



W. 7414 - BR

June 25, 2013

His Excellency
Mr. Simão Robinson Oliveira Jatene
Governor
Office of the Governor of the State of Pará
Rodovia Augusto Montenegro, Km 9 , Palácio dos Despachos
66823-010 Belém, Pará
Brazil

Excellency,

Re: Pará Integrated Rural Development Project - Loan No. 7414-BR
First Amendment of the Loan Agreement

We refer to the Loan Agreement (the “Loan Agreement”) entered into between the State of Pará (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”), and the Guarantee Agreement entered into between the Federative Republic of Brazil (the “Guarantor”) and the Bank, dated November 7, 2007, all for the above-captioned Project (the “Project”). Please note that capitalized terms used in this letter (the “Amendment Letter”) not defined herein have the meaning ascribed to them in the Loan Agreement.

We also refer to the letter from the Borrower dated April 11, 2013 and COFIEX letter of Recommendation No.10/0236 dated May 8, 2013, wherein a request is made to (i) amend the Loan Agreement in order to modify the scope of the Project development objective, modify the Project activities and modify the Project institutional arrangements; and (ii) cancel twenty two million two hundred seventy five thousand five hundred fifty eight United States dollars (US\$ 22,275,558) from the above mentioned Loan.

We are pleased to inform you that the Bank acknowledges your partial cancellation request as of April 12, 2013, pursuant to the provisions of Section 7.01 (Cancellation by the Borrower) of the General Conditions, and agrees to amend the Loan Agreement as follows:

1. Section 3.01 is hereby amended to read in its entirety as follows:

“3.01 The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall:

- (a) through the PMU: (i) cause Producer Associations to carry out Part 1 of the Project, with the participation of BANPARÁ as a financial agent for the purposes of financing the implementation of Part 1.B of the Project; and (ii) carry out Parts 3 and 4 of the Project, with the assistance of SEPOF with respect to Part 3 of the Project;
- (b) through SEMA, carry out Part 2.A of the Project; and



(c) cause ITERPA to carry out Part 2.B of the Project, with the assistance of EMATER, and, whenever necessary, other specialized entities, under terms and conditions acceptable to the Bank.

all in accordance with the provisions of Article V of the General Conditions.”

2. Section 5.02 is hereby amended to read in its entirety as follows:

“5.02. The Borrower’s Address is:

Gabinete do Governador do Estado do Pará
Rodovia Augusto Montenegro, Km 9 , Palácio dos Despachos
66823-010 Belém, Pará
Brazil

Facsimile: (55-91) 3248-1575
With copy to:

Secretaria Especial de Estado de Desenvolvimento Econômico e Incentivo à Produção
Av. Nazaré, 871, 3º andar
66040-145 Belém, Pará
Brazil

Facsimile: (55-91) 3201-3683

SEAIN – Secretaria de Assuntos Internacionais do Ministério do Planejamento
Orçamento e Gestão
Esplanada dos Ministérios – Bloco K – 5º andar
70040-906 Brasília, Distrito Federal
Brazil

Facsimile: (55-61) 3225-4022

3. Schedule 1 to the Loan Agreement is hereby amended and replaced to read in its entirety as set forth in Annex A to this Amendment Letter.

4. Section I.A.2.(a) of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“2. (a) For purposes of the carrying out of Part 1.B of the Project, the Borrower shall: (i) transfer a portion of the proceeds of the Loan to BANPARÁ under a subsidiary agreement (the BANPARÁ Agreement) to be entered into between the Borrower and BANPARÁ, under terms and conditions acceptable to the Bank, setting forth their respective roles and responsibilities regarding the implementation of such Part of the Project and establishing that BANPARÁ shall serve as the financial agent of the Borrower for the purposes of financing the carrying out of Income Generation Subprojects, Environmental Rehabilitation Subprojects, and Complementary Infrastructure Subprojects; and (ii) after having approved a PIP, cause BANPARÁ to enter into an agreement (the PIP Agreement) with the relevant Producer Association providing for a loan and/or grant, as the case may be, to such Producer Association to finance the carrying out of the Income Generation Subprojects, Environmental Rehabilitation Subprojects, and Complementary Infrastructure Subprojects included in

such PIP, such PIP Agreement to be based in the model agreement set forth in the Operational Manual; and”

5. Section I.B.1.(a) of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“(a) maintain, until completion of the Project, the unit within SEDIP (the PMU), created by the Borrower’s Law No. 6797, of November 16, 2005, with staff, structure and functions satisfactory to the Bank, responsible for the management, coordination, supervision, monitoring and evaluation of the Project, including, without limitation, approval of PIPs, carrying out of feasibility studies, environmental screening, procurement oversight, disbursement and accounting procedures;”

6. Section I.B.1.(b) of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“(b) maintain, until completion of the Project, a Steering Committee (*Comitê Gestor*) with structure and functions satisfactory to the Bank, presided over by the Borrower’s Secretary of SEDIP and composed of other Borrower government representatives and representatives of civil society, for the supervision and decision making regarding Part 1 of the Project, all in accordance with the provisions of the Operational Manual;”

7. Section I.B.2 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“2. (a) The Borrower shall carry out the Project in accordance with the provisions of: (i) the Environmental Impact Assessment; (ii) the Resettlement Framework; (iii) the Indigenous Peoples and *Quilombolas* Framework; (iv) the Forestry and Natural Habitats Framework; and (v) the manual, dated June 22, 2006 (the Operational Manual), which contains the policies and procedures for the carrying out, monitoring and evaluation of the Project, including, *inter alia*: (1) the organizational structure of the Project; (2) the Project procurement and financial management requirements and procedures; (3) the indicators to be used for Project monitoring and evaluation; (4) the criteria and procedures for the preparation and approval of PIPs and the procedures for the carrying out of the Subprojects; and (5) the model forms of the PIP Preparation Agreements, PIP Agreements and Zoning Arrangements. In case of any inconsistency between any provision of the Operational Manual and this Agreement, the provision of this Agreement will prevail.

(b) The Borrower shall and shall cause to ensure that the terms of reference for any consultancy in respect to Part 3 B of the Project shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the World Bank Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

8. Section I.B.5 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“5. The Borrower shall: (a) have the procurement procedures and related contract execution performance in respect of a sample of contracts under Part 1 of the Project audited by procurement auditors acceptable to the Bank, in accordance with terms of reference satisfactory to the Bank; (b) furnish to the Bank as soon as available, but in any

case not later than six (6) months after the occurrence of each such audit, the report of such procurement audit by said auditors; and (c) furnish to the Bank such other information concerning said procurement audit as the Bank may reasonably request.”

9. The table on Section IV.A.2 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods	4,500,432	100%
(2) Works and non-consultant services	9,574,498	100%
(3) Consultants' services and training (including the audits referred to in Part 4 C of Schedule 1 to this Agreement)	8,417,157	100%
(4) Subprojects	13,126,875	100% of the cost each Subproject
(5) Administrative Costs:		100%
(a) under Part 2.A (2) of the Project	291,859	
(b) other than under Part 2.A (2) of the Project and Subprojects	1,663,621	
(6) Front-end Fee	150,000	Amount due under section 2.03 of this Agreement
(7) Premia for Interest Rate Caps and Collars	0	Amount due under section 2.07 (c) of this Agreement
(8) Unallocated	0	
Subtotal	37,724,442	
Cancelled as of April 12, 2013	22,275,558	
TOTAL	60,000,000	

10. Section IV.B.2 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“2. The Closing Date is December 31, 2014. The Bank will only grant an extension of the Closing Date after the Guarantor’s Ministry of Finance has informed the Bank that it agrees with such extension.”

11. The Appendix to the Loan Agreement is hereby amended and replaced to read in its entirety as set forth in Annex B to this Amendment Letter.

Please confirm your agreement with the foregoing amendment by signing and dating the two originals of this Amendment Letter in the spaces provided below. Henceforward, all the provisions of the Loan Agreement except as amended through this Amendment Letter shall remain in full force and effect.

Upon confirmation, please return one fully executed original to us. The provisions set forth in this Amendment Letter shall become effective as of the date of the countersignature upon compliance by the Recipient of the following conditions: (i) one fully executed original of this Amendment Letter has been delivered to the Bank; (ii) evidence, acceptable to the Bank, that an amendment to the BANPARÁ Agreement has been entered into by the parties thereto and is in full effect and a copy of such amendment has been delivered to the Bank.

Please also note that: (i) the approved Restructuring Paper as approved by the Bank on June 24, 2013, will be disclosed on the Bank’s external website, and (ii) Schedule 3 to the Loan Agreement is being revised by the Bank as a result of the cancellation, and the revised figures will be sent to you promptly following the signing of this Amendment Letter.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By:


Deborah L. Wetzel

Director

Brazil

Latin America and the Caribbean Region

AGREED:

STATE OF PARÁ

By:


Authorized Representative

Name: SIMÃO ROBISON DE OLIVEIRA JATENE

Title: GOVERNADOR ESTADO PARÁ

Date: 27/06/2013

cc: Mr. Roberto B. Tan, Executive Director for Brazil, The World Bank
Mr. Rogério Studart, Alternate Executive Director for Brazil, The World Bank
Mr. Nelson Henrique Barbosa Filho, Executive Secretary, MF – Fax: 3412-1824
Mr. Marcelo Estrela Fiche, Chief of Staff, MF – Fax: 3412-2525
Ms. Adriana Queiroz de Carvalho, Attorney General, PGFN/MF – Fax: 3412-1740
Mr. Arno Augustin Filho, Secretary, National Treasury, STN/MF – Fax: 3412-1717
Mr. João Guilherme Machado, Secretary of External Affairs, SEAIN/MP - Fax: 2020-5047
Mr. Carlos Márcio Bicalho Cozendey, Secretary, SEAIN/MF – Fax: 3412-1722
Ms. Eva Maria Cella Dal Chiavon, Executive Secretary, MP – Fax: 2020-5003

SCHEDULE 1

Project Description

The objective of the Project is to increase the income derived from productive activities by beneficiary rural producers, while contributing to improving environmental management and land administration in the Borrower's territory.

The Project constitutes the first phase of the Program, and consists of the following parts:

Part 1: Productive Investments

- A. Preparation, through the provision of technical assistance, of PIPs.
- B. Carrying out of: (1) Income Generation Subprojects; (2) Environmental Rehabilitation Subprojects; and (3) Complementary Infrastructure Subprojects.

Part 2: Territorial Development

- A. Promotion of the efficient and sustainable use of natural resources and the conservation of biodiversity in the Borrower's territory, through:
 - (1) the development of a legal and regulatory framework for ecological and environmental zoning and land management;
 - (2) the detailing of the zoning plan, at a scale of 1:250,000 or greater, for the land area designated for consolidation or recuperation, as described in the Operational Manual, in accordance with the Macro Zoning Law and the Guarantor's regulations on the subject;
 - (3) the strengthening of SEMA, including, *inter alia*: (i) the provision of training and equipment; (ii) the carrying out of studies and the development of new information systems; and (iii) the improvement of environmental planning and management processes.
- B. Provision of support for the strengthening of ITERPA and the implementation of a new model of land administration in the Borrower's territory, through:
 - (1) the carrying out of activities aimed at the modernization of ITERPA's infrastructure and technical base, including: (i) the acquisition and development of information technology systems and equipment; (ii) the provision of training for staff and contractors; and (iii) the technical integration of the Borrower's land registry with the Guarantor's rural land registry;
 - (2) the improvement of a the system of land administration, through the registration of land parcels and the issuing of titles for additional land parcels using the Guarantor's standards;

- (3) titling of selected small rural producers' lands; and
- (4) the creation of an ombudsman office (*ouvidoria*) as a mechanism for hearing public complaints on land management issues.

Part 3: Policy Development

- A. Carrying out of studies to monitor income and analyze selected agricultural value-chains to facilitate the development of plans for poverty alleviation in the Borrower's territory.
- B. Carrying out of strategic policy studies to improve territorial development in the Borrower's territory.

Part 4: Project Management, Monitoring and Communication

- A. Operation of the PMU.
- B. Carrying out communication activities to disseminate information concerning the Project.
- C. Monitoring of the Project pursuant to agreed performance indicators, including the carrying out of procurement and Project audits.
- D. Design and maintenance of the MIS and generation of periodic reports on the progress of the Project.

APPENDIX - DEFINITIONS

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “BANPARÁ” means *Banco do Estado do Pará*, the Borrower’s Bank, established pursuant to the Borrower’s Law No. 1819, of November 30, 1959.
3. “BANPARÁ Agreement” means the agreement to be entered into between the Borrower and BANPARÁ and referred to in paragraph A.2 (a) (i) of Section I of Schedule 2 of this Agreement, as said agreement may be amended from time to time with the agreement of the Bank.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Complementary Infrastructure Subproject” means any Subproject included in a PIP which consists of investments in minor infrastructure works required for a successful implementation of the Income Generation Subprojects included in such PIP.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “EMATER” means *Empresa de Assistência Técnica e Extensão Rural do Estado do Pará*, the Borrower’s Agricultural Extension Agency, established by the Borrower’s Law 4669, of November 9, 1976.
8. “Environmental Impact Assessment” means the assessment prepared by the Borrower, dated October 7, 2005, which sets out the environmental protection measures in respect of the Project, including those related to pest management.
9. “Environmental Rehabilitation Subproject” means any investment on environmental rehabilitation activities, such as reforestation, reclamation of degraded land, improved land management practices and agroforestry, which is included in a PIP.
10. “Forestry and Natural Habitats Framework” means the framework prepared by the Borrower, dated October 7, 2005, which sets out protection measures to forest and natural habitats in respect of the Project.
11. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 as amended through October 17, 2007.
12. “Income Generation Subproject” means any Subproject included in a PIP aimed at generating employment and income for a Producer Association.
13. “Indigenous Peoples and *Quilombolas* Framework” means the framework prepared by the Borrower, dated October 7, 2005, which sets out the measures to be taken to ensure that indigenous peoples and *Quilombolas* will not be harmed by the Project and to ensure their

participation and involvement in the implementation and monitoring of the Project as it affects them.

14. "ITERPA" means *Instituto de Terras do Pará*, the Borrower's Land Management Institute, an autonomous entity under the supervision of SAGRI, established by the Borrower's Law No. 4584, of October 8, 1975, as amended through the Borrower's Law No. 7022 dated July 24, 2007.
15. "ITERPA Agreement" means the agreement to be entered into between the Borrower and ITERPA and referred to in paragraph A.3 of Section I of Schedule 2 of this Agreement.
16. "Macro Zoning Law" means the Borrower's Law No. 6.745, dated May 6, 2005, which establishes the economic/ecologic macro-zoning of the Borrower's territory.
17. "MIS" means the management and information system to be established by the Borrower to record and compile financial and physical data related to the Project, as well as to issue periodic reports as specified in the Operational Manual.
18. "Operational Manual" means the manual referred to in paragraph B.2 (e) of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank;
19. "PIP" means a productive investment plan to be prepared by a Producer Association that includes Subprojects to be financed under the Project; such plan could include a mixture of Income Generation Subprojects, Environmental Rehabilitation Subprojects and Complementary Infrastructure Subprojects.
20. "PIP Agreement" means any of the agreements referred to in paragraph A.2 (a) (ii) of Section I of Schedule 2 to this Agreement.
21. "PIP Preparation Agreement" means any of the agreements referred to in paragraph A.1 of Section I of Schedule 2 to this Agreement.
22. "PMU" means the Project management unit within SEDIP referred to in paragraph B.1 (a) of Section I of Schedule 2 to this Agreement.
23. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004, as revised in October 2006.
24. "Procurement Plan" means the Borrower's procurement plan for the Project, dated June 22, 2006, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
25. "Producer Association" means a group formed by either agricultural and non-agricultural producers, organized in associations, cooperatives, unions or any other form of incorporation with a legal personality (*pessoa jurídica*), duly established in the Borrower's territory in accordance with the applicable Brazilian laws.
26. "Program" means the program designed to implement mechanisms aimed at increasing the income of rural poor population of the Borrower in a sustainable and secure environment,

as set forth or referred to in the letter dated January 27, 2006, from the Borrower to the Bank.

27. “*Quilombolas*” means the groups of Brazilians of African descent living in homogeneous village groups mainly in rural areas in the Borrower’s territory.
28. “Resettlement Framework” means the policy framework for population resettlement, dated October 7, 2005, prepared by the Borrower, which sets out the policies and procedures that shall apply to the preparation and carrying out of any population resettlement action plan that may be required under the Project.
29. “SAGRI” means *Secretaria de Estado de Agricultura*, the Borrower’s Secretariat of Agriculture, established by the Borrower’s Law No. 699, of November 6, 1963, as amended through Borrower’s Law No. 6674 of August 2, 2004.
30. “SEMA” means *Secretaria de Estado de Meio Ambiente*, the Borrower’s Secretariat of Environment, established by the Borrower’s Law No. 7026, of July 30, 2007.
31. “SEDIP” means *Secretaria Especial de Estado de Desenvolvimento Econômico e Incentivo à Produção*, the Borrower’s Special Secretariat for Economic Development and Productive Incentives, established by the Borrower’s Law No. 7543 of July 20, 2011.
32. “SEPOF” means *Secretaria Executiva de Estado de Planejamento, Orçamento e Finanças*, the Borrower’s Secretariat of Planning, Budget and Finance, established by the Borrower’s Law No. 6565, of August 1, 2003
33. “Subproject” means an Income Generation Subproject, an Environmental Rehabilitation Subproject or a Complementary Infrastructure Subproject.
34. “World Bank Safeguard Policies” means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.worldbank.org/opmanual.
35. “Zoning Arrangement” means any of the arrangements referred to in paragraph A.4 of Section I of Schedule 2 to this Agreement.
36. “Zoning Partner” means any federal, state and/or municipal public institution with capacity for preparation and/or implementation of zoning activities.