

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF095979

Global Environment Facility Trust Fund Grant Agreement

(Rio Grande do Sul Biodiversity Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility**

and

STATE OF RIO GRANDE DO SUL

Dated May 25, 2010

GEF TRUST FUND GRANT NUMBER TF095979

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT dated May 25, 2010, entered into between:

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as an implementing agency of the Global Environment Facility (“GEF”); and STATE OF RIO GRANDE DO SUL (“Recipient”).

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), with the modifications set forth in the Appendix to this Agreement, constitute an integral part of this Agreement.
- 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, through SEMA, shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient, through SEMA, shall carry out the Project 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 five million United States Dollars (\$5,000,000) (“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. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Recipient’s State Secretary for Environment.
- 3.03. The Grant is funded out of a trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Additional Remedies

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:
 - (a) The World Bank has declared the Recipient ineligible to be awarded a contract financed by the World Bank.
 - (b) The Project Implementation Unit’s Regulation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.
 - (c) The FEPAM Legislation or the FZB Legislation have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement or under the Cooperation Agreements.
 - (d) The EMATER/RS Articles of Incorporation or the TNC Articles of Incorporation have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement or under the Cooperation Agreements.

(e) The Steering Committee Regulation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.

Article V
Effectiveness; Termination

5.01. 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 execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and administrative action.

(b) The Project Operational Manual has been adopted by the Recipient in form and substance satisfactory to the World Bank.

(c) The Cooperation Agreements have been signed on behalf of EMATER/RS, FEPAM, FZB and TNC and the Recipient in form and substance satisfactory to the World Bank and the execution and delivery of said Cooperation Agreements on behalf of EMATER/RS, FEPAM, FZB and TNC and the Recipient has been duly authorized or ratified by all necessary governmental, administrative and corporate action.

(d) The Project Implementation Unit's Regulation has been adopted and published in form and substance satisfactory to the World Bank.

(e) The Steering Committee's Regulation has been adopted and published in form and substance satisfactory to the World Bank.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a) or (c) of this Agreement, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank, showing the following matters:

(a) on behalf of the Recipient, that this Agreement and the Cooperation Agreements have been duly authorized or ratified by, and signed and delivered on its behalf and are legally binding upon it in accordance with their terms; and

(b) on behalf of EMATER/RS, FEPAM, FZB and TNC that the Cooperation Agreements have been duly authorized or ratified by, and signed and delivered on their behalf and are legally binding upon EMATER/RS, FEPAM, FZB and TNC in accordance with their terms.

- 5.03. 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 5.01 (“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.
- 5.04. *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, 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.

Article VI
Recipient’s Representative; Addresses

- 6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Governor.
- 6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Secretaria do Meio Ambiente - SEMA
Rua Carlos Chagas, 55 – 9º andar
Centro
Porto Alegre, Rio Grande do Sul, 90030-020
Brazil

Facsimile:
(55-51) 3288-8125

With copies to:

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

Facsimile:
(55-61) 2020 5006

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the
Global Environment Facility

By /s/ Mahtar Diop

Authorized Representative

STATE OF RIO GRANDE DO SUL

By /s/ Yeda Rorato Crusius

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to promote the conservation and restoration of the biodiversity in the grassland ecosystem in the Recipient's territory by mainstreaming biodiversity conservation within forestry, agriculture and livestock productive landscapes.

The Project consists of the following parts:

Component 1. On-Farm Biodiversity Mainstreaming

Rationalize land conversion processes while promoting the adoption of biodiversity conservation practices in the main productive systems of the grasslands by:

- (a) establishing demonstration units within the productive private sector of the grasslands to facilitate sound management and conservation practices for selected farms or groups of farms in Project priority areas; and
- (b) implementing subprojects (the Subprojects) based on the experience of the demonstration units to support investments for biodiversity conservation and sustainable production practices by local producers (the Beneficiaries) in the Recipient's territory, including with respect to integrated management of grasslands, native bees, water management, agro-forestry systems, habitat restoration with native species, organic farming, medicinal plants, ecological farming of grains, rural tourism, native biodiversity use and processing, certification and eco-labeling, *inter alia*.

Component 2. Biodiversity Management

Strengthen the capacity of the Recipient's institutions responsible for biodiversity conservation to promote the conservation and responsible use of biodiversity in the grasslands (including threatened species and protected areas) through improved management capacity by:

- (a) protecting species and sites in the Recipient's protected areas through the preparation and implementation of management plans (including ecological assessments, demarcation, infrastructure investments, enforcement and control, awareness campaigns, monitoring based on geographic information systems, baseline information to monitor Project implementation and creation of management councils) to ensure sound decision-making, monitoring and reporting and promote the protection of endemic, rare or threatened species or those of economic, scientific or medical interest based on ecosystem fragility, key sites and/or buffer zones of conservation units;

(b) improving the Recipient's regulatory framework and promoting institutional strengthening through studies on the development of payments for environmental services and models for economic valuation of biodiversity management, *inter alia*; the development of strategies for private land stewardship initiatives and incentives for biodiversity conservation practices; and appropriate training for operational managerial staff in the Recipient's agency to ensure sustainability of the Project's impacts after implementation; and

(c) increasing environmental awareness and promoting information on biodiversity through formal education network and local interest groups within priority areas in the Recipient's territory, including the acquisition of educational material for children and teachers and the production and dissemination of manuals, magazines and videos, as well as communication campaigns, educational events, technical assistance and training activities.

Component 3. Project Management

Provide support, including technical assistance and equipment, for coordination, management and monitoring activities under the Project to the Project Implementation Unit to carry out all managerial and operational procedures as well as external communication needed to coordinate, implement and monitor the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. General

1. The Recipient, through SEMA, shall carry out the Project, in accordance with the Project Operational Manual, including the Annual Operational Plans, the Environmental Management Assessment, the Indigenous Peoples Framework and the Procurement Plan, and except as the World Bank shall otherwise agree, shall not amend or waive any provision of these documents without the World Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.
2. The Recipient shall maintain the Project Implementation Unit within SEMA, until the completion of the execution of the Project, with competent staff in adequate numbers and with responsibilities under the Project satisfactory to the World Bank, and in accordance, as applicable, with the provisions of Section III of this Schedule, including the following key staff: a Project coordinator, a technical coordinator, a procurement specialist, a financial management specialist, and a communication specialist.
3. The Recipient shall maintain until the completion of the execution of the Project, the Steering Committee with responsibilities under the Project satisfactory to the World Bank, including general strategic oversight functions and with at least bi-annual meetings whose reports shall be sent to the World Bank.
4. At least once a year during Project implementation on or about November 30, commencing on any such date after the Effective Date, or such other date as the World Bank shall agree upon, the Recipient, through the Project Implementation Unit, shall furnish to the World Bank an annual operational plan satisfactory to the World Bank (the Annual Operational Plan) for the Project for the following twelve months (and thereafter carry out such plan according to its terms).
5. On or about January 30, 2013, or such other date as the World Bank shall agree upon, the Recipient shall: (a) carry out jointly with the World Bank and with the Steering Committee a mid-term review of the implementation of operations under the Project (Midterm Review) which shall cover the progress achieved in the implementation of the Project; and (b) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by the World Bank.

6. The Recipient shall: (a) have all the procurement records and documentation for each fiscal year of the Project audited, in accordance with appropriate procurement auditing principles by independent auditors 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 fiscal year, the procurement audit report of such audit by said auditors, 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 and the procurement audit thereof as the World Bank shall from time to time reasonably request.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Cooperation Agreements

1. To facilitate the carrying out of respectively Components 1 and 2 of the Project, the Recipient, through SEMA, shall sign with EMATER/RS, FEPAM, FZB and TNC, respectively, and thereafter implement and maintain cooperation agreements (“the Cooperation Agreements”) under terms and conditions acceptable to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient, and with adequate rights as further described in the Project Operational Manual and in the Cooperation Agreements model form included in said Project Operational Manual.
2. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Cooperation Agreements or any of their provisions without the World Bank’s prior written approval. In case of any conflict between the terms of the Cooperation Agreements and those of this Agreement, the terms of this Agreement shall prevail.

D. Subprojects

1. The Recipient, through SEMA, shall cause EMATER/RS to make sub-grants (the Sub-grants) for Subprojects to Beneficiaries in accordance with eligibility criteria and procedures acceptable to the World Bank as further detailed in the Project Operational Manual.
2. The Recipient, through SEMA, shall cause EMATER/RS to enter into Sub-grant Agreements appropriate for the carrying out of Component 1 (b) of the Project, such agreements to be made in accordance with terms of the respective draft set forth in model forms approved by the World Bank and included in the Project

Operational Manual, in which EMATER/RS shall obtain rights and accept obligations adequate to protect its interests and those of the World Bank, including the right or obligation to: (1) suspend or terminate the right of a Beneficiary to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement; and (2) require each Beneficiary to: (a) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient, the plans derived from the Environmental Management Assessment and from the Indigenous Peoples Framework; (b) provide, promptly as needed, the resources required for the purpose; (c) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of this Agreement; (d) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Subproject and the achievement of its objectives; (e) (i) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the World Bank for community driven initiatives, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (ii) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; (f) enable SEMA and the World Bank to inspect any Subproject, its operation and any relevant records and documents; and (g) prepare and furnish to SEMA and the World Bank all such information as the Recipient, through SEMA, or the World Bank shall reasonably request relating to the foregoing.

3. The Recipient, through SEMA, shall cause EMATER/RS to exercise its rights and obligations under each Sub-grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Project. Except as the World Bank shall otherwise agree, the Recipient shall ensure that EMATER/RS does not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

E. Safeguards.

1. Environmental Management Assessment

The Recipient shall, through the Project Implementation Unit: (a) implement the Project in accordance with the Environmental Management Assessment (including provisions for natural habitats, pest management, and chance finding

of cultural property); and (b) adopt the procedures detailed in said Environmental Management Assessment for environmental screening, evaluation and monitoring of Subprojects through the preparation of an Environmental Management Plan for each Subproject.

2. Indigenous Peoples Framework

The Recipient shall through the Project Implementation Unit: (a) implement the Project in accordance with the Indigenous Peoples Framework; (b) adopt the procedures detailed in said Indigenous Peoples Framework for screening, evaluation and monitoring of Subprojects, through the preparation of an Indigenous Peoples Plan for each Subproject.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient, through the Project Implementation Unit, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in the Project Operational Manual. 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, through the Project Implementation Unit, 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. In order to assist the Implementing Entity in preparing the Completion Report, the Recipient shall employ consultants whose qualifications, experience and terms of reference are acceptable to the World Bank.

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 not later than forty five days after the end of each quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements of the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions.

Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank no later than six months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works, non-consultant services and consultant 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 for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 (“Procurement Guidelines”) in the case of non-consultant services, goods and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”) in the case of consultant services; and
- (b) the provisions of this Section III, as the same shall be elaborated in the procurement plans prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plans”).

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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

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

2. Other Methods of Procurement of Goods, Works and Non-Consultant Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for non-consultant services, goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Community Participation

Contracts awarded on the basis of National Competitive Bidding are subject to the following additional procedures, namely that the bidding documents shall be acceptable to the World Bank.

C. Particular Methods of Procurement of Consultant Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultant services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultant Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection under a Fixed Budget
(b) Least-Cost Selection
(c) Selection based on Consultants' Qualifications
(d) Single-source Selection
(e) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(f) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the World Bank of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the

Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed inclusive of Taxes
(1) Goods, works, Non-consultant Services, Consultant services, Workshops and Training	4,500,654	100%
(2) Operating Costs for the Project Implementation Unit	499,346	100%
TOTAL AMOUNT	5,000,000	

3. For the purposes of this table:

(a) the term "Operating Costs" means recurrent costs of the Project, associated with the implementation, monitoring and evaluation under Component 3 of the Project by the Project Implementation Unit, including: (i) operation and maintenance of vehicles, repairs, fuel and spare parts; (ii) equipment and computer maintenance; (iii) shipment costs (whenever these costs are not included in the cost of goods); (iv) office supplies and equipment; (v) rent for office facilities; (vi) utilities and communications; and (vii) travel, accommodation and per diem costs for technical staff carrying out supervisory and quality control activities;

(b) the term “Training” means the costs, which would not have occurred absent the Project, including, *inter alia*, information workshops, communication campaigns and training programs under the Project, equipment and rental of training facilities required for training purposes and the travel, accommodation and per diem costs for trainers and trainees, but excluding expenditures for salaries and related benefits; and

(c) the term “Non-consultant Services” means the reasonable expenditures incurred on account of Project implementation to cover reasonable costs of rental of software, data collection services and other services which are not rendered by consultants and which are not covered in the definitions of Operating Costs and Training as set forth in paragraphs (a) and (b) above.

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 \$500,000 equivalent may be made for payments made within twelve months prior to such date for Eligible Expenditures under Categories (1) and (2).
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is February 28, 2015.

Section V. Other Undertakings

The Recipient shall, no later than six months after the Effective Date, hire the independent auditors required pursuant to Sections I.A.6 and II.B.3. above, under terms of reference and with qualifications and experience satisfactory to the World Bank and in accordance with the provisions of Section III above.

APPENDIX

Modifications to the Standard Conditions – Definitions

Section I. Modification to the Standard Conditions

The Standard Conditions are modified as follows:

1. The reference to “Member Country” in the Standard Conditions means the Federative Republic of Brazil.
2. The provisions of Section 5.03, *Arbitration*, are deleted in their entirety and replaced by the following:

"Section 5.03. *Arbitration*. Any dispute, controversy, or claim arising out of or relating to the Grant Agreement, which has not been settled by agreement of the parties, shall be submitted to arbitration in accordance with the UNCITRAL Arbitration Rules in effect on the date of the Grant Agreement, and the following provisions: (a) the appointing authority shall be the Secretary-General of the Permanent Court of Arbitration; and (b) the language of the arbitral proceedings shall be English."

Section II. Definitions

1. “Annual Operational Plan” means each plan referred to in Section I.A.4 of Schedule 2 to this Agreement.
2. “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.
3. “Beneficiaries” means an individual in the rural areas of the Recipient, a group of rural producers, or a rural community with common interests and with a legal personality in accordance with the Recipient’s and the Member Country’s law, whose Subproject has been found eligible in accordance with the criteria set forth in the Project Operational Manual, and has applied for financing and has received or is to receive a Sub-grant under a Sub-grant Agreement to be executed under Component 1 (b) of the Project.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006.
6. “Cooperation Agreements” means the agreements acceptable to the World Bank to be signed between EMATER/RS, FEPAM, FZB and TNC on the one hand and the Recipient on the other hand as referred to in Section I.C.1 of Schedule 2 to this Agreement for the implementation of Components 1 and 2 of the Project
7. “Effective Date” means the date so-referred in Section 5.03 of this Agreement.
8. “EMATER/RS” means *Associação Riograndense de Empreendimentos de Assistência Técnica e Extensão Rural*, the Recipient’s entity for technical assistance and agricultural extension, constituted in the Member Country’s territory with the following registry number: CNPJ 89161475/000173.
9. “EMATER/RS Articles of Incorporation” means the articles of incorporation of EMATER/RS (*Estatutos da EMATER/RS*) registered on June 1, 1977 and published in the Recipient’s official gazette on April 13, 1977.
10. “Environmental Management Assessment” means the document dated January 10, 2008, as published and available to the public on the website www.SEMA.rs.gov.br which contains the environmental protection measures in respect of the Project, including measures for chance finding of cultural property, identification of existing environmental conditions and potential direct and indirect environmental impacts from the carrying out of the Projects, recommendation of mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.
11. “Environmental Management Plan” means each document (one per Subproject), to be published and available to the public on the website www.SEMA.rs.gov.br, which, based on the guidance provided in the Environmental Management Assessment, will contain the environmental protection measures in respect of the relevant Subproject, including measures for chance finding of cultural property, identification of existing environmental conditions and potential direct and indirect environmental impacts from the carrying out of the Subproject, recommendation of mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.
12. “FEPAM” means *Fundação Estadual de Proteção Ambiental*, the Recipient’s State foundation for environmental protection.
13. “FEPAM Legislation” means the Recipient’s Law No. 9.077 dated June 4, 1990.

14. “FZB” means *Fundação Zoobotânica do Rio Grande do Sul*, the Recipient’s foundation for zoology and botanic in charge of biodiversity conservation in the Recipient’s territory.
15. “FZB Legislation” means the Recipient’s Law No. 6.497 dated December 20, 1972.
16. “Indigenous Peoples Framework” means the document dated January 10, 2008, as published and available to the public on the website www.SEMA.rs.gov.br, which contains the social protection measures in respect of indigenous peoples, including recommendation of mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.
17. “Indigenous Peoples Plan” means each document (one per Subproject), to be published and available to the public on the website www.SEMA.rs.gov.br, which, based on the guidance provided in the Indigenous Peoples Framework, will contain the social protection measures in respect of the relevant Subproject, including measures for identifying existing social conditions and potential direct and indirect social impacts from the carrying out of the Subproject, recommendation of mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.
18. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006.
19. “Procurement Plan” means the procurement plan for the Project, dated October 1, 2008 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.
20. “Project Implementation Unit” means the Project implementation unit within SEMA as referred to in Section I A 2 of Schedule 2 to this Agreement.
21. “Project Implementation Unit’s Regulation” means the Recipient’s decree in form and substance satisfactory to the World Bank to adopted and published for the creation of the Project Implementation Unit as per Section 5.01(d) of this Agreement.
22. “Project Operational Manual” means the operational manual for the Project, satisfactory to the World Bank, to be adopted by the Recipient, which shall contain, *inter alia*: (i) the functions and responsibilities of the personnel of Project Implementation Unit in charge of daily Project coordination and monitoring; (ii) the procedures for procurement of works, goods and services for the Project, as well as for financial management and audits of the Project; (iii) the

indicators to be used in the monitoring and evaluation of the Project; (iv) flow and disbursement arrangements of Project funds; and (v) the Environmental Management Assessment, the Indigenous Peoples Framework, the Procurement Plan, and the Annual Operational Plans.

23. “SEMA” means *Secretaria do Meio Ambiente*, the Recipient’s state secretariat for environment as established and operating under the Recipient’s Law No.11362 dated July 29, 1999.
24. “Steering Committee” means a committee (*Comitê Estadual de Acompanhamento*) created through the Steering Committee Regulation and to be chaired by Project coordinator in charge of the general oversight of the Project strategy, including the project implementation.
25. “Steering Committee Regulation” means the decree to be adopted by the Recipient for its creation as per Section 5.01(e) of this Agreement.
26. “Sub-grant Agreements” means agreements entered into between EMATER/RS and Beneficiaries as referred to in Section I.D of Schedule 2 to this Agreement, for the financing and implementation of Subprojects under Component 1 (b) of the Project.
27. “Sub-grants” means sub-grants to be made by EMATER/RS to Beneficiaries for the financing of eligible Subprojects in the Recipient’s territory to cover part of the capital cost of said Subprojects.
28. “Subprojects” means eligible subprojects as selected and approved by the Recipient and the World Bank in accordance with relevant provisions of the Project Operational Manual and to be partly financed with a Sub-grant under a Sub-grant Agreement for the activities set forth in Component 1 (b) of the Project and to be carried out by Beneficiaries within the territory of Recipient.
29. “TNC” means *Instituto de Conservação Ambiental The Nature Conservancy Brasil* or *The Nature Conservancy do Brasil*, a non-governmental organization regularly constituted in the Member Country’s territory with the following registry number: CNPJ 001041750001-49.
30. “TNC Articles of Incorporation” means the articles of incorporation of TNC (*Estatutos da TNC*) as registered in June, 1994 under the registration number 00104175/0001-49.