

**CONFORMED COPY**

**GEF TRUST FUND NUMBER TF28309**

**Global Environment Facility  
Trust Fund Grant Agreement**

**(National Biodiversity Project)**

**between**

**FEDERATIVE REPUBLIC OF BRAZIL**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**acting as Implementing Agency of the Global Environment Facility**

**Dated June 5, 1996**

**GEF Trust Fund Number TF28309**

**GLOBAL ENVIRONMENT FACILITY  
TRUST FUND GRANT AGREEMENT**

AGREEMENT, dated June 5, 1996, between FEDERATIVE REPUBLIC OF BRAZIL (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an Implementing Agency of the Global Environment Facility (the GEF), in respect of grant funds provided to the Global Environment Facility Trust Fund (GEF Trust Fund) by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of its Executive Directors, established the GEF, to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

WHEREAS (B) following the restructuring of the GEF, such arrangements are continued in place on the basis set forth in Resolution No. 94-2 of the Executive Directors of the Bank, dated May 24, 1994 establishing the GEF Trust Fund;

WHEREAS (C) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GEF Trust Fund in the financing of the Project, and the Bank has determined that such assistance would be in accordance with the provisions of such Resolution 94-2;

WHEREAS (D) the GEF participants have approved this Project understanding that it is associated with the National Environmental Project which is being financed in part by the Bank pursuant to the Loan Agreement No. 3173-BR, dated August 16, 1990, between the Recipient and the Bank; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to make available to the Recipient a grant out of said grant funds (the GEF Trust Fund Grant) upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985 with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (c), (e), (f), (g), (i) and (k), 6.03, 6.04 and 6.06;
- (vii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07 and 9.08;
- (ix) Sections 10.01, 10.03 and 10.04;
- (x) Article XI; and
- (xi) Sections 12.01, 12.02, 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term 'Special Drawing Rights' and the symbol 'SDR' mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";

- (ii) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (8), 5.01 (a) and 6.02 (f) thereof, means the International Bank for Reconstruction and Development acting as an Implementing Agency of the Global Environment Facility;
- (iii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
- (iv) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (v) the term “Loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (vi) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account, an account opened by the Bank on its books in the name of the Recipient to which the amount of the GEF Trust Fund Grant is credited;
- (vii) the second sentence of Section 5.01 is modified to read:

“Except as the Bank and the Recipient shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or service supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”; and
- (viii) a new subparagraph (l) shall be added after subparagraph (k) in Section 6.02 as follows:

“(l) An extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF Trust Fund Grant.”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “CNPq” means Conselho Nacional de Desenvolvimento Científico e Tecnológico, the Recipient's Council for Scientific and Technological Development;

(b) “CNPq Arrangement” means the arrangement referred to in Section 3.01 (d) of this Agreement;

(c) “First-Round Subprojects” means the following projects, under Part B.1 of the Project, already approved by the Bank: (i) a project, to be carried out by Fundação de Apoio a Recursos Genéticos e Biotecnologia Dalmo Catauli Giacometti, for conservation of plant genetic resources, consisting of the development of a program for the sustainable management of selected wild plant species, chosen on the basis of their high conservation priority value and potential for sustainable economic use, and establishment of an initiative for the economic development of such genetic resources; (ii) a project, to be carried out by Fundação de Empreendimento Científico e Tecnologia, for the restoration and boundary stabilization of natural and partially degraded gallery forests in the Federal District and adjacent regions of the States of Minas Gerais and Goiás; (iii) a project, to be carried out by Sociedade para Proteção da Vida Selvagem to improve management of conservation units in the Atlantic Forest in the northeast of the State of Parana; (iv) a project, to be carried out by Fundação Universitária José Bonifácio, to develop a technical and scientific model for biodiversity conservation of the Atlantic Forest in the north of the State of Espírito Santo; and (v) a project, to be carried out by Fundação de Apoio ao Desenvolvimento da Universidade Federal de Pernambuco, to restore and conserve the threatened ecosystem of the eastern escarpment area in the States of Pernambuco and Paraíba;

(d) “Implementing Agreement” means any of the agreements referred to in Section 3.01 (e) of this Agreement;

(e) “Implementing Entity” means any entity which is selected, pursuant to the criteria set forth in the Operational Manual, to carry out a component of Part A or Part B of the Project, provided that: (i) the Implementing Entity selected to coordinate the carrying

out of Part A.3 of the Project is Fundação Tropical de Pesquisa e Tecnologia André Tosello; and (ii) the Implementing Entities selected to carry out the First-Round Subprojects are those indicated in paragraph (c) of this Section;

(f) “MMA” means the Recipient's Ministry of the Environment, Water Resources and the Legal Amazon;

(g) “Operational Manual” means the manual, satisfactory to the Bank, to be issued pursuant to the provisions of Section 5.01 (a) of this Agreement, containing, inter alia, the operating procedures for the execution of the Project, the criteria for selection of Implementing Entities and eligibility of Second-Round Subprojects and the activities under Parts A.1 and A.2 of the Project (such criteria to require, inter alia, that the Second-Round Subprojects follow appropriate environmental practices and address any sensitive social issue), indicators to monitor the progress of the Project, and the model form of Implementing Agreements;

(h) “PRONABIO” means Programa Nacional da Diversidade Biológica, the Recipient's National Program for Biodiversity, established pursuant to the Recipient's Decree N° 1.354 of December 29, 1994;

(i) “PRONABIO Coordinating Commission” means the commission which manages PRONABIO, pursuant to the Recipient's Decree referred to in the preceding paragraph of this Section;

(j) “Second-Round Subprojects” means projects, under Part B.2 of the Project, in the areas of: (i) biodiversity conservation; (ii) sustainable use of biodiversity; (iii) policy analysis of biodiversity conservation and sustainable use; and (iv) applied research and technology development in biodiversity conservation and sustainable use, which meet the eligibility criteria set forth in the Operational Manual;

(k) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(l) “Subgrant” means the grant to be provided under an Implementing Agreement;

(m) “Subproject” means either a First-Round Subproject or a Second-Round Subproject; and

(n) "Technical Secretariat" means the Coordenação Geral de Diversidade Biológica (General Coordination of Biodiversity), established within MMA pursuant to MMA's Portaria No. 328 of December 13, 1994.

## **ARTICLE II**

### **The GEF Trust Fund Grant**

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to six million and seven hundred and ten thousand Special Drawing Rights (SDR 6,710,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2001 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

## **ARTICLE III**

### **Execution of the Project**

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall: (i) through MMA, carry out Part C of the Project; and (ii) cause the Implementing Entities to carry out Parts A and B of the Project under the coordination of MMA, all with due diligence and efficiency, and in conformity with appropriate



administrative, financial and environmental practices and the provisions of the Operational Manual and the CNPq Arrangement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) For the purposes of the carrying out of the Project, the Recipient shall cause the PRONABIO Coordinating Commission to be responsible for setting policies and making decisions regarding the Project, with the assistance of the Technical Secretariat and CNPq, all as specified in detail in the Operational Manual.

(c) The Recipient shall maintain until Project completion the Technical Secretariat with responsibilities, structure and functions satisfactory to the Bank, and with staff in adequate numbers and with adequate qualifications, for purposes of assisting MMA in the carrying out of Part C of the Project, under the guidance of the PRONABIO Coordinating Commission.

(d) The Recipient shall cause MMA and CNPq to enter into arrangements, satisfactory to the Bank (the CNPq Arrangement), whereby CNPq shall undertake to be the Recipient's administrative agent under the Project, until the completion of the Project, with responsibility, inter alia, for entering into the Implementing Agreements and making disbursements of the Subgrants to the Implementing Entities, on behalf of the Recipient, all under the guidance of the Technical Secretariat.

(e) The Recipient shall, through CNPq, enter into agreements (the Implementing Agreements) with each Implementing Entity, whereby: (i) the Recipient shall undertake to transfer, on a grant basis, the proceeds of the GEF Trust Fund Grant required to finance the component of Part A or Part B of the Project under the responsibility of such Implementing Entity; and (ii) such Implementing Entity shall undertake to carry out such component as provided in this Agreement. The Implementing Agreements shall have terms and conditions satisfactory to the Bank, including those set forth in Schedule 5 to this Agreement.

(f) The Recipient, through CNPq, shall exercise its rights and comply with its obligations under each Implementing Agreement in such a manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant, and, except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce any such agreement.

Section 3.02. The Recipient shall obtain the Bank's approval to the text of any invitation for proposals for Second-Round Subprojects, before publishing such invitation.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the GEF Trust Fund Grant proceeds shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. The Recipient shall, not later than December 15 of each year until the completion of the Project, furnish to the Bank an annual operating plan satisfactory to the Bank (the POA), containing a statement of specific objectives to be achieved by the Project during the next succeeding year, and a detailed description of the activities to be carried out under the Project during such year.

Section 3.05. Without limitation to the provisions of Sections 9.01 and 9.07 of the General Conditions, the Recipient shall:

(a) furnish to the Bank, not later than March 31 and September 30 of each year until completion of the Project, a report, to be prepared as specified in the Operational Manual, on the progress of the Project during the respective calendar semester preceding the date of each such report;

(b) furnish to the Bank, not later than one month before the review referred to in paragraph (c) below shall take place, a report, to be prepared by an independent entity with qualifications and experience, and under terms of reference, satisfactory to the Bank, evaluating the progress of the Project until the date of such report and making recommendations for the completion of the Project;

(c) not later than the 36th month after the date of this Agreement, undertake, jointly with the Bank, an in-depth review of the progress in the execution of the Project and in the attainment of its objectives, such review to be based, inter alia, on the reports referred to in paragraphs (a) and (b) of this Section and on the performance indicators set forth in the Operational Manual; and

(d) take or cause to be taken all such action which shall have been agreed upon by the Recipient and the Bank, during the review referred to in paragraph (c) of this Section, as necessary for the efficient execution of the Project or the

attainment of its objectives, such action to be taken in the manner and within the timetable agreed upon during such review.

Section 3.06. The Recipient shall furnish to the Bank, not later than the Closing Date, a report, to be prepared by an independent entity with qualifications and experience, and under terms of reference, satisfactory to the Bank, evaluating the execution and the results of the Project.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which

the last withdrawal from the GEF Trust Fund Grant  
Account was

made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

## **ARTICLE V**

### **Effectiveness; Termination**

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) the Operational Manual has been issued;
- (b) the Technical Secretariat has become operational to the satisfaction of the Bank;
- (c) the CNPq Arrangement has been signed;
- (d) the POA for 1996 has been furnished to the Bank; and
- (e) the Implementing Agreements for the First Round Subprojects and for the carrying out of Part A.3 of the Project have been entered into between the respective parties thereto.

Section 5.02. The date September 5, 1996 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. This Agreement shall continue in effect until the parties to this Agreement shall have fulfilled all their obligations hereunder.

## **ARTICLE VI**

### **Representative of the Recipient; Addresses**

Section 6.01. The Recipient's Minister of Finance is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Procuradoria Geral da Fazenda Nacional  
Esplanada dos Ministérios - Bloco "P" - 8 andar  
70048-900 - Brasília - D.F.  
Brazil

Cable address:

Telex:

MINIFAZ  
Brasília, Brazil

611506

For the Bank:

Director, Country Department I  
International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI)  
64145 (MCI)



IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names, as of the day and year first above written.

FEDERATIVE REPUBLIC OF BRAZIL

By /s/ Adrienne Giannetti Nelson de Senna  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
Acting as Implementing Agency of the Global  
Environment Trust Fund

By /s/ Dennis J. Mahar  
Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the GEF Trust Fund Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR)</u>	<u>% of Expenditures to be Financed</u>
(1) Parts A.1 and A.2 of the Project:		
(a) Goods	337,000	100%
(b) Consultants' services	315,000	30%
(c) Recurrent costs	22,000	25%
(2) Part A.3 of the Project:		
(a) Works	42,000	100%
(b) Goods	384,000	100%
(c) Consultants' services	127,000	30%
(d) Recurrent costs	19,000	25%

<u>Category</u>	Amount of the Grant Allocated (Expressed in <u>SDR</u> )	% of Expenditures <u>to be Financed</u>
(3) Part B.1 of the Project:		
(a) Works	102,000	100%
(b) Goods	564,000	100%
(c) Consultants' services	349,000	30%
(d) Recurrent costs	136,000	25%
(4) Part B.2 of the Project:		
(a) Works	127,000	100%
(b) Goods	1,968,000	100%
(c) Consultants' services	1,060,000	30%
(d) Recurrent costs	196,000	25%
(5) Unallocated	962,000	
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TOTAL	6,710,000	
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2. For the purposes of this Schedule, the term "recurrent costs" means expenditures incurred, as a result of the execution of the Project, with office materials and supplies and transportation.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments:

(a) made for expenditures prior to the date of this Agreement;

(b) to be made by an Implementing Entity, unless the corresponding Implementing Agreement between the Recipient, through CNPq and such Implementing Entity has been signed; and

(c) to be made by an Implementing Entity in respect of a component of Part A.1 or Part A.2 of the Project or of a Second-Round Subproject, as the case may be, unless the Bank is satisfied that the recommendation for the eligibility of such component or Second-Round Subproject and for the selection of the corresponding Implementing Entity has been made in accordance with the provisions of the Operational Manual.

4. If the Bank shall have determined at any time that any payment out of the GEF Trust Fund Grant Account: (i) was made for an expenditure or in an amount not eligible pursuant to the provisions of this Agreement; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) refund to the Bank for deposit into the GEF Trust Fund Grant Account an amount equal to the amount of such payment or the portion thereof not so eligible or justified. If the Bank shall not be satisfied with the additional evidence referred to in (A) above, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account the corresponding amount not justified.

5. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) works; (b) goods costing less than \$300,000 equivalent; (c) consulting firms' services costing less than the equivalent of \$50,000; (d) individual consultants' services costing less than the equivalent of \$30,000; and (e) recurrent costs, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Recipient in undertaking a nationwide program for the conservation and sustainable use of biodiversity, by identifying priority actions, stimulating the development of activities which involve partnerships between public and private sectors, and disseminating biodiversity information.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree from time to time to achieve such objectives:

#### Part A: Biodiversity Assessments and Dissemination

1. Carrying out of biodiversity assessments through workshops and studies for the purposes of, inter alia, consolidating information on regional and national biodiversity, including endemic, threatened and vulnerable species, and identifying priority activities and opportunities for the conservation and sustainable use of biological resources.
2. Dissemination of the findings of the assessments referred to in Part A.1 above through, inter alia, the publication of maps and books and electronic media.
3. Establishment of a national biodiversity information network for the purpose of storing, updating and linking information generated in the assessments referred to in paragraph 1 above, and providing an efficient means of communication about environment conservation both nationally and internationally.

#### Part B: Subprojects

1. Carrying out of the First-Round Subprojects.
2. Carrying out of the Second-Round Subprojects.

#### Part C: Project Administration

1. Management and coordination of Project activities.

2. Evaluation and integration of the results of the assessments referred to in Part A.1 of the Project.

3. Provision of support for the preparation of a national biodiversity strategy.
4. Monitoring and supervision of the carrying out of Parts A and B of the Project.
5. Dissemination of Project's results.

\* \* \*

The Project is expected to be completed by June 30, 2001.

### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

##### Section I. Procurement of Goods and Works

##### Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

##### Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto. The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto (preference for domestically manufactured goods) shall apply to goods manufactured in Brazil to be procured under contracts awarded in accordance with the provisions of the first sentence of this Part B.

##### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

Goods estimated to cost less than the equivalent of \$300,000 may, and works shall, be procured under contracts awarded in accordance with the provision of paragraphs 3.3 and 3.4 of the Guidelines. In the procurement of goods and works in accordance with this Part B.1, bidding documents acceptable to the Bank, in standardized form for the Project shall be used.

Without limitation to any other provisions set forth in this Schedule or the Guidelines, the following shall apply to the procurement of goods and/or works to be undertaken pursuant to this Part C.1:

(a) contracts shall be awarded to the bidder whose bid has been determined to be the lowest evaluated bid, such evaluation to be based on price and,



whenever appropriate, to also take into account factors similar to those referred to in

paragraph 2.51 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid;

(b) whenever required by the Bank, the invitation to bid shall be advertised for at least three consecutive days in a newspaper of wide circulation in Brazil;

(c) the arrangements, under the invitation to bid, for joint-ventures (consórcios) of Brazilian and foreign firms shall be approved in advance by the Bank in each case;

(d) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices;

(e) the purchaser shall not, without the Bank's prior approval, issue any change order under a contract which would increase or decrease by more than 15% the quantity of goods (and related services) without any change in the unit prices or other terms and conditions of sale.

## 2. National and International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of national or international shopping procedures, at the option of the Implementing Entity, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

## 3. Procurement of Small Works

Works estimated to cost less than \$300,000 equivalent per contract may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable.

The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

4. Direct Contracting

(a) Goods and services under recurrent costs, as defined in paragraph 2 of Schedule 1 to this Agreement, may be directly purchased from a supplier of such goods or services.

(b) Goods and works referred to in paragraphs 2 and 3 above may be directly procured from a supplier or contractor, as the case may be, whenever there are less than three suppliers or contractors, as the case may be, willing to present quotations.

The aggregate amount of contracts to be awarded pursuant to this Part B.4 shall not exceed the equivalent of \$2,500,000.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for a component of Part A of the Project or a Subproject, as the case may be, shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works in respect of such component or Subproject shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to each contract to be awarded pursuant to the provisions of Part B of this Section.

3. Post Review

The procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply to all contracts not governed by paragraph 2 of this Part D.

## Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank.

Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$50,000 equivalent each; or (b) contracts for the employment of individual consultants estimated to cost less than \$30,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$50,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$30,000 equivalent or above.

## **SCHEDULE 4**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the amount of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term "Authorized Allocation" means the amount equivalent to \$500,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.
    - (b)
      - (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
      - (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this

Schedule for the payment or payments in respect of  
which replenishment is requested. On

the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund

Grant allocated to the eligible Categories shall



follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

## SCHEDULE 5

### Implementing Agreements

The Implementing Agreements shall provide that the Recipient, through CNPq, shall have the right to:

(a) require the Implementing Entity to carry out its component of the Project with due diligence and efficiency and in accordance with appropriate administrative, financial and environmental practices and the provisions of the Operational Manual;

(b) require that:

(i) the goods, works and consultants' services to be financed out of the proceeds of the GEF Trust Fund Grant shall be procured in accordance with the provisions of Schedule 3 to this Agreement; and

(ii) such goods, works and consultants' services shall be used exclusively for the purposes of such component of the Project;

(c) require the Implementing Entity to maintain records and separate accounts adequate to reflect in accordance with sound accounting practices its operations, resources and expenditures in respect of the corresponding component of the Project;

(d) inspect, by itself or allow representatives of the Bank to inspect, the goods, works, sites and facilities included in such component of the Project, the operation thereof and any relevant records and documents;

(e) obtain all such information as the Recipient or the Bank shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Implementing Entity and to the benefits derived from such component of the Project;

(f) suspend or terminate the right of the Implementing Entity to the use of the proceeds of the Subgrant upon failure by the Implementing Entity to perform any of its obligations under the Implementing Agreement; and

(g) require that the Implementing Entity refund to the Recipient any amount of the Subgrant which may have been used to pay any expenditure not consistent with the provisions of the Implementing Agreement.