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Invertir en la población rural

## República Federativa del Brasil

### Proyecto de Fomento de la Resiliencia Climática en las Comunidades Rurales del Nordeste

#### Nota informativa

#### **Nota para los representantes en la Junta Ejecutiva**

##### Funcionarios de contacto:

##### Preguntas técnicas:

##### **Claus Reiner**

Director en el País  
Centro de cooperación Sur-Sur y triangular y de  
conocimientos  
División de América Latina y el Caribe  
Tel.: (+55) 61 3038 9275  
Correo electrónico: c.reiner@ifad.org

##### Envío de documentación:

##### **Deirdre Mc Grenra**

Jefa  
Oficina de Gobernanza  
Institucional y Relaciones con los  
Estados Miembros  
Tel.: (+39) 06 5459 2374  
Correo electrónico: gb@ifad.org

Junta Ejecutiva — 133.º período de sesiones  
Roma, 13 a 16 de septiembre de 2021

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Para **información**

## I. Antecedentes

1. La Junta Ejecutiva aprobó el Proyecto de Fomento de la Resiliencia Climática en las Comunidades Rurales del Nordeste del Brasil el 4 de diciembre de 2020 mediante votación por correspondencia, con sujeción a que se concluyeran las negociaciones del convenio de financiación y el convenio de garantía a más tardar el 31 de marzo de 2021. El 8 de mayo de 2021, la Junta Ejecutiva amplió ese plazo hasta el 30 de junio de 2021.
2. Se programó iniciar las negociaciones una vez recibida la aprobación de la Junta Ejecutiva debido a que el Fondo Verde para el Clima requería un certificado de aprobación del FIDA para comenzar a elaborar el convenio de financiación de las actividades, como requisito previo para concertar el convenio de financiación y el convenio de garantía con el Brasil. El FIDA y el Fondo Verde para el Clima firmaron el convenio de financiación de las actividades el 6 de julio de 2021.

## II. Negociaciones del préstamo

3. Las negociaciones con el Gobierno Federal y el Banco Nacional de Desarrollo Económico y Social del Brasil (BNDES) concluyeron el 30 de junio de 2021, tras las negociaciones previas con el BNDES. Se adjuntan el convenio de financiación negociado y el acuerdo de garantía.
4. El convenio de financiación negociado incluye un cambio en las condiciones principales del informe del Presidente sobre el Proyecto de Fomento de la Resiliencia Climática en las Comunidades Rurales del Nordeste (EB 2020/131/R.6/Rev.1), a saber, que una condición previa adicional para la entrada en vigor del proyecto será el acuerdo mutuo entre el FIDA y el BNDES sobre el primer acuerdo subsidiario entre el BNDES y un estado participante. Esta condición garantizará que la ejecución no se inicie hasta que el proyecto esté listo para su ejecución sobre el terreno.

## III. Modificaciones al informe del Presidente

5. Se señalan a la atención de la Junta Ejecutiva las siguientes modificaciones al Informe del Presidente sobre el Proyecto de Fomento de la Resiliencia Climática en las Comunidades Rurales del Nordeste (EB 2020/131/R.6/Rev.1), que se presentó a la Junta Ejecutiva en diciembre de 2020. Para facilitar la consulta, los cambios introducidos aparecen en negrita, mientras que el tachado indica que se ha suprimido el texto.

Página iv, resumen de la financiación

Las condiciones del préstamo del FIDA deben decir:

Ordinarias, con un plazo de reembolso de **11** años y un período de gracia de **3** años, a una tasa de interés equivalente a la tasa de interés de referencia del FIDA, más un diferencial **fijo**

Página 8, párrafo 32

El párrafo debe decir lo siguiente:

Los fondos proporcionados por el FIDA y el Fondo Verde para el Clima se depositarán en cuentas en dólares de los Estados Unidos separadas para cada fuente de financiación, de cuya apertura y mantenimiento se ocupará el BNDES

para uso exclusivo de la financiación del proyecto. ~~El BNDES abrirá y mantendrá una cuenta operacional para las transferencias a las cuentas operacionales de los estados. Los recursos del BNDES~~ **Los recursos del BNDES** se depositarán en las cuentas operacionales de los estados. Los fondos del proyecto se utilizarán exclusivamente para financiar gastos admisibles de conformidad con el plan operacional anual (POA) aprobado. Los procedimientos de desembolso se incluirán en la carta al prestatario/receptor que enviará el FIDA tras la firma del convenio de financiación. El BNDES utilizará el Portal de los Clientes del FIDA para presentar las solicitudes de retiro de fondos y acceder a la información financiera.

Página 8, párrafo 45

~~Un comité consultivo tendrá la función de aconsejar a la unidad central de gestión sobre la marcha general de la ejecución del proyecto y promover la coordinación con otros proyectos, programas y políticas gubernamentales. Estará compuesto por representantes de varias entidades del Gobierno Federal, la sociedad civil, los subproyectos en los estados, el BNDES y el Ministerio de Economía.~~

El párrafo debe decir:

**Con la periodicidad que sea necesaria, pero por lo menos una vez al año, la unidad central de gestión del proyecto celebrará una reunión con representantes de la autoridad nacional designada, representantes seleccionados y partes interesadas para presentar las actividades y los logros del año pasado y la planificación para el año siguiente, así como las cuestiones de política pública relacionadas con el proyecto.**

Página 8, párrafo 48

La segunda frase debe decir:

El informe de auditoría anual consolidado **y los informes anuales de auditoría de los estados**, donde constarán todas las fuentes de financiación ~~y los estados participantes~~, se presentarán al FIDA a más tardar seis meses después del cierre del ejercicio económico.

Página 8, párrafo 50

La primera frase debe decir:

**Para la gestión del proyecto basada en los resultados, el BNDES gestionará los datos de seguimiento del proyecto de conformidad con sus sistemas.**

# **Negotiated financing agreement: "Planting Climate Resilience in Rural Communities of the Northeast Project (PCRP) (Semeando Resiliência Climática em Comunidades Rurais no Nordeste)"**

(Negotiations concluded on 30 June 2021)

Loan No: \_\_\_\_\_

GCF Loan No: \_\_\_\_\_

GCF Grant No: \_\_\_\_\_

Project name: Planting Climate Resilience in Rural Communities of the Northeast Project

## **FINANCING AGREEMENT**

The BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL (BNDES), hereinafter referred to indistinctly as the "Borrower/Recipient", "BNDES" or "Executing Entity", and the INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT, hereinafter referred to indistinctly as "IFAD" or the "Fund" and together with the Borrower/Recipient as the "Parties", agree to enter into a financing agreement in order to cooperate in the Planting Climate Resilience in Rural Communities of the Northeast Project, hereinafter referred to as the "Project", aimed at reducing the impact of climate change and increasing the resilience of the affected population in the semiarid Northeast Brazil (hereinafter referred to as the "Agreement" or the "Financing Agreement").

### **WHEREAS**

- A. The Borrower/Recipient has requested resources from the Fund for the purpose of funding the Project described in Schedule 1 to this Agreement;
- B. The Federative Republic of Brazil (the "Guarantor") has agreed with IFAD to enter into a guarantee agreement (the "Guarantee Agreement") to guarantee the payment of the principal, interest and other charges provided in this Agreement;
- C. The Borrower/Recipient has undertaken to provide and cause to be provided the counterpart funds as referred under Section B.13;
- D. The Project shall be co-financed by the Green Climate Fund (the "GCF"). IFAD and the GCF have entered into an Accreditation Master Agreement on 24 September 2018, which became effective on 9 November 2018 (the "AMA");
- E. In accordance with the AMA, IFAD has submitted to the GCF a funding proposal (the "Funding Proposal") requesting funding for the Project described in Schedule 1 herein (the "Project");
- F. The GCF National Designated Authority (the "NDA") of the Borrower/Recipient has issued a No-Objection Letter on 14 June 2019 with respect to the GCF Funding Proposal stating that: a) the Government of Brazil has no objection to the Project as included in the Funding Proposal; b) the project as included in the Funding

Proposal is in conformity with Brazil's national priorities, strategies and plans; and c) in accordance with the GCF's environmental and social safeguards, the Project as included in the Funding Proposal is in conformity with relevant national laws and regulations;

- G. The Board of the GCF approved the Funding Proposal on 13 November 2020 for the amount of ninety nine million five hundred thousand United States dollars (USD 99.5 million) (the "GCF Financing") in the form of a loan in the amount of sixty five million United States dollars (US\$ 65.0 million) and a grant in the amount of thirty four million and five hundred thousand United States dollars (USD 34.5 million);
- H. IFAD has approved on 4<sup>th</sup> December 2020 a funding proposal that is the same or substantially the same as the Funding Proposal approved by the Board of the GCF;
- I. IFAD has established a bank account to receive GCF proceeds and hold them in trust (the "GCF Trust Account");
- J. IFAD and the GCF entered into a Funded Activity Agreement (the "FAA") on \_\_\_\_\_ setting out the terms and conditions under which the GCF will transfer the GCF Financing to IFAD for the implementation of the Project by the Borrower/Recipient;
- K. The Borrower/Recipient for the purposes of financing the implementation of the Project shall enter into agreements with each Project Party ("Subsidiary Agreement");
- L. The Fund has agreed to provide financing for the Project as set forth in this Agreement;

**NOW THEREFORE**, the Parties hereby agree as follows:

### **Section A**

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018 (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement, except for the provisions identified herein. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement. In the event of contradiction or inconsistency between this Agreement and the General Conditions, the provisions of this Agreement shall prevail. In the event a defined term does not apply to this Agreement due to the nature/condition of the Borrower/Recipient, the reference to it shall not apply either. For avoidance of doubt, this includes Article III, Sections 7.03, 7.13, 7.17, 9.04 (c) and 10.06 of the General Conditions.
3. The Fund shall provide an IFAD Loan (IFAD Financing) from its own resources and a GCF loan and a GCF grant from the GCF (GCF Financing) (all together the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the

terms and conditions of this Agreement. In providing the GCF Financing, IFAD shall act in its capacity as trustee of the GCF Trust Account.

## **Section B**

1.
  - A. The amount of the IFAD Loan is thirty million United States dollars (USD 30 000 000).
  - B. The amount of the GCF loan is sixty five million United States dollars (USD 65 000 000).
  - C. The amount of the GCF grant is thirty four million five hundred thousand United States dollars (USD 34 500 000).
2. Any withdrawals from the Financing will be made in the Denomination Currency, or, may be disbursed, upon request by the Borrower/Recipient to the Fund, in another currency, corresponding to its equivalent in the Denomination Currency as of the applicable value date of withdrawal. Any withdrawals from the GCF loan account and the GCF grant account (collectively the "GCF Accounts") by the Borrower/Recipient shall be subject to the receipt of sufficient funds dedicated to the Project from the GCF and their deposit into the GCF Trust Account. IFAD's obligations to provide GCF Financing in connection with this Agreement are limited to the assets of the GCF Trust Account actually held in respect of the Project. The Fund shall have no obligation to extend financial assistance to the Borrower/Recipient under this Agreement for the purpose of the Project if no funds are available in the GCF Accounts for the Project. In this case, Section E.2 should apply.
3. The GCF loan is extended on the following terms and conditions:
  - Maturity period: twenty (20) years;
  - Grace period: in respect of the repayment of principal, five (5) years from the entry into force of this Agreement;
  - Interest rate: The GCF Loan shall be subject to interest on the principal amount outstanding of the Loan at a rate equal to 0.75% per annum. No grace period will apply to the payment of interests;
  - Principal repayment amount: equal instalments on a semi-annual basis starting at the end of the grace period as follows: From years 6 to 20, annual principal repayment will be equal to six point sixty seven per cent (6.67%) summing up a hundred percent of the principal amount disbursed;
  - Commitment fee: 0.75% per annum and shall be calculated over the amount of the GCF Loan not yet disbursed by the Fund to the Borrower/Recipient. The commitment fee shall start accruing from the date this Agreement enters into force until the full disbursement of the GCF Loan or the end of the Financing Closing Date, whichever is earlier. The Borrower/Recipient has no obligation to pay the Commitment fee in relation to the amounts of a withdrawal request duly made by the Borrower/Recipient, also in case in which the proceeds are not made available to the Borrower/Recipient.

- Service fee: The GCF Loan shall be subject to a service fee of 0.50% per annum on the principal amount outstanding. No grace period will apply to the payment of the service fee.

4. Voluntary pre-payment: In the event the Borrower/Recipient voluntarily decides to prepay, in whole or in part, the reimbursable portion of the IFAD Financing, it shall prepay a proportional amount of the GCF Loan in the same terms. No prepayment fees or premiums apply in respect of the Financing.

5. The Loan Service Payment Currency shall be USD.

6. The Denomination Currency of the IFAD Loan, GCF Loan and GCF Grant shall be USD.

7. In case of the Reimbursement Procedure (as described in the Loan Disbursement Handbook) the exchange rate to determine the equivalent amount in the Denomination Currency to evidence the Eligible Expenditures made in the local currency of the Borrower/Recipient's country will be the buying rate determined by the Central Bank of Brazil on the date of the disbursement by BNDES to the Project Parties.

For the evidence of the application of the funds of the Advance Withdrawals (as described in the Loan Disbursement Handbook) the exchange rate to determine the equivalent amount in the local currency will be provided in the foreign exchange contract entered into by BNDES for the relevant transaction.

For the evidence of the application of the funds of the local counterpart, the Parties will adopt the same exchange rate criteria indicated for the Reimbursement Procedure above.

8. The IFAD Loan is granted on ordinary terms and shall be subject to interest on the principal amount outstanding of the IFAD Loan at a rate equal to the IFAD Reference Interest Rate plus a fixed spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of eleven (11) years including a grace period of three (3) years, starting from the date the Fund has determined that all conditions precedent to withdrawal have been fulfilled.

9. The current IFAD Reference Interest Rate is the six (6) month LIBOR.

(a) When the Fund decides that the IFAD Reference Interest Rate requires replacement, the Borrower and the Guarantor will be notified by the Fund of such a decision (the "Notification") and of the proposed replacement for the IFAD Reference Interest Rate (the "Replacement Reference Rate").

(b) The Borrower, after the receipt of the Notification, may:

- (i) accept the Replacement Reference Rate, with effect from the date as of which the Replacement Reference Rate will apply as indicated in the Notification; or
- (ii) reject the Replacement Reference Rate.

(c) In case an agreement cannot be reached, the Borrower shall be required to prepay the IFAD Loan in full, together with all accrued interest, on the next Payment Date following the rejection of the Replacement Reference Date without any prepayment premium.

10. The first day of the applicable Fiscal Year shall be 1 January.
11. Payments of principal, interest, service charge and commitment fee of the GCF Loan and payments of the principal and interest of the IFAD loan shall be payable on 15 December and 15 June.
12. There shall be a Designated Account (ledger account) for each financial instrument (ie, a GCF loan ledger account, a GCF grant ledger account and an IFAD ledger account) in USD for registering funds exclusively from each instrument for the Project, opened and operated by the Borrower/Recipient.
13. The amount of local counterpart resources that the Borrower/Recipient undertakes to provide and cause to be provided by the Participating States as defined in Section C.2 below in a timely manner for the execution of the Project, is estimated at an amount equivalent to seventy three million United States Dollars (USD 73 000 000) or the equivalent *pro rata* amount in relation to the disbursed Financing as required by Project implementation.

### **Section C**

1. In accordance with the IFAD policies, the Borrower/Recipient has the overall responsibility of the implementation of the Project, and therefore, the execution of the Project will be carried out and coordinated by the Borrower/Recipient as the Lead Project Agency, who, rather than implementing the Project activities directly, shall cause the other Project Parties to implement the Project activities through provisions in the downstream agreements including but not limited to monitoring mechanisms, imposing penalties, conducting routine checks. The Borrower/Recipient will have final decision-making power and approval authority in respect to the key decisions, as detailed in Schedule 1 hereto, regarding the overall implementation of the Project.
2. The States of Northeast Brazil selected for the Project ("Participating States") and any other entity in charge of planning, monitoring, evaluation and learning ("PMEL Unit"), are designated as the sole Project Parties, for the purposes of the General Conditions.
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project. The recommendations resulting from the Mid-Term Review, and the specified time for their implementation, will be mutually agreed upon between the Fund and the Borrower/Recipient.
4. The Project Completion Date shall be the date falling eight (8) years after the entry into force of the Agreement, and the Financing Closing Date shall be six (6) months later, which may be extended upon joint agreement between the Fund and the Borrower/Recipient. The Financing Closing Date will be established as specified in the General Conditions.
5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the procurement laws of the Federative Republic of Brazil, and in line with the IFAD Procurement Guidelines as will be specified in the PIM.



6. The Borrower/Recipient shall contractually require in the Subsidiary Agreements that, if applicable, all goods, works and services procured by the Project Parties do not violate or infringe any industrial property right or claim of any third party.
7. The Borrower/Recipient shall also contractually require in the Subsidiary Agreements that, if applicable, all contracts entered into by the Project Parties for the procurement of goods and services directly or indirectly financed with the Financing contain appropriate representations, warranties and, if appropriate, indemnities from the contractors or suppliers with respect to the matters referred in this paragraph.
8. The Borrower/Recipient will not approve any sub-grant, and the Participating States will not enter into any sub-grant Subsidiary Agreement one year before the Project Completion Date.
9. Any sub-project financed through a Subsidiary Agreement with resources from the Financing must comply with IFAD's environmental and social policies as provided in the Project SECAP and PIM, as well as the Brazilian legislation. Should there be higher environmental and social standards set forth in the Brazilian legislation, the Project Parties shall apply those.
10. Pursuant to Section 9.03 (a) of the General Conditions, each Fiscal Year, the Borrower/Recipient shall have the accounts relating to the Project audited by independent auditors acceptable to the Fund in accordance with auditing standards acceptable to the Fund and the Conceptual Framework for Financial Reporting and Auditing of IFAD-financed Projects and Related Handbook.
11. The Parties may agree on alternative audit arrangements during the project implementation period by amending the PIM.
12. With regards to Section 8.02 of the General Conditions, the Borrower/Recipient will manage Project monitoring data in conformity with its policies and systems to produce the Project reports as may be agreed and accepted by both Parties in the PIM.

#### **Section D**

1. The Fund will administer the Financing and supervise the Project.
2. As of the entry into force of this Agreement, the Borrower/Recipient represents and warrants that:
  - (a) In the preparation of the Project, it acted in compliance with applicable Brazilian laws and regulations on anti-money laundering, countering the financing of terrorism, know your customer and other similar checks under Brazilian laws and regulations as may be applicable to the Borrower/Recipient;
  - (b) In the preparation of the Project, it acted in compliance with Brazilian anti-bribery laws;

(c) It understands and accepts that the GCF may, in coordination with IFAD and the Borrower/Recipient, at each Party's own cost (i) conduct on an extraordinary basis ad hoc checks on the use of the GCF Financing, (ii) conduct impact evaluations, and/or (iii) request to incorporate impact evaluation requirements. Any visits to the Project sites must be notified in reasonable advance to the Borrower/Recipient, which is entitled to accompany GCF and/or IFAD, and to the extent possible will be conducted by GCF during supervision or other similar missions led by IFAD.

(d) It understands and accepts that an independent evaluator selected by IFAD may conduct additional interim and final independent evaluations to assess the performance of the Project in coordination with the Borrower/Recipient;

(e) It understands and accepts that a Major Change may involve seeking a new No-Objection Letter and/or a new approval of the appropriate authority of the GCF and IFAD. The definition of "Major Change" also applies to references to "material adverse effect" and "material adverse change" and means any event or proposed modification that will involve a significant change in, or the restructuring of, the Project scope, structure, design or objectives, including:

(i) a reallocation of GCF Proceeds beyond the threshold set out by the Parties affecting the Project scope or objectives, or any other change that substantially alters the purpose or benefit of the Project; or

(ii) an adverse impact on the ability of the Borrower/Recipient, including a change of its control, or on the ability of any Project Party, to the implementation of the Project; and

(f) It shall communicate to IFAD when a financial default or a non-financial default that could imply a Major Change has occurred under the Subsidiary Agreements.

3. As of the entry into force of this Agreement, the Borrower/Recipient covenants that:

(a) For the purpose of the obligations set forth in Article VII of the General Conditions, it shall act in compliance with IFAD's Policies and all Brazilian applicable laws and regulations on anti-money laundering, countering the financing of terrorism, know your customer, on preventing fraud and corruption and other similar checks under all Brazilian laws and regulations as may be applicable to it throughout the Project Implementation Period;

(b) Where applicable, it shall make the proceeds of the Financing available to any Project Parties in accordance with the Subsidiary Agreements and the eligibility criteria specified in the General Conditions and the Project Implementation Manual (PIM). For avoidance of doubt, with reference to Section 4.07 (b) of the General Conditions which provides that the Fund may from time to time exclude certain types of expenditures from eligibility, this refers to possible cases of ineligibility due to non compliance with this Agreement.

(c) The Subsidiary Agreements will provide obligations and covenants with any Project Party, to whom GCF Financing may be disbursed under this Agreement, in order for such funds not to be used for any purpose contrary to this Agreement and the applicable Brazilian laws, incorporating provisions in the Subsidiary Agreements corresponding to the obligations as described in Section D.3 (a) above;

(d) It shall obtain, or contractually require any Project Party and any third party involved in the Project to obtain and maintain for the implementation of the Project, all necessary and applicable licenses, approvals and consents required by the applicable Brazilian Law;

(e) To the extent permitted by the Brazilian applicable laws and regulations, any greenhouse gas emission reductions achieved by the Project shall not be converted into any offset credits or units generated thereby, or if so converted, will be retired without allowing any other emissions of greenhouse gases to be offset;

(f) It shall promptly, upon its knowledge, inform IFAD of any credible and material risks or indications of money laundering, financing of terrorism, and/or on preventing fraud and corruption in relation to the Project and promptly take steps recommended by IFAD provided that the recommendation complies with Brazilian laws. Any information delivered by BNDES to the Fund under this provision shall be treated as confidential, but may be shared, upon request, with GCF under the same confidentiality basis;

(g) It shall include an obligation to refund any unused resources of the Financing in its Subsidiary Agreements;

(h) It shall cooperate with the independent evaluator selected by IFAD for the purposes indicated in Section D.2 (d) above; and

(i) In case of a Major Change of the Project, as defined in Section D.2 (e) of this Agreement, it shall cooperate with IFAD to effectively implement the necessary steps required to address such event.

## **Section E**

1. The Fund may suspend the right of the Borrower/Recipient to request disbursements whenever it determines that any of the following designated additional grounds for suspension has occurred:

- (a) The PIM and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund, and the Fund, after consultation with the Borrower/Recipient, has determined that it has constituted, or is likely to constitute, a Major Change on the Project;
- (b) Any Major Change in the condition, constitution or establishment of the Borrower/Recipient has occurred that has affected materially and adversely the ability of the Borrower/Recipient to carry out the Project;
- (c) With respect to the GCF Financing, an event of credible and material risks or indications of money laundering and/or financing of terrorism have occurred, without the Borrower/ Recipient having taken timely appropriate action to address such practices;
- (d) The GCF has suspended any further payments, including but not limited to the GCF Financing, to IFAD under the terms of any funded activity agreements;

- (e) The GCF has terminated the AMA or FAA in accordance with their respective terms;
- (f) In relation to a specific Subsidiary Agreement, if a default has occurred under this Subsidiary Agreement, without the Borrower/Recipient having taken appropriate timely action to remedy those events; and
- (g) The Borrower/Recipient is not contributing in a timely manner with its counterpart as per Section B.13 above.

2. In case the disbursements are suspended under items (d) and (e) of Section E.1 above, the Borrower/Recipient will not be obliged (i) to make disbursements under the Subsidiary Agreements and (ii) to further implement the Project.

3. The Fund will notify any event referred to in Section 12.01 of the General Conditions and/or in Section E.1 of the Agreement to the Borrower/Recipient, who shall, within at least 75 (seventy-five) days, which may be extended by IFAD at its discretion, from the date of the aforementioned notification:

(i) provide such additional evidence to the Fund that would allow the Fund, in its sole discretion, to determine that such breach has not occurred or has been solved (as the case may be); or

(ii) in the case of any of the events described in Section E.3 triggered by non-Eligible Expenditures, elect to submit to the Fund another proposed Eligible Expenditure or Subsidiary Agreement to replace the one notified by the Fund. Such proposed Eligible Expenditure or Subsidiary Agreement shall comply with the criteria of an Eligible Expenditure. In case the proposed Eligible Expenditure or Subsidiary Agreement does not comply with the criteria or is not acceptable to the Fund, the Fund will notify the Borrower/Recipient and then all amounts outstanding in relation to the Eligible Expenditure or Subsidiary Agreement shall be refunded to IFAD by the Borrower/Recipient within 15 (fifteen) business days from the date of such notification is sent by the Fund without prejudice to Section B.4.

3.1. The Fund will only suspend withdrawals under Section 12.01 of the General Conditions or under Section E.1 of the Agreement after the lapse of the period of time from the receipt by the Borrower/Recipient of the notification as stated in Section E.3 and provided BNDES does not clarify to the satisfaction of the Fund or remedy the notified event within such period. For the avoidance of doubt, the events and periods stated on Section 12.05 of the General Conditions, as amended by Section E.3.2 below, will only occur or be counted after the lapse of the period of time from the receipt by the Borrower/Recipient of the notification as stated in Section E.3

3.2 Section 12.05 (b) and (c) of the General Conditions are modified as follows:

“The Borrower shall have failed to make a payment (and such payment has not been made by the Guarantor on behalf of the Borrower) of principal, interest, charges or any other amount due to IFAD under any contract (including loan agreements) guaranteed by the Guarantor.”

4. When a suspension event occurs in connection with a specific Subsidiary Agreement, the disbursements will be suspended by IFAD in relation to the relevant Subsidiary Agreement.

5. The Parties entered into the PIM on [ ]. Any amendments to the PIM will be mutually agreed and entered into by both Parties.

6. The Borrower/Recipient and/or the Project Parties have no right of action, whether in contract, tort or under statute to the extent permitted by law, against the GCF, including its Board members, its alternate Board members, its Executive Director, Staff and Experts, and/or any other person acting on behalf of the GCF in respect of: (i) the GCF Trust Account, (ii) the Funded Activity or (iii) any loss or damage arising out of IFAD's acts or omissions, or the acts or omissions of its officers, employees, agents or consultants under or in connection with such agreements.

7. Disclosure

(a) Both Parties confirm that they enjoy a presumption of full disclosure and that the Financing Agreement will be disclosed in accordance with their applicable laws, rules and procedures.

(b) The Borrower/Recipient and the Fund hereby agree that, without prejudice to the Arbitration Rules (2012) of the Permanent Court of Arbitration, both parties have no confidential obligation regarding the arbitration and may publicise the text of the final arbitration award.

8. Any amendment to this Agreement shall only be made by mutual agreement between the Borrower/Recipient and the Fund, after having obtained the Guarantor's concurrence to such amendment, including to the Project Completion Date and to the Financing Closing Date.

9. This Agreement shall enter into force once it is signed by both parties and subject to:

- a) The Federative Republic of Brazil and the Fund signing a Guarantee Agreement;
- b) A legal opinion from the Procuradoria Geral da Fazenda Nacional - PGFN, confirming that the signature and performance by the Guarantor of the Guarantee Agreement has been duly authorised and ratified by all necessary approvals, and the Guarantee Agreement is legally valid and binding upon the Guarantor, and, within its competence, that the signature and performance by the Borrower/Recipient of this Agreement has been duly authorised and ratified by all necessary approvals, and that this Agreement is legally valid and binding upon the Borrower/Recipient, under Brazilian law in accordance with its terms; and
- c) The non-objection provided by IFAD of the first Subsidiary Agreement to a Participating State.

10. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For BNDES:

[click and type title of the representative]  
BNDES - Banco Nacional de Desenvolvimento Econômico e Social - BNDES  
Avenida República do Chile 100, 4º andar  
CEP 20031-917

For IFAD:

[click and type Title]  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

Copy to:

Procuradoria Geral da Fazenda Nacional – PGFN  
Coordenação-Geral de Operações Financeiras da União  
Ministério da Economia  
Esplanada dos Ministérios, bloco P, 8º andar, Sala 803  
70048-900 – Brasília, DF, Brasil

Ministério da Economia  
Secretaria do Tesouro Nacional  
Coordenação-Geral de Controle da Dívida Pública - CODIV  
Esplanada dos Ministérios, Bloco "P", Anexo, Ala "A", 1º andar, sala 121  
CEP 70048-900, Brasília, Distrito Federal, Brasil

This Agreement, [dated \_\_\_\_\_], has been prepared in the English language in three (3) original copies, one (1) for the Fund, one (1) for the Borrower/Recipient and one (1) for the Guarantor.

The Borrower/Recipient acknowledges and agrees that IFAD, upon request from the GCF, will furnish to it an executed copy of this Agreement and any related amendment.

BNDES

\_\_\_\_\_  
"[Authorised Representative Name]"  
"[Authorised Representative title]"

Date: \_\_\_\_\_

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Gilbert F. Houngbo  
President

Date: \_\_\_\_\_

## Schedule 1

### *Project Description and Implementation Arrangements*

#### **I. Project Description**

**Target Population.** The Project beneficiaries shall consist of the following subgroups: (i) individual smallholder family farmers; (ii) traditional communities including quilombola families, agrarian reform settler families, ribeirinhos families, extrativistas families (non-timber products gatherers); and (iii) indigenous communities. Within all three subgroups, special consideration shall be given to women and youth. The Project will work with community organisations, all of which composed by small rural producers. The eligibility and prioritization criteria for the selection of beneficiary groups agreed by the Parties will be provided in the PIM.

**Project Area.** The Project shall be implemented in the semiarid areas of selected State(s) of Northeast Brazil (NEB). In the case of Maranhão, which currently has 6 municipalities in the semiarid, it will also consider Bill (Projeto de Lei) no. 2492/2019, which enlarges the semiarid area of the State to a total of 50 municipalities. The Participating States and participating municipalities will be selected at early implementation, based on criteria described in the PIM.

**Objectives.** The Project objective is to reduce the impact of climate change and increase the resilience of the affected population in the semiarid NEB. The Project will support family farmers and their communities in reversing the decline in productivity caused by the downward cycle of degradation of agroecosystem, adopting technologies for water harvesting, storage and recycling, and diversifying strategies to strengthen their resilience.

**Project Components.** The Project consists of three components that reinforce one another to promote climate resiliency as well as emission mitigation: 1) Financing of Climate Resilient Productive Systems (CRPS); 2) Financing of water access for production; and 3) Knowledge Management and Scaling-Up.

#### **Component 1: Financing of Climate resilient productive systems (CPRS)**

**Output 1.1. Increase climate resilience for family farmers and traditional communities while mitigating carbon emissions by applying CRPS.**

**Activity 1.1.1 Selection of project areas and development of territorial resilience investment plans (TRIPs)** will be developed for the participating communities to guide the project's collective and individual investments in CRPS as well as water harvesting and storage infrastructure.

**Activity 1.1.2 Financing of CRPS in family farms and backyard gardens** will support groups with household-based productive investments that will increase the resilience to the effects of climate change. The group-based approach will facilitate joint learning and the adoption of technologies and practices to implement CRPS with Technical Assistance (TA) for capacity-building and initial monitoring. It includes productive farming and backyard gardens.



**Activity 1.1.3. Financing of collective resilient investments.** The activities will improve the ecosystem services in common areas, educate students on how to implement CRPS, and pilot test productive activities using effluent from the desalination process.

**Activity 1.1.4 Build a Farmers Network and Promote local entrepreneurship for products and services that support family farming** will be provided to facilitate the replication of CRPS, by: i) TA teams operating in a territory-based intervention strategy, and ii) small grants and business management support to microenterprises that innovate and produce specific tools and equipment to facilitate the implementation of CRPS.

## **Component 2: Financing of water access for production**

**Output 2.1 Improve water access to family farmers and traditional communities to reduce the impact of severe droughts by investing in small-scale technologies for harvesting, reuse, treatment and storage.**

**Activity 2.1.1. Financing of boardwalk cisterns for backyard gardens** will support building boardwalk cisterns to irrigate backyard gardens.

**Activity 2.1.2 Financing of eligible social technologies to increase water availability during periods of drought** to construct small farm ponds and groundwater storage basins to irrigate small areas of land.

**Activity 2.1.3 Financing of treatment and reuse systems for household wastewater** will support the implementation of treatment and reuse systems for household wastewater.

## **Component 3: Knowledge management and scaling-up**

**Output 3.1 CRPS and small-scale water harvesting system disseminated in the NEB semiarid and abroad to increase climate resilience of vulnerable communities.**

**Activity 3.1.1. Raise awareness and build capacities of women, youth and traditional communities.** This Activity will consist of financing for: i) highlighting the leading role of youth and women as 'knowledge managers and generators' and 'local talents'; ii) consolidating learning, exchange and replication of sustainable practices in communities; iii) facilitating dynamic M&E of socio-environmental impacts to inform public policy making.

**Activity 3.1.2. Drive scaling-up, unlock policy barriers and experiment with CRPS and resilience participatory monitoring model.** The activity will consist of the financing to promote south-south cooperation; facilitate discussions to unlock policy barriers; and experiment with CRPS and participatory monitoring of resilience.

**Activity 3.1.3. Plan, Monitor, Evaluate and Learn (PMEL).** The activity will consist of the financing the structured generation and use of monitoring and evaluation information on project progress, including independent surveys for baseline, mid-term review and closing evaluation, planning and monitoring activities and the conduct of systematizations and studies.

## **Project management**

Although not a separate component, management activities are grouped under a separate heading, including the establishment and operation of the State-level Implementing Unit (SIUs) at state-level. BNDES will have the role as Central Project Management Unit (CPMU), and as per its guidelines the CPMU operating costs it finances are not included in the project costs.

## **II. Implementation Arrangements**

### **The Lead Project Agency**

BNDES will be the Lead Project Agency. It will operate the domestic sub financing to the Participating States and the PMEL in accordance with the Subsidiary Agreements.

For the purposes of Section C.1 of this Agreement:

(A) BNDES, in its capacity as Lead Project Agency, will have the final decision-making power regarding the overall implementation of the Project in respect to the following key decisions:

- (i) use of funds;
- (ii) State selection and criteria for selecting the Project Areas;
- (iii) criteria for selection of the Target Populations;
- (iv) criteria for TRIPs approval;
- (v) criteria for selection of the PMEL Unit;
- (vi) requirements to procure technical assistance teams and other service providers, respecting the legal limits related to contracts with Public Administration; and

(B) BNDES will verify the application of the criteria and requirements of item (A) above and will provide final approval to the relevant selection under its internal objectives, approvals, policies and procedures to be observed.

### **The Central Project Management Unit (CPMU)**

BNDES' role as Central Project Management Unit ("CPMU") will be performed by BNDES' team within the BNDES' organizational structure of its units and divisions, which will, in conformity with Section C.1 of this Agreement, coordinate and monitor implementation, compile physical and financial information, report to the Fund and be overall accountable.

The Project Coordinator will be the Head of Department of [ ] (or its successor unit, should the institutional structure change) appointed by BNDES. The Project Coordinator will delegate the project's day-to-day management functions and other functions in connection with the Project to its staff in line with BNDES' organizational structure.

### **Annual Meetings for Transparency and Accountability**

As necessary and at least once a year, CPMU will hold a meeting with representatives of the NDA, selected representatives and stakeholders to present the activities and achievements of the past year and the planning for the following year, as well as public policy issues related to the Project.

### **State-level Implementing Unit (SIUs)**

In each participating State, a State-level implementing unit will be responsible for coordination, procurement, financial management and M&E of the state-level subproject comprising the activities of components 1 and 2, and the state-level activities of component 3. Each SIU will be headed by a Subproject Manager to be appointed by the state secretary responsible for the implementation of the Subproject, and the following additional key staff: Procurement Specialist, Financial Management Specialist, Agroforestry and Resilient Production Specialist, Youth, Gender and traditional communities Specialist, Communication and Knowledge Management Specialist and M&E Specialist; or as may be otherwise agreed by the Parties.

At the state level, Consultative Councils with the participation of beneficiaries and representatives from civil society and state secretariats, will review AWPBs and advise on TRIPs prior to approval by the State and their submission to the CPMU.

### **Selection of personnel**

All Project staff must be suited to the needs of the Project.

BNDES Project staff will be designated by BNDES based on their institutional positions.

All Project Parties staff will be identified through open, competitive and transparent processes and will be selected based on their professional qualifications, experience and profile. For SIU staff, permanent public servants may be indicated directly by the State Secretary under which the sub-project will be implemented, provided they meet the professional qualifications, experience and profile.

### **Project Implementation Manual (PIM)**

The Project will be executed, inter alia, as provided for in the PIM prepared and agreed by BNDES and IFAD.

The PIM shall detail, among other things: (i) eligibility criteria for communities and beneficiaries; (ii) criteria for selecting the project areas within each State; (iii) criteria and process for the approval of TRIPs; (iv) criteria and process for the selection of the Participating States; (v) IFAD requirements for the Sub-Grant Agreements; (vi) the project monitoring and impact measurement guidelines; (vii) definition and principles for the Agroforestry System Investments (ISAs); (viii) requirements for the selection of the key Project staff in the implementation of the Project; and (ix) content and requirements of the physical and financial reporting by the States and the PMEL Unit.

Any amendment to any section of the PIM requires agreement between BNDES and IFAD.

### **Subsidiary Agreements**

The Lead Project Agency shall enter into a Subsidiary Agreement with each Project Party for the implementation of the subproject activities.

Each Subsidiary Agreement shall clearly specify the financing amounts, terms and the scope of the sub-project. The Subsidiary Agreements shall also, as applicable: (i) document the Project Parties' commitment from its counterpart; (ii) contain the Project Parties obligation to provide all Project information that BNDES reasonably requests; and (iii) specify that the Project Parties shall maintain a register of assets (e.g. goods and equipment) acquired with the proceeds of the Financing and that at completion of Project implementation, such assets will be transferred to the Target Population, and/or Project Parties.

BNDES will provide to IFAD the final draft Subsidiary Agreements. The no-objection by IFAD to the Subsidiary Agreements will only verify the obligations determined by the Financing Agreement to be undertaken by the Project Parties.

In case IFAD objects the Subsidiary Agreements, for the reasons above, the Parties will agree to a solution.

The no-objection to the first Subsidiary Agreement to a Participating State will be a condition precedent to the entry into force of the Financing Agreement.

BNDES will apply the following ratio between the funding sources for the total financing amount to be provided to each Participating State in the Subsidiary Agreement in reais: (1) GCF Loan: 32.6%; (2) IFAD Loan: 15.1%; (3) BNDES Co-financing, together with the relevant States Co-financing: 36.6%; and (4) GCF Grant: 15.7%. This calculation will not be affected by exchange rate fluctuations. The above proportion will be modified following the transfer of resources related to audit to the Project Parties and in case an additional counterpart financing is provided.

For the purposes of Section D.3 (f) of the Agreement, the Borrower/Recipient and the Project Parties shall notify the Fund of any notice of an investigation by judicial or administrative authorities of fraud and/or corruption that are received in relation to any of the Project activities.

### **Annual Progress Reports**

The Progress Reports referred to in Section 8.03 of the General Conditions, to be presented annually, shall present the physical and financial progress of the project against annual and overall targets in conformity with the information requirements specified in the PIM and according to BNDES policies and procedures.

## Schedule 2

### *Allocation*

1. *Allocation of Financing Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the IFAD Loan (USD 30 million), GCF Loan (USD 65 million) and GCF Grant (USD 34.5 million) and their respective allocations:

| Category  | IFAD Loan<br>Amount<br>Allocated<br><br>(expressed in<br>USD) | GCF Loan<br>Amount<br>Allocated<br><br>(expressed<br>in USD) | GCF Grant<br>Amount<br>Allocated<br><br>(expressed in<br>USD) | Total              |
|---|---|--|---|--------------------|
| Activity 1.1.2 - Financing of CRPS in family farms and backyard gardens   | 14 805 122  | 13 729 456   | 30 289 350  | 58 823 928         |
| Activity 1.1.3 - Financing of collective resilient investments  | 981 472   | 8 830 108  | -   | 9 811 580          |
| Activity 1.1.4 - Build a Farmers Network and Promote local entrepreneurship for products and services that support family farming | 1 252 938   | -  | 1 080 197   | 2 333 135          |
| Activity 2.1.1 - Financing of boardwalk cisterns for backyard gardens   | 4 814 436   | 28 472 601   | -   | 33 287 037         |
| Activity 2.1.2 - Financing of eligible social technologies to increase water availability during periods of drought               | 1 246 568   | -  | -   | 1 246 568          |
| Activity 2.1.3 - Financing of treatment and reuse systems for household wastewater  | 5 701 306   | 13 967 835   | -   | 19 669 141         |
| Activity 3.1.2 - Drive scaling-up, unlock policy barriers and experiment with CRPS and resilience participatory monitoring model  | -   | -  | 1 058 759   | 1 058 759          |
| Activity 3.1.3 - Plan, Monitor, Evaluate and Learn (PMEL)   | 1 198 158   | -  | 1 833 153   | 3 031 311          |
| Project Management  | -   | -  | 238 541   | 238 541            |
| <b>TOTAL</b>  | <b>30 000 000</b>   | <b>65 000 000</b>  | <b>34 500 000</b>   | <b>129 500 000</b> |

2. BNDES will request disbursements to IFAD from the IFAD Loan, GCF Loan and GCF Grant seeking to be aligned with the proportions of each funding source in conformity with the corresponding amounts in reais needed under the Subsidiary Agreements while respecting the maximum amounts in dollars indicated in this Financing Agreement.
3. Any reallocation by IFAD of amounts of the Financing to another category of Eligible Expenditures under Section 4.06 of the General Conditions must be approved in writing by the Borrower/Recipient in advance, provided that no reallocation will be permitted between different financial instruments.
4. Overdrafts of up to 30% of each original allocation indicated in the Allocation Table above are authorised to be made by the Borrower/Recipient. For the avoidance of doubt such overdrafts may be made without requiring changes to the Allocation Table and/or a request for prior authorisation.

5. Any increase in the amount of GCF Proceeds allocated under Project Management costs must be approved in writing by IFAD in advance.
6. Financial Reporting Requirements. Detailed information on the financial reporting requirements will be addressed in the PIM.

### Schedule 3

#### *Special Covenants*

In accordance with Section 12.01 (a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan account and GCF accounts if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

Compliance with Environment and Social Safeguards.

1. The Borrower/Recipient shall contractually require under the Subsidiary Agreements that the Project will be implemented in compliance with (i) the Project's Social Environmental and Climate Assessment Procedures (Project's SECAP), which includes the Environmental and Social Management Plan (ESMP), the Indigenous Peoples Planning Framework (IPPF), and the Stakeholder Engagement Plan; (ii) the Gender Assessment and Action plan; and (iii) the requirements of Brazilian law, specifically: (a) all water harvesting and storage investment in Component 2 will be designed to not interfere with ecological water flows or natural drainage of water bodies; (b) the treatment and reuse of household grey and black water shall comply with health and environmental standards, including applying required monitoring; and (c) adequate monitoring and verification of safeguard compliance will be applied throughout Project life.
2. The Borrower/Recipient will contractually require that the project not support or finance, directly or indirectly, any activities with potential environmental and social risks that are equivalent to category A pursuant to the Environmental and Social Risks Categories, as well as any other activities listed in the exclusion list provided in the PIM; and that the measures included in the safeguards documents referenced above are undertaken, and the resources needed for their implementation are made available, in a timely manner.
3. The PIM will further detail how these requirements will be met.
4. *Anticorruption Measures.* The Borrower/Recipient and the Project Parties shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations as agreed by the Parties and detailed in the Project Implementation Manual (PIM), and in compliance with Brazilian law.
5. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower/Recipient shall contractually require in the Subsidiary Agreements that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse to the extent set forth under the Project's SECAP as agreed by the Parties and detailed in the Project Implementation Manual (PIM), and in compliance with Brazilian law.
6. *Disclosure.* States will disclose all relevant documentation in locations convenient to affected peoples (stakeholders) at least 30 days before the expected date of BNDES approval. The list of specific documents will be included in the PIM.

## **Negotiated guarantee agreement: "Planting Climate Resilience in Rural Communities of the Northeast Project (PCRP) (Semeando Resiliência Climática em Comunidades Rurais no Nordeste)"**

(Negotiations concluded on 30 June 2021)

### **GUARANTEE AGREEMENT**

This GUARANTEE AGREEMENT is signed on \_\_\_\_, 2021 between the FEDERATIVE REPUBLIC OF BRAZIL (hereinafter referred to as "Guarantor") and the INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (hereinafter referred to as "IFAD" or "the Fund" and together the "Parties").

#### **WHEREAS:**

Through Financing Agreement No. \_\_\_\_ (hereinafter referred to as "Financing Agreement"), entered into on this same date in [place of signature], between IFAD and the BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL – BNDES (hereinafter referred to as "Borrower/Recipient"), IFAD has agreed to provide the Borrower/Recipient with Financing composed of a Loan of thirty million United States dollars (USD 30 000 000), a GCF Loan of sixty five million United States dollars (USD 65 000 000), and a GCF Grant of thirty four million five hundred thousand United States dollars (USD 34 500 000), provided that the Guarantor guarantees the Borrower's payment obligations for the Loan and the GCF Loan and remains fully bound until full payment of such obligations stipulated in the referred Financing Agreement and that the said Guarantor contracts the additional obligations specified in this Agreement.

The Guarantor, given the fact that IFAD signed the Financing Agreement with the Borrower/Recipient, agreed to guarantee unconditionally and irrevocably the due and timely payment of the principal, interest and other charges of the Loan and the GCF Loan, in accordance with the provisions of this Agreement.

THE PARTIES agree the following:

1. The following documents collectively constitute an integral part of this Agreement: this Agreement, the Financing Agreement, and the Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as amended in December 2018 (the "General Conditions") as may be amended from time to time. Unless the context otherwise requires, the several terms defined in the General Conditions and the Financing Agreement have the respective meanings therein set forth.
2. The Guarantor hereby unconditionally and irrevocably guarantees, as primary obligor and not as surety merely, the due and timely payment of the principal of, and the payment of interest and other charges on the Loan and the GCF Loan due under the



Financing Agreement whose terms the Guarantor declares to be fully aware of. These financial obligations do not include the commitment by the Borrower/Recipient to provide additional resources to the execution of the Project.

3. The Guarantor undertakes not to take any action or allow, within the scope of its competence, measures to be taken that hinder or prevent the execution of the Project or obstruct the fulfillment of any obligation of the Borrower/Recipient established in the Financing Agreement.
4. In cases of amendments to the Financing Agreement, the Borrower/Recipient must obtain the prior approval of the Guarantor to any modifications or amendments to the Financing Agreement.
5. The Guarantor undertakes to:
  - (a) cooperate, within the scope of its competence, to ensure the fulfillment of the objectives of the Financing;
  - (b) inform IFAD, as urgently as possible, of any fact that makes it difficult or may make it difficult to achieve the objectives of the Financing, or the fulfillment of the Borrower's obligations;
  - (c) within its competence, provide IFAD with the information it reasonably requests regarding the Borrower's situation;
  - (d) facilitate, within the scope of its competence, IFAD's representatives in the exercise of their functions related to the Financing Agreement and the execution of the Project; and
  - (e) inform IFAD, as urgently as possible, if it is, in compliance with its obligations as a joint debtor, making payments corresponding to the Loan.
6. The Guarantor agrees that both the principal and interests, and other charges on the Loan and GCF Loan will be paid without any reduction or restriction, free of any taxes, fees, duties or charges set forth in the laws of the Federative Republic of Brazil, and that both this Agreement and the Financing Agreement will be exempt from any applicable tax, fee or duty in connection with the execution, registration and execution of contracts.
7. The Guarantor will not be released from any liability with IFAD until the Borrower has fully complied with all the financial obligations assumed in the Financing Agreement. In the event of any default by the Borrower, the Guarantor's obligation will neither be subject to any notification or challenge, nor to any procedural formality, demand or prior action against the Borrower or against the Guarantor itself. In the event of default by the Borrower, the Fund shall not be required to exhaust its remedies against the Borrower prior to enforcing its rights against the Guarantor. The Guarantor also expressly waives any rights, order or excussion benefits, faculties, favours or resources that assist, or may assist the Guarantor. The Guarantor declares itself aware that it will not release any of its liability to IFAD if there is: (a) an omission or abstention by IFAD in the exercise of any rights, powers or remedies that has against the Borrower; (b)

IFAD's tolerance or agreement with the Borrower's default or delays that he may incur in fulfilling its obligations; (c) deadlines, extensions or any other concessions made by IFAD to the Borrower, provided that it has the prior consent of the Guarantor; (d) alteration, amendment or revocation, in whole or in part, of any of the provisions of the Financing Agreement, provided that they are made with the prior consent of the Guarantor.

8. IFAD's delay or abstention in the exercise of the rights agreed in this Agreement cannot be interpreted as a waiver of such rights, nor as an acceptance of the circumstances that would allow it to exercise them.
9. Any dispute that arises between the parties regarding the interpretation or application of this Agreement, which cannot be resolved by mutual agreement, will be subject to arbitration, as established in Section 14.04 of the General Conditions. For the purposes of this arbitration, all references made to the Borrower/Recipient in the aforementioned Section apply to the Guarantor.
10. Unless a written agreement stipulates another procedure, all notices, requests or communications that the contracting parties must send to each other under this Agreement must be made, without exception, in writing and will be considered effective upon their delivery to the addressee, by any usual means of communication, at the address indicated below:

For IFAD:

The President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy  
Email: ifad@ifad.org

For the Guarantor:

Ministério da Economia  
Procuradoria-Geral da Fazenda Nacional (PGFN)  
Esplanada dos Ministérios, Bloco P, 8º Andar  
CEP: 70.048-900 Brasília, DF  
Brasil  
Email: apoiocof.df.pgfn@pgfn.gov.br

IN WITNESS WHEREOF, the Guarantor and IFAD, each acting through its authorized representative, have signed this Agreement in three (3) copies, one for IFAD, one for Guarantor and one for Borrower, of equal content and for a single effect in *[place of signature]* on the date indicated above.

FEDERATIVE REPUBLIC OF BRAZIL

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT  
(IFAD)

\_\_\_\_\_  
[Name]  
[Position]

\_\_\_\_\_  
[Name]  
[Position]