

PROJECT STANDARDS

CHAPTER I

PRELIMINARY PROVISIONS

Article 1. This instrument sets the Standards for Drafting, Analyzing, Approving, Contracting, Executing, Supervising and Accountability (STANDARDS), pertaining to Article 37 of IBA's by-laws, to which any projects and programs submitted to the Brazilian Cotton Institute ("IBA") are bound.

Paragraph One. For the purpose of these STANDARDS, *Projects* are any temporary actions and efforts undertaken to achieve certain objectives. This is work undertaken with a responsibility to execute and achieve the expected results, with quantification of benefits and pre-established execution timeframes, considering human, financial, material and equipment resources, as well as the involved areas required for its development. *Programs* are a set of projects articulated to accomplish a specific purpose.

Paragraph Two. For the purposes of these STANDARDS, *Projects* and *Programs* will be jointly referred to as PROJECTS.

Paragraph Three. The PROJECTS financed with IBA funds to provide Brazilian technical cooperation to developing countries shall be governed by the provisions of Chapter IX of these STANDARDS, in accordance with article 4 of IBA's by-laws.

Article 2. The PROJECTS herein referred to shall also comply with the requirements indicated on IBA's By-Laws and its Internal Regulations

Sole paragraph. The PROJECTS approved by the Management Board must necessarily fit within the scope of one or more of the activities listed in article 4 of IBA's By-Laws

Article 3. The STANDARDS shall guide:

- (i) the Types of Call to receive PROJECTS;
- (ii) the procedure for drafting, analyzing, approving, formalizing contracts, releasing and using resources, monitoring and oversight, rendering of account and conclusion of the PROJECTS that will be submitted to IBA;
- (iii) the procedure for drafting and approving the contract drafts to be signed between IBA and the entities whose PROJECTS are approved.

Article 4. No PROJECT contrary to the institution’s By-Laws, Internal Regulations, or these STANDARDS shall be evaluated by IBA or approved by the Management Board.

CHAPTER II

TYPES OF CALL

Article 5. The Executive Board will invite those interested to submit their PROJECT proposals, pursuant to the Types of Call and the guidelines indicated in the Strategic Planning and Annual Budget.

Sole paragraph. The Types of Call for PROJECTS are:

- (i) Letter of Invitation;
- (ii) Direct Demand; and
- (iii) Request for Bids

Section I

Letter of Invitation

Article 6. The Type of Call designated Letter of Invitation will be selected by the Management Board if it decides that a specific demand from the cotton sector, observing guidelines indicated in the Strategic Planning and the Annual Budget, should be executed by a specific potential bidder due to the interest of the cotton industry and its executing capacity.

Article 7. The Executive Board shall send a Letter of Invitation to the bidder referred to in the chapeau of Article 6 requesting the submission of a PROJECT.

Sole paragraph. The Letter of Invitation to the potential bidder will be signed by the Executive President and shall contain the timeframe, form and necessary conditions for the eligibility of the PROJECT.

Section II
Direct Demand

Article 8. The type designated Direct Demand will be selected by the Management Board whenever it is decided that a certain demand should be managed by IBA.

Sole paragraph. Following the choice by the Management Board, the Executive Board shall require the General Assembly authorization for the presentation of the PROJECT related to the demand mentioned in the chapeau of this article.

Section III
Request for Bids

Article 9. The type designated Request for Bids will be selected by the Management Board for all demands that could be executed by multiple bidders and that do not fall into the categories Letter of Invitation and Direct Demand.

Article 10. The Executive Board will publish the Request for Bids on the official site of the entity, duly signed by the Executive President, indicating:

- (i) the specific demand(s) to be addressed in the PROJECTS;
- (ii) the total amount assigned to each objective;
- (iii) the timeframe and presentation format of the Letters of Consultation; and
- (iv) other information that may be required.

Article 11. The Letter of Consultation (TEMPLATE A) must indicate:

- (i) identification of the bidding entity, its legal representative and the project coordinator;
- (ii) the origin and type of the demand;
- (iii) the timeframe of execution;
- (iv) the description of the problem or the opportunity justifying execution of the project;
- (v) the benefits to the cotton sector;
- (vi) the general and specific objectives of the proposal;
- (vii) the main activities and products of the project, as well as the methodology of implementation;

- (viii) total value of the proposal and of counterpart funds, if any;
- (ix) the expected results; and
- (x) the main risks to the execution of the project and ways in which to face them

Paragraph One. Once the Letters of Consultation have been received by the Executive Board, they will be processed by the Technical Directorate, evaluating every item met, pursuant to criteria laid down in the Request for Bids.

Paragraph Two. The conclusion of processing will be based on a Technical Opinion of the Executive Board, sent to the Management Board, along with the Letters of Consultation.

Paragraph Three. The Management Board's decision approving or rejecting the Letters of Consultation will be published on the IBA site, with no possibility of appeal.

Paragraph Four. The bidders whose Letters of Consultation are approved by the Management Board will be invited by the Executive Board to submit their respective PROJECTS, in compliance with the deadline laid down in the Request for Bids, and must then comply with the rules and procedures set forth in Chapter IV, Section I of these STANDARDS.

Paragraph Five. Approval of the Letters of Consultation does not imply any obligation by the Management Board to approve the PROJECT.

CHAPTER III

THE BIDDERS

Article 12. Only the following interested parties ("BIDDERS") may submit PROJECT proposals and Letters of Consultation, whichever the Type of Call:

- (i) Associates;
- (ii) IBA's Executive Board;
- (iii) ABRAPA; and
- (iv) Federal Public Administration agencies.

Sole paragraph. IBA's Executive Board may only submit PROJECT proposals through Direct Demands.

CHAPTER IV

PROJECTS

Section I

PROJECT submission

Article 13. The BIDDER(S) shall submit the PROJECTS to IBA's Executive Board in accordance with the Letter of Invitation or the Request for Bids through the Integrated Project System (SIP).

Paragraph one. Concerning IBA Associates, only BIDDERS meeting partial and total accountability requirements of previous contracts and in conformity with Article 12 may submit PROJECTS to IBA.

Paragraph two. Projects pertaining to investment in undertakings involving service rendering or product sales resulting in income generation shall be preceded by the presentation of a technical-economic viability study or business plan.

Article 14. The BIDDER(S) may include a Management Fee to the PROJECT.

Paragraph One. The Management Fee is an amount paid to the PROJECT BIDDER and IBA in order to cover management costs for the support to the execution of activities listed in the PROJECT. The Fee is exempted in the cases of:

- (i) PROJECTS for events;
- (ii) PROJECTS for purchase and use of capital goods;
- (iii) PROJECTS of technical-economic viability study or business plan;
- (iv) PROJECTS presented by BIDDER with ongoing PROJECTS to meet the expense of management costs related to institutional strengthening.

Paragraph Two. The Management Fee proposed by the BIDDER has a maximum value of 5% of the total value of the PROJECT and requires approval by the Management Board.

Paragraph Three. For PROJECTS regarding multiple activities, the Management Fee shall not be charged for activities listed on Paragraph One above.

Paragraph Four. The Management Board may approve, reject or decrease the Management Fee value stipulated by the BIDDER with no possibility of appeal.

Paragraph Five. The Management Fee payment to the BIDDER shall respect payment schedule.

Section II

Processing of PROJECTS in the event of Letter of Invitation and Request for Bids

Article 15. After receiving the PROJECT the Technical Directorate will carry out a prior approval analysis.

Paragraph One. The approval analysis shall be carried out in 5 days from the submission registration of the PROJECT at IBA or through the Integrated Project System (“IPS”) verifying:

- (i) timeframe and presentation format compliance
- (ii) if the BIDDER meets the requirements according to Paragraph One of Article 13;
- (iii) if the PROJECT is within the activities listed in article 4 of IBA’s By-laws and if it meets the requirements of the Strategic Planning and Annual Budget approved by the Management Board;
- (iv) fulfillment of requirements indicated by the Letter of Invitation or Request for Bids;
- (v) the presentation of the technical-economic viability study or business plan, in case of projects pertaining to investment in undertakings involving service rendering or product sales resulting in income generation;
- (vi) compliance statement issued by the Brazilian Association of Cotton Producers (ABRAPA) if the BIDDER is one of its Associates;
- (vii) copy of the Associate Assembly Minutes authorizing the presentation of the PROJECT when the BIDDER is ABRAPA or an Associate;

Paragraph Two. Regarding item VII of the previous paragraph, in case ABRAPA or the Associate Assembly have enable their Boards to approve PROJECTS, they shall present IBA the Assembly Minutes relinquishing such powers to the Boards along with the Board meeting minutes approving the PROJECT to be presented to IBA.

Paragraph Three. In case of PROJECT rejection, the Technical Directorate shall notify the BIDDER on the reasons justifying the decision and the timeframe of the PROJECT shall be interrupted.

Paragraph Four. The BIDDER may address the reasons justifying the rejection of the PROJECT through the SIP sending it back to the Technical Directorate for a new evaluation.

Article 16. The PROJECTS that meet presentation requirements will be processed and analyzed by the Executive Board, which will draft a Technical Opinion verifying their technical and financial feasibility, also considering:

- (i) its relevance and whether it adds benefits and knowledge to the cotton sector;
- (ii) whether the justification is well-founded, with identification and analysis of problems, solutions and opportunities that led the BIDDER to propose the PROJECT;
- (iii) the partnerships involved in the project and their description;
- (iv) whether the target audience has been duly quantified and qualified;
- (v) whether the general and specific objectives are realistic and adjusted to the project's limits of operation;
- (vi) whether the proposed actions and activities are suitable for achieving the expected results and are in a logical sequence;
- (vii) whether the proposed execution timeframe is compatible with the necessary time for the actions established in the project and product deliveries;
- (viii) whether the breakdown of the expenses and the financial timeframe correspond to the physical and financial execution of the actions and activities and the scope of the PROJECT;
- (ix) whether the estimated values and market prices are compatible;
- (x) whether the risks and their impacts on the results of the project have been accurately foreseen and whether the measures to reduce or mitigate them are suitable.

Sub-Section I

Analysis of the PROJECT exclusively by the Technical Directorate and the Administrative and Finance Directorate

Article 17. PROJECTS shall be analyzed by the Technical Directorate and/or Administrative and Finance Directorate, who will issue a joint technical opinion.

Paragraph One. The activities indicated in the chapeau shall be carried out in 45 consecutive days from the business day following the approval registration of the PROJECT.

Paragraph Two. If the Technical Directorate and Administrative and Finance Directorate need further clarification of the PROJECT, they may request information for their analysis through Request for Clarification (TEMPLATE C).

Paragraph Three. The time for the analysis of the PROJECT shall be suspended whenever Requests for Clarification are issued, resuming as soon as the information required is received via SIP.

Paragraph Four. In case the Clarifications demanded result in any alteration of the PROJECT the BIDDER shall submit a new TEMPLATE B with the alterations.

Paragraph Five. After receiving the clarification presented, the directorates will finalize their technical opinion.

Sub-Section II

Analysis of the Project with the assistance of the AD HOC CONSULTANT

Article 18. If the Executive Board hires an AD HOC CONSULTANT to assist in the PROJECT analysis an authorization from the Management Board is necessary in accordance with article 31, XIV, of the By-laws.

Paragraph One. The Management Board may relinquish authority in the Board minutes to for the Executive Board to hire an AD HOC CONSULTANT in order to issue technical opinion according to the requirements complying with the Term of Reference.

Paragraph Two. The Term of Reference indicated on Paragraph One will be stipulated by the Technical Directorate and shall contain the requirements of analysis and presentation format of the technical opinion.

Article 19. If the Executive Board hires an AD HOC CONSULTANT, the latter will analyze the PROJECT forwarded to it, complying with the Term of Reference established in Paragraph One of Article 18, and issue a technical opinion to the Executive Board within the deadline established by the Board.

Paragraph One. The timeline in Paragraph One of Article 17 shall be suspended when the PROJECT is submitted by the Executive Board to the AD HOC CONSULTANT resuming with its return.

Paragraph Two. If the AD HOC CONSULTANT needs additional information, it may be suggested that the Executive Board requests it of the BIDDER.

Paragraph Three. The information provided by the BIDDER shall be submitted to the AD HOC CONSULTANT so that the analysis is concluded and the Technical Opinion is submitted to the Executive Board.

Paragraph Four. The AD HOC CONSULTANT's opinion may indicate acceptance or rejection of the PROJECT or adjustment to possible suggested alterations suggested by the Consultant.

Sub-Section III
PROJECT Adjustments

Article 20. If adjustments are necessary to the PROJECTS, the Technical Directorate shall submit the Request for Clarification (TEMPLATE C) to the BIDDER via SIP.

Paragraph One. Having received the new version of the PROJECT the Technical Directorate will issue a conclusive opinion after its analysis.

Paragraph Two. During the analysis referred to by Paragraph One the Technical Directorate may request new information and adjustment to the PROJECT if needed.

Paragraph Three. If the BIDDER does not accept or does not reply to the adjustments suggested by the Executive Board in the timeline establish in TEMPLATE C, the PROJECT will continue its path with the submission of technical opinion by the Executive Board.

Sub-Section IV
Recommendation of PROJECTS

Article 21. After the PROJECTS that were put forward have been analyzed, the Executive President will send the Management Board and the BIDDER the deliberation of acceptance or rejection of the PROJECT via SIP presenting the reasons in case of rejection.

Sole paragraph. The deliberation in the chapeau shall be sent by the President to the Management Board within 15 (fifteen) days prior to the PROJECT judging meeting.

Article 22. After the BIDDER has confirmed receiving the communication described in the previous article there will be a period of 04 (four) days to apply for reconsideration with specified reasons through an Instrument of Reconsideration (TEMPLATE E).

Paragraph One. The timeline indicated in the chapeau of this article will begin on the first business day after receiving the communication.

Paragraph Two. The Instrument of Reconsideration will be submitted via SIP to the Executive Board for analysis and new technical opinion, observing article 17 and following articles.

Paragraph Three. In case of reconsideration request presented in accordance with the chapeau, the PROJECT will be removed from judgement procedure.

Section III

Processing of PROJECTS in the event of Direct Demand

Article 23. After receiving the Direct Demand issued by the Management Board and authorized by the General Assembly the Executive Board will begin the preparation of the PROJECTS.

Article 24. The PROJECTS proposed by the Executive Board shall be submitted according to a standard template (TEMPLATE B).

Article 25. Whenever deemed necessary the Executive Board may submit projects to an AD HOC CONSULTANT for assistance elaborating the PROJECT.

Article 26. Once the PROJECT has been drafted, the Executive Board will submit it to the Management Board for approval.

Article 27. For the execution of the PROJECTS in Direct Demand, the Executive Board may have the support of partners, suppliers or service providers.

Paragraph One. The payment to service providers hired for the execution of PROJECTS shall consist only of the service value without contemplating inputs, goods or expenses used and the disbursement schedule in the service contract shall be observed.

Paragraph Two. If inputs, goods and expenses are needed, the service provider shall request the Executive Boars advanced payment for such purposes providing rendering of accounts for the amount in accordance to article 49 items III, IV and V.

Paragraph Three. The rendering of accounts referred to in the previous paragraph is due 15 days previous to the date of the next payment in the payment schedule.

Section IV

Assessment of the PROJECTS

Article 28. The meeting for the assessment of the PROJECTS, pursuant to article 33 of the By-Laws, can only be held in the presence of all members with the exception indicated in article 27, paragraphs 5 and 6 of the Internal Regulations.

Paragraph One In order to take a decision on their votes, the members of the Management Board can request additional information on the PROJECTS from the Technical Directorate and/or Administrative and Finance Directorate, which will be available to members during the meeting, or make use of the competence indicated in article 31, item XIV of the By-laws.

Paragraph Two. During the PROJECT assessment meetings, the members of the Management Board may request ask to examine the PROJECTS or technical opinions.

Paragraph Three. The Management Board will allow a timeline of 15 (fifteen) days for the members to jointly examine the PROJECTS and technical opinions as requested during the judgment meetings.

Paragraph Four. The PROJECTS requested for examination by the members of the Management Board will be automatically included in the agenda of the subsequent Management Board meeting.

Article 29. The Management Board's decision concerning the PROJECTS shall be registered in the minutes indicating, at least:

- (i) name of the PROJECT;
- (ii) voting results indicating losing votes in case of a majority decision;
- (iii) amount to be disbursed;
- (iv) period of execution;
- (v) name of the entity responsible for the execution (EXECUTOR);
- (vi) issues concerning property cession;
- (vii) value of Management Fee, in case there is one; and
- (viii) eventual retribution demanded from BIDDERS.

Paragraph One. If the approval of the PROJECT is conditioned to any adjustments, the Executive Board shall inform the BIDDER.

Paragraph Two. If the BIDDER agrees with the proposed adjustments, the new version of the PROJECT shall be submitted again for ratification by the Executive President.

Paragraph Three. If what is described in the previous paragraph occurs, all acts linked to the PROJECT may only be executed by IBA after ratification by the Executive President.

Paragraph Four. If the adjustment does not meet the deliberations of the Management Board or the BIDDER does not agree with the suggested adjustment, the Executive President shall send the PROJECT submitted by the BIDDER to the Management Board for further deliberation.

Paragraph Five. The minutes of the Management Board meeting shall be published on the IBA website.

Paragraph Six. There shall be no appeal or request for reconsideration of the Management Board's decision.

Section V

Alterations to PROJECTS in Progress

Article 30. The BIDDERS may present via SIP PROJECT alteration requests through TEMPLATE F to the Technical Directorate specifically indicating: the changes to be executed in the PROJECT; whether there is change in the logical structure of the PROJECT; rearrangement of the amount not included by Article 34 of these Standards; increase or reduction of the total value and timeline.

Paragraph One. Once the template is received, the Technical Directorate and Administrative and Finance Directorate shall analyze the alteration request with the assistance of an AD HOC Consultant in 45 (forty-five) consecutive days from the date of the SIP registration of the template. More information may be required from the BIDDER causing the timeframe of the analysis to be suspended.

Paragraph Two. The Technical Directorate and Administrative and Finance Directorate will issue a joint technical opinion upon the conclusion of the analysis informing the content of the alteration, its possible impacts in the expected results of the PROJECT and whether the alteration should be accepted or rejected by IBA from a technical and financial point of view.

Paragraph Three. The alteration request, the technical opinion issued by the Directorates, the request sent forward by the BIDDER and other documents deemed necessary will be submitted to the Executive President.

Paragraph Four. The Executive President will have full autonomy to approve alterations as long as they do not implicate:

- I. increasing PROJECT value;
- II. alteration in the PROJECT execution schedule exceeding 180 days;
- III. alteration of the PROJECT goal;
- IV. alteration of the final result of the PROJECT;
- V. alteration of the BENEFICIARY or EXECUTOR of the PROJECT.

Paragraph Five. Alterations regarding an increase of the value of the project due to the use of amounts originating from profits of financial application of resources approved for the PROJECT, in accordance with Article 47, can be approved individually by the Executive President without the need of ratification from the Management Board.

Paragraph Six. If the alterations imply circumstances listed in items I to V of paragraph four, the Executive President shall send the documents referred to in Paragraph Three of this Article to the Management Board for deliberation.

Paragraph Seven. An alteration in the PROJECT execution schedule of under 180 days cannot be approved or rejected by the Executive President in case the BENEFICIARY has already made the same request, in which case the request is submitted to the Management Board.

Paragraph Eight. Regarding an alteration request of a PROJECT implying execution schedule change between 90 (ninety) days and 180 (one hundred eighty) days, the Executive President need only notify the Management Board.

Paragraph Nine. Even when holding full autonomy, the Executive President may submit the PROJECT alteration request to the Management Board whenever deemed necessary to notify or receive feedback from the Board.

Article 31. BIDDERS may not present PROJECT alterations regarding alteration requests previously rejected by the Management Board or by the Executive President.

Article 32. In order not to stop the execution of the PROJECT and fulfill the analysis timeframe, the BIDDER may submit TEMPLATE F via SIP 60 (sixty) days prior to the date set for payment in the disbursement schedule of the PROJECT.

Sole paragraph. During the analysis timeframe of the PROJECT alteration request, all payments regarding the PROJECT indicated in its disbursement schedule shall be suspended.

Article 33. With the approval of the PROJECT alteration by the Management Board or by the Executive President through the signing of the MINUTES of the Management Board Meeting

or specific document in case of approval by the Executive President, the alteration is effective for the Parties producing all legal effects regarding the alteration.

Sole paragraph. If the alteration implies changes of value, including the use of remaining amount of financial application, as well as changes of timeframe and scope, Amendments shall be made to the Contract signed with the BENEFICIARY giving legal effectiveness to the alteration.

Article 34. The PROJECT is not altered by:

- (i) rearrangement of value and addition of Disbursement items in the same Disbursement Group of a specific Product during the execution of the payment;
- (ii) rearrangement of value from one Disbursement Group to another in the same Product as long as the 20% (twenty percent) limit of the Product value per payment is observed;
- (iii) rearrangement of value of Disbursement items in the Permanent Material Disbursement Group up to the limit of 20% (twenty percent) of the value of the Disbursement Group per payment; and
- (iv) rearrangement of values among Products as long as the 10% (ten percent) limit of the value of per payment is observed.

Paragraph One. The values considered for the rearrangements in items (i) to (iv) of the chapeau of this article can include the use of the remaining amount referred to by Article 52, Paragraph one, item (i).

Paragraph Two. The rearrangements in items (i) and (iv) of the chapeau of this article shall be informed and justified in the rendering of accounts of the payment in which the alteration was performed and are conditioned by its approval.

Paragraph Three. The reason mentioned in the previous paragraph shall include confirmation that the rearrangement does not compromise the delivery of the result aimed by the PROJECT indicated in TEMPLATE B.

Paragraph Four. The rearrangements in items (i) to (iv) of the chapeau of this article shall not pervade Human Resources Disbursement Groups and must follow rules set in articles 30 to 33.

CHAPTER V

CONTRACTS

Article 35. All approved PROJECTS shall be bound to contracts to be signed by the BIDDERS and IBA's Executive President.

Paragraph One. The contracts shall establish, clearly and accurately, the conditions for the execution of the PROJECTS, expressed in clauses defining the rights, duties and liabilities of the parties, in accordance with the particular form and call type to which they are bound.

Paragraph Two. The BIDDERS, after signing the contracts, shall be known as BENEFICIARIES, and will be liable for all obligations involved in the execution of the PROJECT, including the obligation to render account for the amounts received from IBA

Paragraph Three. In reference to the PROJECTS proposed by the Executive Board, the contracts shall be signed between IBA's Executive President and the service providers hired to carry out the PROJECTS.

Section I

Drafting of the contracts

Article 36. The contracts shall be signed by a standard draft previously approved by the Management Board with the exception of contracts resulting from Direct Demand or International Cooperation and those signed with the Federal Public Administration agencies.

Paragraph One. The standard draft approved by the Management Board shall establish, expressly and mandatorily:

- (i) the complete qualification of parties and their legal representatives in compliance with their By-Laws or Articles of Organization;
- (ii) format and deadlines for partial and final account rendering;
- (iii) objective and term of the contract;
- (iv) financial liabilities of each participant and respective counterpart funds, if any.
- (v) schedule for disbursements (TEMPLATE G);
- (vi) IBA's right to regularly supervise the execution of the PROJECTS;

- (vii) the obligation of the contracted party to submit financial execution reports and rendering of accounts for the partial and final use of the resources received, as provided for in these STANDARDS;
- (viii) the applicable penalties in the event of failure to submit the reports and rendering of accounts, as well as other events of default;
- (ix) events of termination;
- (x) the mandatory connection with the call notice and with the project approved by the Management Board;
- (xi) the obligation of the contracted party to maintain compliance with the eligibility requirements established for submission of the project, consonant with the obligations undertaken, during the entire term of the contract;
- (xii) definition of right of ownership of the remaining assets at the conclusion or termination of the contract;
- (xiii) the commitment of the contracted party to return the amount transferred by IBA, duly adjusted for inflation by the official index in cases where the project is not executed as agreed, where the partial and final rendering of accounts are not submitted on the required date, or if the resources are used for other purposes than those set forth in the contract;
- (xiv) the obligation of the contracted party to manage the resources in a specific bank account (TEMPLATE H);
- (xv) the obligation of the contracted party to mention IBA's financial support in all acquired or built goods, as well as in printed and advertising material related to the project, including IBA's logo in accordance with the Visual Identity Manual;
- (xvi) the obligation of the contracted party to keep the originals of all invoices related to each disbursement for payment, as laid down in Article 49, paragraph one, of these STANDARDS.

Article 37. On the date of the signature of the contract, sequential numbers will be assigned to the PROJECT, which should be used during the entire management and control processes of its execution.

Article 38. The associated institutions can only sign contracts with IBA if they are in good standing with the Federal Revenue Service of Brazil, State Treasury (of the institution's domicile), Municipal Treasury (of the institution's domicile), INSS (National Institute of Social Security) and IBA.

Sole paragraph. Good standing with IBA shall be proved by a document issued by the Institute's Executive Board, bearing in mind the duties of Associates listed in Article 12 of IBA's By-Laws, and by approval of partial or final rendering of account of previously signed contracts.

Article 39. Contracts with indefinite period of effectiveness are strictly prohibited.

Section II

Signing of the contracts

Article 40. After the approval by the Management Board, the Executive President will invite the BENEFICIARIES to sign their contracts within 15 (fifteen) days.

Paragraph One. The Executive President shall have the BENEFICIARIES sign the contracts after receiving the documents indicated in Article 38 of these STANDARDS.

Paragraph Two. The BENEFICIARIES who will sign the contracts shall present the official instruments granting powers to their legal representatives.

Paragraph Three. The signatures of the contract by the parties shall be via SIP through electronic signature in accordance with MP 2.200-2/2001.

Paragraph Four. The contract signed by all parties will be filed in SIP and both the BENEFICIARY and IBA will be granted access to it.

Section III

Contract Amendments

Article 41. Contract amendments may occur in cases of alterations of the BIDDERS or IBA's data or in case of PROJECT alteration referring to value, execution timeframe, object, goals and other alterations that may affect previously agreed terms.

Article 42. In case of approval of alterations to the PROJECT that affect terms of the contract, the Executive President is authorized to make amendments to the contract bound to the PROJECT in order to adjust its terms to the deliberations of the Management Board or the Executive President's decision.

CHAPTER VI

EXECUTION OF PROJECTS

Section I

PROJECT execution start and Release and Use of Resources

Article 43. The BENEFICIARY may start the execution of the PROJECT from the date of its approval by the Management Board.

Paragraph One. In case of expenses in the PROJECT financed between its approval date and the signature of the contract the BENEFICIARY may fund such expenses with their own resources deposited in a specific bank account of the PROJECT and request IBA for reimbursement.

Paragraph Two. In order for the BENEFICIARY to be entitled to the reimbursement indicated in the previous paragraph, their contract with IBA must have been signed within the timeframe specified in Article 40.

Paragraph Three. If the contract is not signed within the timeframe indicated in Article 40 due to lack of fulfillment by the BENEFICIARY of formal conditions the BENEFICIARY shall have no right of reimbursement and the Executive President shall submit notice to the Management Board informing about irregularities occurred during the contract signing process so that deliberations are carried out.

Article 44. After the contract has been signed, the provisioned funds shall be released by the Executive Board to the BENEFICIARY, pursuant to the disbursement schedule set forth in the contract.

Paragraph One. The release of financial resources shall respect the following rules:

- (i) In case of a single payment, its release shall be conditioned to the signature of the contract by the BENEFICIARY and the Disbursement Schedule;
- (ii) For funds disbursed in two installments, the second installment shall be conditioned to the approval of the accounts referring to the first installment released;
- (iii) In case of PROJECTS with more than two payments, the first one shall observe item (i) above and the second shall be conditioned to the decision regarding the rendering of accounts of the previous payment submitted to IBA and the Disbursement Schedule and so forth until the last payment.

Paragraph Two. Regarding item (iii) in the previous paragraph, for funds disbursed in more than two installments, the third installment shall be conditioned to the approval of the accounts referring to the first installment released, and thus successively, until the last installment.

Paragraph Three. The disbursements set forth in the contract shall stop until the irregularities are corrected, in the following cases:

- (i) when rendering of accounts is not admitted in accordance to Article 50 and its paragraphs of these STANDARDS;
- (ii) when there is no confirmation of good and regular use of the payment in the rendering of accounts;
- (iii) when there is deviation in the use of resources;
- (iv) when any clause or condition of the contract is disrespected;
- (v) when the BENEFICIARY is in irregular situation with the obligations of these STANDARDS; or
- (vi) when the Technical and Administrative and Finance Directorates use the prerogative indicated in Paragraph third of Article 51 of these STANDARDS.

Paragraph Four. Where the financial support for the PROJECT includes acquisition of assets, they can be donated to the BENEFICIARY/EXECUTING ENTITY, or be relinquished, by a Management Board decision.

Article 45. The BENEFICIARY must make payments for expenses foreseen in the PROJECT by check made out to the creditor or by bank order, electronic transfer, wherein the destination of the payment is identified.

Article 46. The final purpose of rights deriving from the development of products by BENEFICIARIES using IBA resources in each contract.

Article 47. The beneficiary must make financial investments of the payments for the PROJECT and use the profits in the last payment as long as authorized by IBA and with exclusive use to the products and activities of the PROJECT attested in the rendering of accounts.

Paragraph one. The use of gains from authorized investments referred by the chapeau implies alteration of the project and shall fulfil the requirements of Article 32.

Section II

Monitoring, evaluation and inspection of project execution

Article 48. The Executive Board will be responsible for monitoring, evaluating and inspecting the execution of PROJECTS.

Paragraph One. Inspection, evaluation and monitoring shall be carried out by the IBA team or by independent consultants and auditors hired for the purpose.

Paragraph Two. Monitoring, evaluation and inspection mentioned in paragraph one may be carried out by technical visits or by requesting information and documentation.

Paragraph Three. The monitoring and evaluation procedure will verify the execution of the activities and products and the reach of goals, aims, results and indicators described in TEMPLATE B, as well as the adherence of alterations occurred along the execution of the PROJECT.

Paragraph Four. The person responsible for the monitoring and evaluation will submit a report to the Executive Board describing the current status of the PROJECT.

Paragraph Five. The beneficiary has to fulfill the deadlines determined by IBA which may never be less than 15 (fifteen) days for the submission of information and documents during the monitoring, evaluation and inspection procedures.

Paragraph Six. Regarding the monitoring, evaluation and inspection visits, IBA shall inform the BENEFICIARY of the dates of such inspections and the names of agents that will perform them.

Paragraph Seven. In exceptional cases due to urgency or possible irregularities, the dates for information/documents request and for monitoring, evaluation and inspection visits may be inferior than what paragraph five stipulates, as long as within reason for the situation.

Paragraph Eight. The BENEFICIARY shall make all documents and information requested by IBA agents available during the monitoring, evaluation and inspection visit.

Paragraph Nine. The BENEFICIARY shall provide IBA agents enough room and infrastructure for the inspection during the monitoring, evaluation and inspection visit.

Paragraph Ten. IBA shall notify the BENEFICIARY about any irregularities found during the monitoring, evaluation and inspection carried out, requesting clarification or providing reasonable time for them to adjusted.

Paragraph Eleven. The failure to comply with the obligations indicated in the notifications issued by IBA shall result in suspension of financial resource release or just termination of the contract, with due process defense assured to the BENEFICIARY.

Paragraph Twelve. Monitoring and inspection procedures must be contained in the Contract and may vary according to each PROJECT's specificity.

Paragraph Thirteen. The Management Board may ask the Executive Board to produce extraordinary reports on the monitoring and inspection of projects.

CHAPTER VII

PARTIAL AND FINAL RENDERING OF ACCOUNTS

Article 49. The BENEFICIARY that receives financial support pursuant to these STANDARDS shall fulfill via SIP the templates related to Partial and Final Rendering of Accounts of the payment executed within 15 days from its conclusion, in accordance with the Disbursement Schedule, containing:

- (i) A Descriptive Execution Report (TEMPLATE I) with full information about activities progress and product deliveries concluded in the period with the technical evidence described in TEMPLATE B;
- (ii) Financial Execution Report (TEMPLATE J);
- (iii) List of Payments (TEMPLATE K) with the expenses in chronological order of liquidation, classified according to the Product, Group or Sub-group of Project Expenses;
- (iv) List of assets (TEMPLATE N);
- (v) Statements of the specific PROJECT checking account and duly reconciled financial investments (TEMPLATE L);
- (vi) Request to use remaining amount with due technical justification or return certification (TEMPLATE M);
- (vii) Technical conclusion report for each stage of construction, adjustment or refurbishment of real estate;
- (viii) Information and justification in case or rearrangement according to Article 34, items I and II of these STANDARDS;
- (ix) Expense reimbursement reports (TEMPLATE O);

- (x) Copy of private contract for the execution of the PROJECT between the BENEFICIARY and the EXECUTOR in the first rendering of account or in case of alterations in such contract; and
- (xi) Resource returning Form (TEMPLATE P)

Paragraph One. The BENEFICIARY and the EXECUTOR shall maintain under their care:

- (i) Copies of fiscal supporting documents (invoice, paychecks, tax and duties returns, bank transfer slip "DOC/TED", copy of checks, service rendering contract exceeding R\$ 670,00 per payment released by IBA, etc.) stamped according to standard to be defined with the name of the beneficiary or executor, IBA and number of Project/Contract; and
- (ii) At least three quotations or proposals for purchase or hiring referring to the payment, containing:
 - a. clear description of technical requirements for the merchandise or service to be acquired or hired which may not hinder competition;
 - b. reason for hiring the supplier for a superior value to the lowest price presented during the quotation process;
 - c. rejected quotations or proposals.

Paragraph Two. The BENEFICIARY may request once per financial installment the postponement for up to 15 days of the deadline for rendering of accounts.

Paragraph Three. In case of expenses previewed in the Project that are due in the period of partial rendering of accounts stablished in the chapeau of this Article, until the approval of this rendering of accounts and if there is no financial availability, the BENEFICIARY may pay for such expenses with their own resource deposited in the bank account of the PROJECT and request IBA for reimbursement.

Paragraph Four. If the rendering of accounts mentioned in the previous paragraph is rejected, the beneficiary shall not be reimbursed for the expenses paid by.

Paragraph Five. The BENEFICIARY's counterpart funds, if any, shall be demonstrated in the Physical and Financial Execution Report, as well as in the partial and final rendering of accounts, performed separately for analysis purposes.

Paragraph Six. The BENEFICIARY may leave out forms indicated in items iv, vi, vii, ix and xi of the chapeau of this article when such forms do not apply to the object of the PROJECT to which the rendering of accounts pertains.

Article 50. The Partial and Final Rendering of Account shall be submitted to the Technical Directorate for approval.

Paragraph One. The document analysis shall be carried out by the Technical Directorate in up to four days from the submission of the rendering of accounts.

Paragraph Two. In case of lack of any of the necessary documents for the rendering of accounts, the Technical Directorate shall notify the BENEFICIARY granting a seven-day period for adjustment under risk of the rendering of accounts being declared irregular.

Paragraph Three. With the adjustment of the rendering of accounts by the Beneficiary within the period established above, the Technical Directorate shall continue the approval analysis.

Paragraph Four. In case the BENEFICIARY does not comply with the period established in paragraph two above or in case of documents missing the Technical Directorate shall finalize its Technical Note indicating that the rendering of accounts is irregular.

Article 51. In case of approval of the rendering of accounts the documents shall be analyzed in 90 days by the Technical Directorate and Administrative and Finance Directorate, which will develop joint Technical Note to be submitted to the Executive President for appreciation and further action.

Paragraph One. The analysis of fiscal supporting documents and quotations indicated at paragraph two of Article 49 of these Standards shall be carried out by samples at the headquarters of the BENEFICIARY and the EXECUTOR.

Paragraph Two. The BENEFICIARY and the EXECUTOR are forbidden to contract expenses with fines, interest and monetary adjustment, including those having to do with payments or collections beyond due dates, using sums released by IBA or to render accounts using fiscal documents:

- (i) with crossing-outs in any fields;
- (ii) illegible or superimposed;
- (iii) on behalf of third parties;
- (iv) beyond their due dates;
- (v) issued outside the schedule for execution of the PROJECT described in the contract; or
- (vi) with incomplete responses.

Paragraph Three. When developing their joint Technical Notes, the Technical Directorate and the Administrative and Finance Directorate may ask the BENEFICIARY to provide any necessary documents, clarifications or justifications that they see fit, besides the following cases:

- (i) Presentation of necessary documents for the approval of Rendering of Accounts on the following cases:
 - a. Lack of invoice;
 - b. Lack of price quotation or justification;
 - c. Lack of payment voucher;
 - d. Lack of calculation memory;
 - e. Lack of tax retention;
 - f. Lack of service rendering contract;
 - g. Lack of contract between the BENEFICIARY and the EXECUTOR;
 - h. Lack of previous request for project alteration;
 - i. Lack of justification for not delivering products or services of the Project;
 - j. Lack of justification for presentation of non-fiscal document;
- (ii) Devolution of financial resources for the PROJECT bank account in cases of:
 - a. Lack of presentation of documents indicated in item (i) above;
 - b. Invoice issued out of the deadline;
 - c. Fiscal document diverging from payment;
 - d. Fiscal document under third parties' name;
 - e. Duplicated fiscal document;
 - f. Fiscal document issued out of the PROJECT/Contract effectiveness period;
 - g. Payment of expenses without preview in the Project and without justification accepted by IBA's Executive Board;
 - h. Payment in disagreement with the PROJECT;
 - i. Duplicated payment;
 - k. Lack of devolution of remaining funds when request;
 - l. Use of the project's bank account without justification;
 - m. wrong calculation of vacation, rescissions, Christmas bonuses and other payments.
- (iii) Justification in the case of:
 - a. Presentation of diverging reports;
 - b. Unjustified delay of the execution of products and activities;
 - c. Lack of confirmation or evidence of the PROJECT'S execution;
 - d. Lack of confirmation of the reach of objectives, results, aims, indicators of the execution of the PROJECT;

- e. Lack of presentation of technical results without adhering to the goals, aims and indicators of the PROJECT;
- f. Expenses above or below the budget of the product in the installment.

Paragraph Four. The deadline to provide any necessary documents, clarifications or justifications mentioned by the previous paragraph will be a fifteen-day period in which there will be a suspension of the timeframe for the analysis indicated in the chapeau.

Paragraph Five. In case the Technical Note refers to the partial rendering of accounts and does not indicate irregularities, the Executive President may issue note to the Financial Board for the release of a new payment installment for the BENEFICIARY or, through a justified decision, submit the Technical Note to the appreciation of the Management Board requesting necessary measures.

Paragraph Six. In case of final rendering of accounts, the Executive President shall send note to the Management Board along with the joint Technical Note for the final appreciation of the PROJECT accounts.

Paragraph Seven. The Executive President shall determine the suspension of payments of the PROJECT with irregular rendering of accounts while waiting for replies to the notes submitted until the irregularities are adjusted.

Paragraph Eight. In case the requests of Paragraph three of Article 51 are not fulfilled by the BENEFICIARY, the Executive President shall issue note to the Management Board informing about the withstanding irregularities, with joint Technical Notes and notes sent to the BENEFICIARY with the indication of the receiving date so the Management Board decides about the measures to be taken.

Paragraph Nine. Once the Management Board receives the Technical Note submitted by the Executive President, the Management Board can approve the accounts, request information, or in case of irregularities, approve accounts or determine measures as it sees fit, ranging from stopping subsequent payments to the termination the contract, demanding that sums disbursed be returned.

Article 52. Regarding the remaining amount, in case there is no declaration of the beneficiary for its use indicated in TEMPLATE M, the Executive Board shall request its formal devolution during the Rendering of Accounts process, which will only be concluded after confirmation of the deposit of the remaining amount in IBA's account.

Paragraph One. The beneficiary may request IBA for the use of the remaining amount in the following cases:

- (i) When the remaining amount results from economy, the beneficiary may use it to advance payment of expenses for future activities of the project requesting compensation of the amount in the implicated payments to be released;
- (ii) When the remaining amount derives from not executing activities in the period, the BENEFICIARY may use it for the execution of the same activities indicating new schedule.

Paragraph Two. In the case described in the previous items, the BENEFICIARY shall present justification in the rendering of accounts using the form in TEMPLATE M.

Paragraph Three. The cases of request for use of remaining amounts that do not fit items I and II of Paragraph one shall follow Article 30.

Article 53. In case of Final Rendering of Accounts, the BENEFICIARY shall issue Closing Report of the PROJECT with the registration of results, aims, goals reached, lessons learned, description of executed activities and delivered products, as well as the consolidated financial execution of the PROJECT.

Sole paragraph. With the approval of the Final Rendering of Accounts of the BENEFICIARY by IBA's Management Board the Executive President shall issue a Project Closing Term consisting of an official document indicating that the Project was concluded and its rendering of accounts was definitely approved.

Article 54. The expense receipts and documents pertaining to paid and retained taxes will be kept in files at the location in which they are calculated at IBA's disposal for inspection for a minimum period of five years.

Article 55. If the rendering of accounts is not approved, the BENEFICIARY will be accordingly notified and allowed a maximum period of 30 days to pay the value charged, updated by IGP-M, increased by arrears interest of 1% per month from the notification.

CHAPTER VIII

TERMINATION

Article 56. The contract will be terminated in case of total or partial noncompliance with any of the clauses agreed upon, as well as with the specifications and the PROJECTS, and, particularly, if any of the following situations occur:

- (i) use of resources in disagreement with the PROJECT;
- (ii) change to the objective of the PROJECT without the authorization of the Management Board;
- (iii) failure to submit partial and final rendering of accounts in the established time;
- (iv) unjustified delay in the execution of the PROJECT;
- (v) if the PROJECT is halted, without justification and previous communication to IBA;
- (vi) total or partial subcontracting of the object, total or partial assignment or transfer, as well as consolidation, spin-off or merger, not foreseen in the PROJECT and not allowed in the contract or call mode;
- (vii) failure to comply with the determinations of the Executive Board in charge of following up and supervising the execution of the PROJECT;
- (viii) amendment in the articles of incorporation or change of purpose or structure of the contracting entity that might harm the execution of the contract;
- (ix) bankruptcy, judicial reorganization or dissolution of the contracting entity;
- (x) Act of God or Force Majeure, duly proven, preventing the execution of the contract.

Paragraph One. In the event of termination as set forth in items (i) to (ix) above, the BENEFICIARY shall be notified and required to reimburse IBA, within 30 (thirty) days, for the amounts received and not executed, pursuant to the Technical Note of the Executive Board, under penalty of collection suit, as per law.

Article 57. The contract may be terminated by mutual agreement of the parties.

Article 58. The proposals for termination mentioned in this Chapter shall be previously submitted to the approval of the Management Board.

CHAPTER IX

INTERNATIONAL COOPERATION

Article 59. PROJECTS financed with resources from IBA dealing with the provision of technical cooperation by Brazil to developing countries shall be governed by this Chapter, observing Article 4 of the IBA By-Laws, and by the terms of the Memorandum of Understanding between the Ministry of External Relations and the Brazilian Cotton Institute for Technical Cooperation in the Cotton Sector (MRE-IBA MoU) and the Joint Declaration of Intentions for the Technical Cooperation in the Cotton Sector between the Ministry of External Relations and the Brazilian Cotton Institute (DCI MRE-IBA), and the standards of the preceding chapters do not apply thereto in case of conflict with the present chapter.

Paragraph One. PROJECTS dealing with the provision of technical cooperation by Brazil to developing countries shall be governed, in their planning, analysis and approval by the regulations adopted by the Ministry of External Relations' Brazilian Cooperation Agency (Agência Brasileira de Cooperação—MRE/ABC), including MRE-IBA MoU guidelines and the Base-Project, as well as by the regulations of co-executing international entities and organizations.

Paragraph Two. In case the PROJECTS regarding technical cooperation are executed in Brazil in accordance with DCI MRE-IBA, the Ministry of External Relations may indicate Brazilian public companies or public universities or their foundations to execute the PROJECT.

Article 60. PROJECTS dealing with the provision of technical cooperation by Brazil to developing countries shall be coordinated by MRE/ABC, pursuant to Decree Number 8.823, enacted July 28, 2016, while their execution may be shared with international entities or organizations.

Sole paragraph. When execution is shared, technical cooperation initiatives shall be carried out by means of PROJECTS to be signed between MRE/ABC and international entities or organizations, and approved in accordance with the standards of the present Chapter and ruled in their execution by the MRE-IBA MoU, DCI MRE-IBA and guidelines and by procedures laid down in international cooperation agreements entered into by the Brazilian Government and the co-executing international entity or organization.

Article 61. PROJECTS dealing with the provision of technical cooperation by Brazil to developing countries shall be submitted for appreciation to the Management Board by MRE/ABC, when recommended by the Executive Board of IBA.

Paragraph One. The PROJECTS presented by MRE/ABC shall include all documents necessary for its instruction and by calculation memory of the first disbursement payment that justifies fix costs related to administration in Brazil and those costs related to prospection missions and project validation.

Paragraph Two. The deadline for the analysis to be carried out by the Executive Board is 45 consecutive days starting from first business day after the PROJECT is received.

Paragraph Three. In up to 30 (thirty) days after the Management Board's approval of the PROJECTS mentioned in Article 59, IBA will compromise to transfer the resources related (Em até 30 (trinta) dias após a aprovação, pelo Conselho Gestor do IBA, dos PROJETOS mencionados no Artigo 59, o IBA se compromete a transferir, para as entidades ou organismos com os quais o MRE/ABC haja firmado os PROJETOS, os recursos relativos à primeira parcela, respeitado o limite referido no Artigo 4.1 do MdE MRE-IBA.)

Paragraph Four. Starting

(As parcelas subsequentes do PROJETO deverão estar inseridas no orçamento total do PROJETO, levando em consideração os desembolsos já realizados e terão sua liberação em até 15 dias contados da apresentação dos subprojetos ou projetos Países, negociados, aprovados e assinados entre o Governo Brasileiro e países parceiros.)

Paragraph Five. Within 30 (thirty) days of approval by the Management Board of IBA of the PROJECTS mentioned in Article 51, IBA undertakes to transfer to the international entities or organizations with whom MRE, through ABC, has signed the specific projects, the resources related to the first payment, abiding by the limit referred to in Article 4.1. of the MRE-IBA MoU.

Paragraph Six. The following payments of the PROJECT shall be inserted in the total budget of the PROJECT considering the executed disbursements and shall be released in up to 15 days from the presentation of the subprojects or country projects negotiated, approved and signed between the Brazilian Government and partner countries.

Article 62. Any and all changes to the PROJECT leading to an increase in its global value or increase in the timeframe surpassing 180 days shall be submitted to the Management Board for approval by MRE/ABC, when recommended by the Executive Board of IBA.

Paragraph One. Any and all changes to the PROJECT not leading to an increase in its global value shall be approved by MRE/ABC and notified to the Management Board and the Executive Board of IBA.

Paragraph Two. In case of value alteration the additional disbursements shall be instructed with the new calculation memory of management costs and a new document of the altered PROJECT containing the necessary additional disbursements for the execution of the new or reviewed subprojects or country projects.

Article 63. Once the PROJECT has been approved by the Management Board, MRE/ABC may create, modify and suppress sub-projects, and carry out related isolated activities, abiding by the second paragraph of Article 59.

Article 64. Accounting and audit procedures of the Office of the Comptroller General (CGU) and those defined between MRE/ABC and international entities and organizations within the framework of technical cooperation given to developing countries shall apply when accounting for resources allocated to the PROJECTS addressed in this Chapter.

Paragraph One. The accounting for resources executed shall be submitted annually to the Office of the Comptroller-General (CGU) through the Federal Secretariat for Control, and/or to the audit process of the international entity or organization, in the case of shared execution.

Paragraph Two. MRE/ABC shall forward IBA a project progress report in Portuguese until April 30 of the following year with information regarding:

- I - project identification;
- II - descriptive execution (progress analysis of products according to a logical matrix)
- III - financial execution;
- IV - list of acquired goods (inputs)
- V - list of payments

Paragraph Three. Audit reports sent for appreciation to MRE/ABC by CGU and/or by the co-executing international entity or organization shall be forwarded to IBA within 10 business days of MRE/ABC's analysis of the audit report.

Article 65. The execution of activities carried out within the framework of PROJECTS financed by resources transferred by IBA shall comply with the terms of the Memorandum of Understanding between the Government of the United States of America and the Government of the Federative Republic of Brazil Regarding a Fund for Technical Assistance and Capacity Building with Respect to the Cotton Dispute (WT/DS267) in the World Trade Organization.

CHAPTER X

FINAL PROVISIONS

Article 66. IBA shall not disclose any confidential content of the PROJECTS under IBA's management, including their opinions, which can only be disclosed to the bidder and IBA's departments directly involved in the evaluation process.

Article 67. The Templates and Appendices referred to in these STANDARDS are an integral part thereof for all purposes and shall be considered approved and valid as long as the STANDARDS are in effect.

Article 68. Cases not covered in these STANDARDS shall be resolved by deliberation of the Management Board.