement external review prepared by said independent reviewers, of such scope and in such detail as the World Bank shall have reasonably requested; and

(c) furnish to the World Bank such other information concerning said procurement records and documentation as the World Bank shall from time to time reasonably request.

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>
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<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>
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<tr>
<td>(1) Goods, non-consulting services, consultants' services, Training and Operating Costs under the Project</td>
<td>10,620,000</td>
<td>100%</td>
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<tr>
<td>TOTAL AMOUNT</td>
<td>10,620,000</td>
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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*, administrative and operational support staff, office equipment, supplies, travel costs (including accommodations, transportation costs and *per diem*), printing services, communication costs, utilities, maintenance of office equipment and facilities and logistics services; and

(b) 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 $2,000,000 equivalent may be made for payments made prior to this date but on or after January 20, 2014, for Eligible Expenditures under Category (1).

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is November 20, 2018.
APPENDIX

Definitions

1. “ABC Plan” means the sector plan for mitigation and adaptation to climate change for the consolidation of a low carbon emission agriculture economy (Plano Setorial de Mitigação e Adaptação às Mudanças Climáticas para a Consolidação de uma Economia de Baixa Emissão de Carbono na Agricultura), issued by MAPA in the context of the Member Country’s national policy on climate change, pursuant to Article 3 of Decree No. 7.390/2010 of 2010.


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

4. “Cerrado Region” means the savannah and dry forest biome in the central highlands of the Member Country’s territory which covers an area equivalent to 200 million hectares.

5. “Cerrado States” means the following Recipient’s states located within the Cerrado Region: Bahia, Distrito Federal, Goiás, Mato Grosso, Mato Grosso do Sul, Maranhão, Minas Gerais, Piauí and Tocantins, or any other state within the Cerrado Region that shall be agreed between the Recipient, MAPA, and the World Bank.


7. “Cooperation Agreement” means the agreement dated May 27, 2014, and referred to in Section I.A.2 of Schedule 2 to this Agreement.

8. “EMBRAPA” means Empresa Brasileira de Pesquisa Agropecuária, the Member Country’s Agricultural Research Corporation, established pursuant Law No. 5851 of December 7, 1972.

9. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s framework dated December 13, 2013, acceptable to the World Bank, as published and available to the public on December 13, 2013 on the website www.agricultura.gov.br, which contains the environmental protection measures in respect of the Project, including: (a) protection of natural habitats and pest management; (b) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from
the carrying out of the Project; (c) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (d) the recommendation of mitigation measures for each negative impact identified; and (e) measures for enhancing each identified positive impact.

10. “MAPA” means Ministério da Agricultura, Pecuária e Abastecimento, the Member Country’s Ministry of agriculture, livestock and food supply.


12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 7, 2014 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.

13. “Project Operational Manual” means the manual referred to in Section I.B.1 of Schedule 2 to this Agreement.

14. “PMC” means the Project’s tripartite committee referred to in Section I.A.4 of Schedule 2 to this Agreement.

15. “SENAR” means Serviço Nacional de Aprendizagem Rural, a non-profit entity established pursuant the Member Country’s Law No. 8.315 of December 23, 1991, which was regulated by the Member Country’s Decree No. 566 of June 10, 1992, as amended.