Grant Agreement
(Mainstreaming Sustainable Cattle Ranching Project)
between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(acting as administrator of the Single-Donor Trust Fund No. TF017041)

and

COLOMBIAN CATTLE RANCHING ASSOCIATION
(FEDERACION COLOMBIANA DE GANADEROS - FEDEGAN)

Dated September 5, 2014
AGREEMENT dated September 5, 2014, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"), acting as administrator of the Single-Donor Trust Fund No. TF017041 and the COLOMBIAN CATTLE RANCHING ASSOCIATION (FEDERACION COLOMBIANA DE GANADEROS - FEDEGAN) ("Recipient") for the purpose of providing additional financing for the activities related to the Original Project.

Whereas by an agreement dated April 6, 2010 between the Recipient and the Bank, acting as Implementing Agency of the Global Environment Facility (GEF) (the "GEF Grant Agreement"), the Bank made a Grant ("GEF Grant No. TF096465") to the Recipient in an amount equal to seven million Dollars ($7,000,000) (the "GEF Grant") to assist in the financing of the Original Project, on terms and conditions set forth in the GEF Grant Agreement.

The Bank and the Recipient hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions 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 shall carry out the Project, with the assistance of CIPAV, Fondo Acción and TNC, all in accordance with the provisions of Article II of the Standard Conditions and the pertinent Implementation Agreement.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III
The Grant

3.01. The 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 twenty million seven hundred thousand Dollars ($20,700,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) the Public Policy Advisory Committee shall have failed to convene at least twice a year during each year of Project implementation under terms and in a manner acceptable to the Bank;

(b) any of CIPAV, *Fondo Acción* and TNC shall have failed to comply with any of its obligations under, respectively, the CIPAV Agreement, the *Fondo Acción* Agreement and/or the TNC Agreement; and

(c) the Bank has determined, after the Effective Date referred to in Section 5.03 of this Agreement, that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the Bank has been furnished to the Bank that the conditions specified below have been satisfied:
(a) The CIPAV Agreement has been amended in a manner acceptable to the Bank;
(b) The Fondo Acción Agreement has been amended in a manner acceptable to the Bank;
(c) The TNC Agreement has been amended in a manner acceptable to the Bank; and
(d) The GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

5.02. The Recipient shall furnish to the Bank an opinion satisfactory to the Bank of counsel acceptable to the Bank or, if the Bank so requests, a certificate satisfactory to the Bank of a competent official of the Recipient, showing the following matters: (a) that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and (b) that the Implementation Agreements referred to in Section I.A.1 of Schedule 2 to this Agreement have been duly amended by the Recipient and the corresponding Implementing Entity and are legally binding upon each such party in accordance with their terms.

5.03. Except as the Recipient and the Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the 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 Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the 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. 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 Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section but in no case later than eighteen (18) months after the Bank’s approval of the Grant, which deadline expires on February 4, 2016. The 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 Secretario General.
6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Calle 37 No. 1431
Bogotá, DC
Colombia

Facsimile: 571-5782020 extension 556

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

AGREED at Bogotá, Colombia, as of the day and year first above written.

JAIME DAZA ALMENDEARES
COLOMBIAN CATTLE RANCHING ASSOCIATION
(FEDERACION COLOMBIANA DE GANADEROS – FEDEGAN)

Authorized Representative

ISSAM A. ABOUSLEIMAN
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(acting as administrator of the Single-Donor Trust Fund No. TF017041)

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to promote the adoption of environment-friendly Silvopastoral Production Systems (SPS) for cattle ranching in the Member Country's Project Areas, to improve natural resource management, enhance the provision of environmental services (biodiversity, land, carbon, and water) and raise the productivity in participating farms.

The Project consists of the following parts:

**Part 1. Improving Productivity in Participating Cattle Ranching Farms in Project Areas through SPS**

Sustainably increase the productivity in cattle production farms through the adoption of environment friendly SPS, including:

(i) the provision of SPS training to national, regional and local technical assistance providers;

(ii) the carrying out of beneficiary selection and baseline assessments;

(iii) the provision of technical assistance to farmers for SPS implementation in the Project Areas;

(iv) the improvement of access to financial resources for SPS adoption through the provision of support to farmers, including: (A) the carrying out of outreach activities with potential participants in the Project Areas to demonstratively explain SPS benefits, associated implementation costs and technologies for different ecosystems, and jointly identify possible funding sources; (B) the provision of support to interested farmers to plan and strengthen their credit applications; and (C) within the framework of the Public Policy Advisory Committee, the carrying out of workshops to discuss any barriers encountered by small and medium-sized farmers to access financial products;

(v) the assessment and adjustment of sector technologies applied in each Project Area, including, *inter alia*: (A) the carrying out of field visits during Project implementation to adjust technologies in each Project Area as needed; and (B) the carrying out of applied research and studies, beginning with an inventory of ongoing SPS initiatives in the Member Country, to identify and capitalize on existing efforts in different ecosystems; and
(vi) provision of support for market-based instruments to secure long-term funding, including, *inter alia*, the financing of business plans for the promotion of an SPS quality seal for beef and dairy products from participating farms.

**Part 2. Increasing Connectivity and Reducing Land Degradation through Differentiated PES Schemes**

Increase connectivity between natural ecosystems in cattle ranching landscapes through the establishment of riparian and terrestrial corridors, including:

(i) the adjustment and implementation of two short-term PES mechanisms focused, respectively, on natural resources management (the “Natural Resources PES”) and on carbon sequestration (the “Carbon Sequestration PES”) offering short-term payments to Eligible Farmers for SPS that are privately profitable in the mid to long term (e.g., live fences, pastures with trees) and SPS for strict conservation land uses on farms intersecting a connectivity corridor, including, *inter alia*: (a) the carrying out of outreach activities to motivate farmer participation in short-term PES mechanisms; (b) the carrying out of farm-level analyses in each Project Area to validate and/or adjust the connectivity corridors designed at the ecoregion and landscape levels, requiring the generation of land use maps at the farm level; (c) the carrying out of baseline farm assessments and participatory land use planning leading to agreements under PES Contracts, including the identification of indicators for performance-based PES and establishment of ES/biodiversity/productivity indicators to monitor each farm with active farmer participation; (d) the production of the necessary, user-friendly documentation such as PES operation manuals and guidelines for ES monitoring; (e) the provision of technical assistance for successful land use change adoption; (f) the verification of land use changes enabling payments to farmers; (g) the payments for ES related to land use changes; (h) the monitoring of ES provision (water, biodiversity, carbon sequestration and land restoration), along with other applied evaluation of environmental impacts, particularly SPS’s contributions to climate change adaptation and mitigation; and (i) the provision of up-front in-kind support (such as seeds, seedlings and soil analyses) to promote the adoption of intensive SPS;

(ii) the design of two local long-term PES mechanisms to be financed by service users that would offer long-term payments for land uses that are important for service provision, but are unattractive to farmers, including, *inter alia*: (a) the identification of and carrying out of negotiations with potential service users; (b) the carrying out of outreach activities to motivate farmer participation, particularly those farms
previously identified as having a high potential to offer ES; (c) the carrying out of baseline farm assessments and participatory land use planning; (d) the production of the necessary, user-friendly documentation such as PES operation manuals with model contracts and guidelines for ES monitoring; and (e) the provision of technical assistance to farmers for successful land use change adoption;

(iii) the production and distribution of vegetal material such as seeds and seedlings through, inter alia: (a) the contracting of nurseries at the national and regional level; (b) the creation of nurseries at the farm level; and (c) the provision of sowing equipment to farmers, all in accordance with the criteria set forth in the Operational Manual; and

(iv) the creation of pilot demonstrative farms ("Fincas Demostrativas") to provide training and promote peer-to-peer knowledge exchange in relation with the SPS.

Part 3. Strengthening Subsector Institutions, Dissemination and Monitoring and Evaluation

(i) Strengthening of existing monitoring and evaluation systems on, inter alia: SPS contributions to environmental services, including to climate change mitigation and adaptation, (particularly the contributions of introducing trees as cattle feed and for the provision of shade and water retention); biomass variations indicators; and socio-economic indicators, all in accordance with the criteria set forth in the Operational Manual; and

(ii) promoting the dissemination of results to key stakeholders through, inter alia: (a) the recruitment of a communication specialist; (b) the implementation of a communication strategy; and (c) the production and dissemination of informative materials.

Part 4. Project Management

Improve institutional capacity to develop the Project and enable the Project's financial, technical, legal and administrative execution, including: (a) coordinating intra- and inter-institutional efforts for effective Project management; and (b) monitoring and evaluation of Project management activities, including external Project audits and the consolidation of Project oversight and coordination mechanisms described above.
SCHEDULE 2
Project Execution

Section I. Institutional and Other Arrangements

A. Implementation Arrangements

1. For purposes of implementing the Project, the Recipient shall cause: (A) CIPAV to amend the CIPAV Agreement on terms and conditions acceptable to the Bank, including, \textit{inter alia}:

   \begin{itemize}
   \item (i) the obligation of the Recipient to transfer to CIPAV part of the Grant proceeds; and
   \item (ii) the obligation of CIPAV to: (a) provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and
   \item (b) comply with the pertinent obligations under this Agreement, as applicable to CIPAV, and thereafter carry out the Project activities which fall under its technical jurisdiction in accordance with said agreement, and in a manner acceptable to the Bank;
   \end{itemize}

   (B) Fondo Acción to amend the Fondo Acción Agreement on terms and conditions acceptable to the Bank, including, \textit{inter alia}:

   \begin{itemize}
   \item (i) the obligation of the Recipient to transfer to Fondo Acción part of the Grant proceeds; and
   \item (ii) the obligation of Fondo Acción to: (a) provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and
   \item (b) comply with the pertinent obligations under this Agreement, as applicable to Fondo Acción, and thereafter carry out the Project activities which fall under its technical jurisdiction in accordance with said agreement, and in a manner acceptable to the Bank;
   \end{itemize}

   (C) TNC to amend the TNC Agreement on terms and conditions acceptable to the Bank, including, \textit{inter alia}:

   \begin{itemize}
   \item (i) the obligation of the Recipient to transfer to TNC part of the Grant proceeds; and
   \item (ii) the obligation of TNC to: (a) provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and
   \item (b) comply with the pertinent obligations under this Agreement, as applicable to TNC, and thereafter carry out the Project activities which fall under its technical jurisdiction in accordance with said agreement, and in a manner acceptable to the Bank.
   \end{itemize}

2. The Recipient shall exercise its rights and carry out its obligations under the CIPAV Agreement, the Fondo Acción Agreement and the TNC Agreement in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the Grant. Except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the CIPAV Agreement, the Fondo Acción Agreement or the TNC Agreement or any of their provisions.

3. Throughout the implementation of the Project, the Recipient shall maintain the Steering Committee, which shall have, \textit{inter alia}, the following responsibilities:

   \begin{itemize}
   \item (a) approve annual operating plans prepared by the Recipient with the Implementing Entities' support for submission to the Bank for its review and
comments, if any; (b) review Project progress based on monitoring and evaluation results; (c) make collective decisions on key technical and administrative issues for Project implementation, including beneficiary selection; and (d) advise the Public Policy Advisory Committee.

4. The Recipient shall maintain throughout the implementation of the Project, a Project Implementation Team (PIT) responsible for the management, coordination, supervision, monitoring and evaluation of the Project, staffed with the professionals indicated in the Operational Manual (all in numbers and with experience and terms of reference satisfactory to the Bank).

5. For purposes of implementing the Project, the Recipient shall cause the Implementing Entities to maintain, at all times during Project implementation, financial management arrangements satisfactory to the Bank.

6. The Recipient shall ensure that, throughout the implementation of the Project, its regional development units be permanently staffed with one Project coordinator per region and at least one administrative assistant. Said regional development units shall be responsible for: (a) coordinating activity implementation under Project components; (b) convening regional/local partners, and leading negotiations with local stakeholders for enhanced participation; and (c) consolidating information on Project status in each area through standardized report formats to be sent to the PIT on a periodic basis.

7. Upon approval of a Natural Resources PES or a Carbon Sequestration PES, the Recipient shall, and shall cause Fondo Acción to, enter into a tripartite agreement with the Eligible Farmer (the PES Contract), which agreement shall include, *inter alia:* (a) the Recipient’s obligation to provide technical assistance to Eligible Farmers on the SPS; (b) the Fondo Acción’s obligation to make PES to Eligible Farmers; and (c) the Eligible Farmer’s obligations in connection with said Eligible Farmer’s participation in a Natural Resources PES or Carbon Sequestration PES (as applicable), all in accordance with the pertinent terms and conditions of this Agreement, including the provisions set forth in the Operational Manual and with due diligence, efficiency and in conformity with appropriate administrative, financial, technical, social, ecological and environmental standards and practices.

B. Operational Manual and Safeguards

1. Without limitation to the provisions of Section 2.01 of this Agreement, the Recipient shall, and shall cause CIPAV, Fondo Acción and TNC, respectively, to carry out the Project activities under its responsibility in accordance with a manual (the Operational Manual), acceptable to the Bank, said manual to include, *inter alia:* (a) the performance indicators to be tracked through the administrative monitoring and evaluation system, with standardized report formats to be used
for their compilation; (b) the procedures and criteria for approving and implementing Natural Resources PES and Carbon Sequestration PES, including the eligibility criteria for the selection of Eligible Farmers; (c) the terms and conditions of a PES Contract; (d) the Project procurement procedures and formats; (e) the financial management procedures, including accounting, auditing, internal control, and reporting; (f) safeguards procedures, including the Environmental and Social Management Plan, the Integrated Pest Management Plan and social and environmental screening procedures; (g) the criteria for producing seedlings through nurseries at the national, regional and farm level; (h) the staff of the PIT; and (i) the main terms of the Implementation Agreements.

2. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

3. The Recipient shall ensure that the Project activities do not involve Resettlement.

C. Fiduciary Agreement

1. For the purposes of implementing the Natural Resources PES and the Carbon Sequestration PES under Part 2 (i) of the Project, the Recipient shall cause Fondo Acción to enter into, not later than three months after the effective date of this Agreement, an agreement with the Fiduciary Agent under terms and conditions acceptable to the Bank, which shall include, inter alia: (a) the Fondo Acción’s obligation to make part of the proceeds of the Grant available to the Fiduciary Agent in a manner acceptable to the Bank; and (b) the Fiduciary Agent’s obligation to: (i) comply with the Anti-Corruption Guidelines; (ii) make payments under the pertinent PES Contract in a manner acceptable to the Bank; and (iii) maintain, on behalf of Fondo Acción, records and accounts adequate to reflect the operations, resources and expenditures in connection with the Natural Resources PES and the Carbon Sequestration PES, in order to enable the Recipient to comply with its obligations under this Agreement.

2. The Recipient shall cause Fondo Acción to exercise its rights and carry out its obligations under the Fiduciary Agreement in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the Grant. Except as the Bank shall otherwise agree, the Recipient shall cause Fondo Acción not to assign, amend, abrogate, waive, terminate or fail to enforce the Fiduciary Agreement or any of its provisions.
D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines").

E. Other Covenants

Without limitations to the provisions of Section 2.01 of the Standard Conditions, the Recipient shall provide the counterpart funds for the Project from the resources of the Fondo Nacional del Ganado.

F. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the Bank may reasonably request to identify publicly the Donor’s support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Member Country’s territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the Bank not later than April 30, 2018.

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 Bank not later than forty five days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the Bank.

3. The Recipient and the Implementing Entities shall have their Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 Bank not later than six months after the end of such period.

Section III. **Procurement**

A. General

1. **Procurement and Consultant Guidelines.** All goods, non-consulting services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods and Non-consulting Services

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

2. Other Methods of Procurement of Goods and Non-consulting Services. The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; (b) Direct Contracting; and (c) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; (g) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (h) Selection of Individual Consultants; and (i) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

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

E. Special Provisions

The Recipient shall: (a) supply the SEPA with the information contained in the initial Procurement Plan within 30 days after the date of this Agreement; and (b) update the Procurement Plan at least once a year, or as required by the Bank, to reflect the actual Project implementation needs and progress, and supply the SEPA with the information contained in the updated Procurement Plan immediately thereafter.
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 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 Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Amount of the GEF Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Contract Payments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Natural Resources PES; and</td>
<td>1,103,000</td>
<td>2,684,720</td>
<td>100% of amounts disbursed for environmental services under the corresponding PES Contract</td>
</tr>
<tr>
<td>(b) Carbon Sequestration PES</td>
<td>1,220,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(2) Goods</td>
<td>3,035,864</td>
<td>153,933</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services</td>
<td>9,030,176</td>
<td>2,965,121</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Non-consulting services and Training</td>
<td>4,767,690</td>
<td>782,518</td>
<td>100%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Grant Allocated (expressed in USD)</td>
<td>Amount of the GEF Grant Allocated (expressed in USD)</td>
<td>Percentage of Expenditures to be Financed (inclusive of Taxes)</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------------</td>
<td>-----------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>(5) Operating Costs</td>
<td>1,543,270</td>
<td>413,708</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>20,700,000</td>
<td>7,000,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this paragraph, the terms:

(a) “Non-consulting services” means the expenditures (excluding consultant services) incurred by the Recipient, CIPAV, Fondo Acción and/or TNC, as the case may be, to finance logistics, organizations of seminars, production of written and audiovisual materials, baseline assessments through farm and land surveys, and verification of land use changes through farm surveys, all related to Project activities;

(b) “Training” means reasonable expenditures (other than those for Goods and Consultants’ services), as approved by the Bank, incurred for the carrying out of training activities under the Project, including, *inter alia*, reasonable costs of travel and *per diem* of trainers and trainees, cost of workshops, printing, rental of training facilities and equipment and training materials; and

(c) “Operating Costs” means reasonable recurrent expenditures that would not have been incurred by the Recipient, CIPAV, Fondo Acción or TNC, as the case may be, absent the Project, such as for office supplies and maintenance, communications, transportation and other expenses related to day-to-day Project management.

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 $4,000,000 equivalent may be made for payments made within a year prior to this date but in any case on or after December 1, 2013 for Eligible Expenditures;

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is January 31, 2018.
APPENDIX

Section I. Definitions

1. “Carbon Sequestration PES” means an environmental scheme to promote the adoption of intensive SPS by Eligible Farmers in order to increase carbon stocking as provided under Part 2(i) of the Project.

2. “CIPAV” means Centro para la Investigación en Sistemas Sostenibles de Producción Agropecuaria (the Center for Research on Sustainable Agricultural Production Systems), a non-government entity vested with legal personality and authorized to operate in the Member Country.

3. “CIPAV Agreement” means the agreement between the Recipient and CIPAV, dated June 24, 2010, as amended, referred to in Section I.A.1 (A) of Schedule 2 to this Agreement.

4. “Contract Payments for Carbon Sequestration PES” means the payments made by the Recipient, through Fondo Acción, to Eligible Farmers in connection with Carbon Sequestration PES which meet the environmental, social and other requirements of the Operational Manual for financing out of the proceeds of the Grant.

5. “Contract Payments for Natural Resources PES” means the payments made by the Recipient to Eligible Farmers in connection with Natural Resources PES which meet the environmental, social and other requirements of the Operational Manual for financing out of the proceeds of the Grant.


7. “Eligible Farmer” means an individual farmer who meets the eligibility criteria set forth in the Operational Manual to participate in a Natural Resources PES or a Carbon Sequestration PES.


10. “Fiduciary Agent” means a financial institution acceptable to the Bank that shall act as the fiduciary agent (Fiduciaria) under the Fiduciary Agreement or any successor agent acceptable to the Recipient and the Bank.
11. "Fiduciary Agreement" means the agreement referred to in Section I.C.2 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Fiduciary Agent for the purposes of implementing the Natural Resources PES and the Carbon Sequestration PES under Part 2 (i) of the Project.

12. "FINAGRO" means the Member Country's Fondo para el Financiamiento del Sector Agropecuario (Fund for Agricultural and Livestock Sector Financing).


14. "Fondo Acción Agreement" means the agreement between the Recipient and Fondo Acción, dated June 24, 2010, as amended, referred to in Section I.A.1(B) of Schedule 2 to this Agreement.

15. "Fondo Nacional del Ganado" means National Cattle Fund, a designated account which collects non-fiscal taxes from the Member Country's producers to reinvest in the sub-sector's development, administered by the Recipient, pursuant to the Member Country's laws No. 89 and 101 of 1993.

16. "GEF Grant Agreement" means the agreement referred to in the Whereas clause of this Agreement, as amended.

17. "Implementation Agreement" means the CIPAV Agreement, the Fondo Acción Agreement or the TNC Agreement, as applicable, and "Implementation Agreements" refers, collectively, to all such three agreements.

18. "Implementing Entities" means CIPAV, Fondo Acción and TNC.


21. "Natural Resources PES" means an environmental scheme to promote biodiversity-friendly land uses by Eligible Farmers as provided under Part 2(i) of the Project.

22. "Operational Manual" means the manual referred to in Section I.B.1 of Schedule 2 to this Agreement, as amended on May 6, 2014.
23. “Original Project” means the project set forth in Schedule 1 to the GEF Grant Agreement.


25. “PES Contract” means any of the agreements referred to in Section I.A.7 of Schedule 2 to this Agreement for the provision of ES which meet the environmental, social and other requirements of the Operational Manual for financing out of the proceed of the Grant.

26. “PIT” means the Project implementation team referred to in Section I.A.4 of Schedule 2 to this Agreement.

27. “Project Areas” means the following regions in the Member Country’s territory: (i) the Cesar River Valley; (ii) the adjacent lower Magdalena River region; (iii) the traditional dairy cattle production regions of Boyacá and Santander; (iv) the coffee producing ecoregion and the upper Cauca River region; (v) the low foothill region in the eastern cordillera of southern Meta; (vi) La Guajira region; and (vii) El Meta region.

28. “Public Policy Advisory Committee” means the committee comprised of the Member Country’s Ministry of Environment and Sustainable Development, Ministry of Agriculture and Rural Development, FINAGRO, National Planning Department, and Association of Regional Environmental Authorities (Asociación de Corporaciones Autónomas Regionales y de Desarrollo Sostenible – ASOCARS), with the responsibility of overall coordination of the Project activities.

29. “Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

30. “SEPA” means the Bank’s publicly accessible Procurement Plans Execution System.


33. “Steering Committee” means the committee comprised of representatives of the Recipient, CIPAV, Fondo Acción and TNC, referred to in Section I.A.3 of Schedule 2 of this Agreement.

34. “TNC” means The Nature Conservancy, an international non-government organization established in 1951 with a mission to preserve the plants, animals, and natural communities that represent the diversity of life on earth, by protecting the lands and waters they need to survive.

35. “TNC Agreement” means the agreement between the Recipient and TNC, dated June 30, 2010, as amended, referred to in Section I.A.1(C) of Schedule 2 to this Agreement.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Paragraph (a) of Section 2.07(a) is modified to read as follows:

“(a) a financial management system is maintained and financial statements (‘Financial Statements’) are prepared in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect its operations, resources and expenditures, and including those related to the Project.”

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.”

3. The definition of the term “Financial Statements” in paragraph 11 of the Appendix to the Standard Conditions is modified to read: “‘Financial Statements’ means the financial statements referred to in Section 2.07.”