

LOAN NUMBER 7782-BR

Loan Agreement

(Second National Environmental Project –
Programa Nacional do Meio Ambiente II – Fase II – 1ª Etapa)

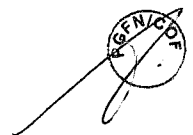
between

FEDERATIVE REPUBLIC OF BRAZIL

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated *December 22*, 2009



LOAN AGREEMENT

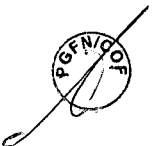
Agreement dated December 22, 2009 between FEDERATIVE REPUBLIC OF BRAZIL ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty four million three hundred thousand dollars (US\$24,300,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. The Borrower's Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Executive Secretary of the Borrower's Ministry of Environment or the General Coordinator for the Program.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are June 15 and December 15 in each year.



- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project and the Program. To this end, the Borrower shall carry out the Project through MMA in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Project Coordination Unit Regulation has been amended, suspended, abrogated, repealed or waived so as to affect in the opinion of the Bank, materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.
- (b) The Program Regulation has been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Bank, materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.
- (c) The Supervisory Commission Regulation has been amended, suspended, abrogated, repealed or waived so as to affect in the opinion of the Bank, materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.



- 4.02. The Additional Events of Acceleration consist of the following, namely that any event specified in Section 4.01 (a), (b), or (c) of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

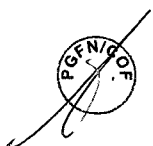
- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Project Coordination Unit Regulation has been adopted and published in form and substance satisfactory to the Bank.
 - (b) The Program Regulation has been adopted and published in form and substance satisfactory to the Bank.
 - (c) The Supervisory Commission Regulation has been adopted and published in form and substance satisfactory to the Bank.
 - (d) Project Operational Manual has been adopted through a regulation issued and published by MMA and in form and substance satisfactory to the Bank.
- 5.02. The Additional Legal Matter consists of the following, namely that the Loan has been registered with the Borrower's Central Bank.
- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on March 21, 2011.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Ministry of Finance.
- 6.02. The Borrower's Address is:

Ministério da Fazenda
Procuradoria-Geral da Fazenda Nacional
Esplanada dos Ministérios, Bloco "P" - 8º andar
70048-900 Brasília, DF
Brazil

Facsimile:
(55-61) 3412-1740



With copies to:

SEAIN - Secretaria de Assuntos Internacionais do
Ministério do Planejamento, Orçamento e Gestão
Esplanada dos Ministérios - Bloco K - 5º andar
Brasília, DF, 70040-906
Brazil
Facsimile: (55-61) 2020-5006

And to:

MMA – Secretaria Executiva PNMA II
Esplanada dos Ministérios, Bloco B, 6º andar
Brasília, DF, 70068-901
Brazil
Facsimile: (55-61) 3317-1761

6.03. The Bank's Address is:

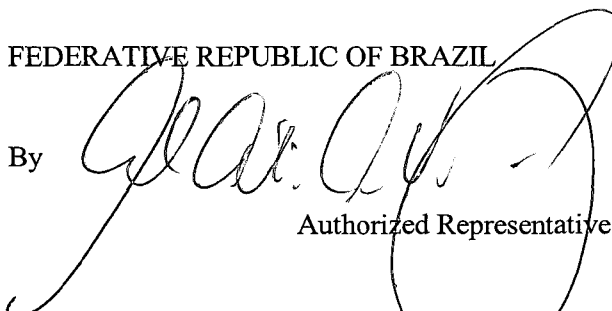
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

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

FEDERATIVE REPUBLIC OF BRAZIL

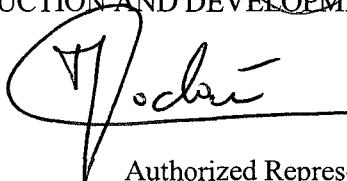
By



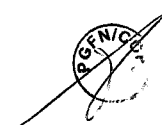
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative



SCHEDULE 1

Project Description

The objective of the Project is to contribute to strengthen environmental capacity in the Borrower's key institutions by enhancing environmental management capacity of institutions at the federal, state, Federal District and municipal levels and by demonstrating the effectiveness of targeted partnerships focused on defined priorities.

The Project supports the second phase of the Program, and consists of the following components:

Component A. Institutional Development

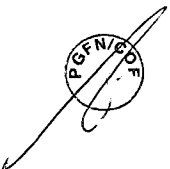
Provide support to the Borrower and eligible states (the Eligible States) through selected partners (the Project Partners) for specific activities (the Partnerships) to: (1) strengthen environmental licensing policies and procedures at the federal, state, Federal District and municipal levels; (2) implement an environmental monitoring system integrating the existing state, Federal District and municipal environmental monitoring networks into MMA's environmental information system and enhancement of processing and analysis capacity for environmental monitoring networks; and (3) promote innovative economic instruments for environmental management, including, *inter alia*, environmental audits, payment for environmental services, tradeable permits, and environmental taxes based on the *polluter-pays* principle .

Component B. Integrated Management of Environmental Assets

Provide support to the Borrower and Eligible States through Project Partners to identify, rank and address key environmental challenges in their territories and to carry out Partnerships aimed at adopting, integrated management sustainable practices.

Component C. Coordination, Dialogue and Communication

Provide support to the Borrower's technical and administrative capacity as needed to manage Partnerships and Project activities by financing: the strengthening of the organizational and operational structure of the Project Coordination Unit, including, *inter alia*, its capacity to channel technical assistance and capacity building for Eligible States and Project Partners, follow-up on eligibility criteria for Eligible States, develop Partnership proposals, follow-up on environmental licensing procedures at the federal, state, Federal District and municipal levels, coordinate with the Supervisory Commission for the review and endorsement of Partnership proposals, coordinate with other academic, public and private partners and stakeholders for the implementation of the Project; and information management through the development and implementation of a management information system that ensures widespread dissemination of lessons learned from current and past activities related to the Project and helps build public support and awareness for environmental initiatives in the Borrower's territory.



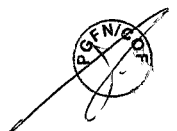
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall, through MMA, carry out the Project (or cause it to be carried out) in accordance with the Project Operational Manual, including the Procurement Plan, the Annual Operating Plans, the Environmental Management Framework, the Environmental Management Plans, the Indigenous Peoples' Framework, the Indigenous Peoples' Plans, the Resettlement Framework, the Resettlement Plans and except as the Bank shall otherwise agree, shall not amend or waive any provision of these documents without the Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.
2. The Borrower shall maintain, until the completion of the execution of the Project, a Project coordination unit (the Project Coordination Unit) within MMA and with competent staff in adequate numbers with qualifications and experience satisfactory to the Bank and hired, when applicable, in accordance with the provisions of Section III of this Schedule, including the following staff: a General Coordinator, a Deputy General Coordinator, a technical manager for each Project component and sub-component, a procurement manager, a financial manager a monitoring and evaluation manager and other technical and support staff (up to a maximum of 35 staff in total for the Project Coordination Unit) with functions and responsibilities further detailed in the Project Operational Manual.
3. The Borrower shall maintain, until the completion of the execution of the Project, a supervisory commission (the Supervisory Commission) to convene at least once every semester, and shall submit the minutes of said meetings to the Bank.
4. The Borrower shall, through the Project Coordination Unit, at least once a year during Project implementation on or about December 1, commencing on the first such date after the Effective Date, prepare and furnish to the Bank a plan (the Annual Operating Plan) for the Project's operation for the following twelve months.
5. The Borrower shall, through the Project Coordination Unit: (a) have all the procurement records and documentation for the Partnerships for each fiscal year of the Project audited, in accordance with appropriate procurement auditing principles by independent auditors acceptable to the Bank; (b) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such fiscal year, the procurement audit report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (c) furnish to the Bank such other information concerning said procurement records and documentation and the procurement audit thereof as the Bank shall from time to time reasonably request.



B. Anti-Corruption

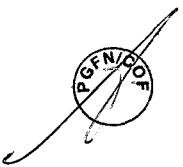
The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Technical Cooperation Agreements

1. To carry out the Project, the Borrower, through MMA, shall sign, and thereafter maintain and comply with, technical cooperation agreements (the Technical Cooperation Agreements) with the Eligible States under terms and conditions approved by the Bank as further specified in the Operational Manual. The Borrower shall cause MMA and the Eligible States within their responsibilities to comply with said Technical Cooperation Agreements until the end of the execution of the Project.
2. The Borrower, through MMA, shall exercise its rights under the Technical Cooperation Agreements in such manner as to protect the interests of the Borrower, the Eligible States and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Technical Cooperation Agreements or any of their provisions.

D. Partnerships

1. The Borrower, through MMA, shall make grants for Partnerships under Components A and B of the Project in accordance with eligibility criteria and procedures acceptable to the Bank as further detailed in the Project Operational Manual.
2. The Borrower, through MMA, shall enter into Partnership Agreements with Project Partners for the carrying out Partnerships under Components A and B of the Project, such agreements to be made in accordance with terms of the respective draft set forth as a model form approved by the Bank and included in the Project Operational Manual, in which the Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (1) suspend or terminate the right of Project Partners to use the proceeds of the grant, or obtain a refund of all or any part of the amount of the grant then withdrawn, upon the Project Partners' failure to perform any of their obligations under the Partnership Agreement; and (2) require Project Partners to: (a) carry out their Partnerships with due diligence and efficiency and in accordance with sound technical, environmental, economic, financial, managerial, and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, the Environmental Management Framework, the Indigenous Peoples Framework and the Resettlement Framework; (b) provide, promptly as needed, the resources required for the purpose; (c) procure the goods, works and services to be financed out of the grant in accordance with the provisions of this Agreement; (d) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Partnerships and the achievement of their objectives; (e) (i) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the Bank, all in a manner adequate to reflect the operations, resources and expenditures related to the Partnerships; and (ii) at the



Bank's or the Borrower's request, have Project financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (f) enable the Project Coordination Unit and the Bank to inspect the Partnerships, their operation and any relevant records and documents; and (g) prepare and furnish to the Project Coordination Unit and the Bank all such information as the Borrower, the Project Coordination Unit or the Bank shall reasonably request relating to the foregoing.

3. The Borrower shall exercise its rights under each Partnership Agreement in such manner as to protect the interests of the Borrower, the Project Coordination Unit, the Project Partners and the Bank and to accomplish the purposes of the Project. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Partnership Agreement or any of their provisions.

E. Safeguards.

1. Environmental Management Framework and Plan

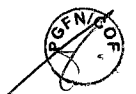
The Borrower shall, through the Project Coordination Unit: (a) implement the Project in accordance with the Environmental Management Framework; and (b) when applicable for the Partnerships, in accordance with the provisions of the Environmental Management Framework: (i) furnish to the Bank for its approval a specific environmental assessment for each Partnership (the Environmental Management Plan); and (ii) cause Project Partners to carry out the requirements specified by such Environmental Management Plan in accordance with its terms.

2. Resettlement Framework and Plan

The Borrower shall through the Project Coordination Unit: (a) implement the Project in accordance with the Resettlement Framework; and (b) when applicable for Partnerships, in accordance with the provisions of the Resettlement Framework: (i) furnish to the Bank for its approval a specific involuntary resettlement plan for each Partnership (the Resettlement Plan); and (ii) cause Project Partners to carry out the requirements specified by such Resettlement Plan in accordance with its terms.

3. Indigenous Peoples Framework and Plan

The Borrower shall through the Project Coordination Unit: (a) implement the Project in accordance with the Indigenous Peoples Framework; and (b) when applicable for Partnerships, in accordance with the provisions of the Indigenous Peoples Framework: (i) furnish to the Bank for its approval a specific indigenous peoples plan (the Indigenous Peoples Plan) for each Partnership; and (ii) cause Project Partners to carry out the requirements specified by such Indigenous Peoples Plan in accordance with its terms.



Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators set forth in the Project Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five days after the end of the period covered by such report.
2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months after the Closing Date.

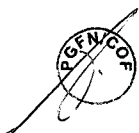
B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, and as part as the Project Reports, the Borrower shall prepare and furnish to the Bank not later than forty-five days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. 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. **Goods, Works and Services Other Than Consultants' Services.** All goods, works and services other than consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Services Other Than Consultants' Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and services other than consultants' services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Services Other Than Consultants' Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and Services other than consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

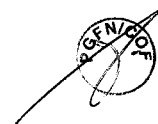
Procurement Method
(a) National Competitive Bidding (including <i>pregão eletrônico</i> - through an e-procurement system approved by the Bank - set forth in the Borrower's legislation in respect of goods and non-consultants services)
(b) Shopping
(c) Direct Contracting

Contracts awarded on the basis of National Competitive Bidding are subject to the following additional procedures, namely that the bidding documents shall be acceptable to the 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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

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



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.

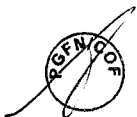
Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (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 Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods, works and services other than consultants' services for the Project	6,139,250	100%
(2) Consultants' services and audits for the Project	10,000,000	100%
(3) Operating Costs and Training for the Project	8,100,000	100%
(4) Front-end Fee	60,750	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL	<u>24,300,000</u>	

For the purposes of this table:



- (a) the term "Operating Costs" means recurrent costs of the Project incurred by the Project Coordination Unit, and in accordance with the Partnership Agreements by the Project Partners, including: (i) operation and maintenance of vehicles, repairs, fuel and spare parts; (ii) equipment and computer maintenance, including hardware and software; (iii) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iv) office supplies and equipment; (v) salaries of support staff for the Project Coordination Unit (but excluding salaries of civil servants or regular employees of the Borrower, the Eligible States or the Project Partners); and (vi) travel and per diem costs for the technical staff of the Project Coordination Unit and the Project Partners when carrying out supervisory and quality control activities for the Project;
- (b) the term "Training" means: (i) training materials and rental of training facilities; and (ii) reasonable fees, travel, and per diem of trainers, training institutions and trainees; and
- (c) "Services other than consultant services" means the reasonable expenditures incurred on account of Project implementation to cover reasonable costs of data collection services, printing, translation, topography services and other services which are not rendered by consultants and which are not covered in the definitions of Training and Operating Costs set forth in paragraphs (a) and (b) above.

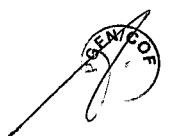
B. Withdrawal Conditions; Withdrawal Period

- 1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$4,860,000 equivalent may be made for payments made during the twelve months immediately before such date, for Eligible Expenditures under Categories (1), (2) and (3).
- 2. The Closing Date is December 31, 2014.

Section V. Other Undertakings

By December 31, 2011, or such other date as the Bank shall agree upon, the Borrower shall:

- 1. carry out jointly with the Bank, a mid-term review of the implementation of operations under the Project (Mid-term Review). The Mid-term Review shall cover the progress achieved in the implementation of the Program and of the Project and shall determine if the performance indicators set forth in the Project Operational Manual have been met; and
- 2. following such Mid-term Review, act promptly and diligently to take any corrective action as shall be recommended by the Bank.



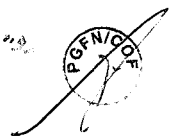
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each June 15 and December 15 Beginning December 15, 2014 through June 15, 2039	2 %

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of



withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

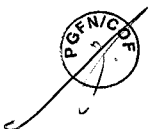
- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
- 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.



APPENDIX

Section I. Definitions

1. “Annual Operating Plan” means an annual operating plan to be prepared by the Borrower on or about December 1 each Project year as per Section I. A. 4 of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “Eligible States” means any state in the Borrower’s territory and the Federal District which has signed a Technical Cooperation Agreement with the Borrower through MMA for the implementation of the Project and has been found eligible in accordance with the criteria set forth in the Project Operational Manual.
6. “Environmental Management Framework” means the document dated April 24, 2008, as published and available to the public on the website www.mma.gov.br which contains the environmental protection measures in respect of the Project, including measures for identification of existing environmental conditions and potential direct and indirect environmental impacts from the carrying out of the Project, including Partnerships, recommendation of mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.
7. “Environmental Management Plan” means the document, to be published and available to the public on the website www.mma.gov.br, to be prepared for each Partnership under Component B of the Project in accordance with the Environmental Management Framework, outlining general implementation procedures, mitigation measures and monitoring procedures for Partnerships under the Project, as said plan may be amended from time to time with the Bank’s prior approval.
8. “Federal District” means the Federal District of Brazil, capital city of the Borrower.
9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
10. “Indigenous Peoples Framework” means the document dated April 24, 2008, published and available to the public on the website www.mma.gov.br, which contains the



principles and policies that shall apply to the preparation and carrying out the Project including of any Indigenous Peoples Plan that may be required under the Project, including any Partnership under Component B of the Project.

11. “Indigenous Peoples Plan” means a plan, to be published and available to the public on the website www.mma.gov.br, to be prepared for each Partnership under Component B of the Project in accordance with the Indigenous Peoples Framework, satisfactory to the Bank, for the purposes of mitigating any adverse impact on indigenous peoples as a result of a Partnership and ensuring that they benefit from such Partnership.
12. “MMA” means *Ministério do Meio Ambiente*, the Borrower’s Ministry of Environment.
13. “Partnership” means an eligible initiative for a Project Partner as approved by the Borrower and the Supervisory Commission in accordance with relevant provisions of the Project Operational Manual and to be partly financed with a grant under a Partnership Agreement for the activities set forth in Components A and B of the Project and to be carried out by a Project Partner within the territory of the Borrower.
14. “Partnership Agreements” means agreements entered into between MMA and Project Partners as referred to in Section I.D of Schedule 2 to this Agreement for the financing and the implementation of Partnerships under Components A and B of the Project.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
16. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated August 12, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Program” means the Second National Environmental Program (NEP II), a program designed to strengthen the national environmental management system in the Borrower’s territory as established under the Program Regulation.
18. “Program Regulation” means the Borrower’s Regulation (*Portaria*) to be adopted by MMA for the establishment of the Program.
19. “Project Coordination Unit” means the unit referred to in Section I.A.2 of Schedule 2 to this Agreement, established within the administrative structure of MMA and in charge of the daily implementation of the Project pursuant to the Project Coordination Unit Regulation.
20. “Project Coordination Unit Regulation” means MMA’s regulation (*Portaria*) to be adopted by MMA for the establishment of the Project Coordination Unit.
21. “Project Partners” means any federal, state, Federal District, municipal institution or entity or any private organization involved in the environmental licensing process or in the environmental monitoring in the Borrower’s territory, with which the Borrower,



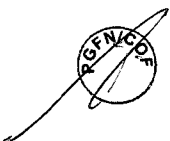
through MMA, has signed a Partnership Agreement for the implementation of Components A and B of the Project.

22. “Project Operational Manual” means the operational manual for the Project, satisfactory to the Bank, to be adopted by the Borrower through a regulation (*Portaria*), which shall contain, *inter alia*: (i) the structure of the Project Coordination Unit as well as the functions and responsibilities for the personnel of said Project Coordination Unit in charge of daily Project coordination and monitoring; (ii) the procedures for procurement of works, goods and services for the Project, including for the Partnerships, as well as for financial management and audits (i.e. financial audit and procurement audit) of the Project; (iii) flow and disbursement arrangements of Project funds; (iv) performance indicators for the Project; (v) the eligibility criteria for the Partnerships, their selection and approval processes, as well as model forms for Partnership Agreements and for Technical Cooperation Agreements; (vi) the staffing plan for the Project Coordination Unit; (vii) the Annual Operating Plan for the first year of the Project; and (viii) the Procurement Plan, the Environmental Management Framework, the Indigenous Peoples Framework and the Resettlement Framework.
23. “Resettlement Framework” means the document (published and available to the public on the website www.mma.gov.br), dated April 24, 2008 and outlining general implementation procedures, mitigation measures and monitoring procedures for involuntary resettlement under the Project, as said framework may be amended from time to time with the Bank’s prior approval.
24. “Resettlement Plan” means a document or documents to be prepared, when applicable, for each Partnership under Component B of the Project in accordance with the provisions of the Resettlement Framework and to be published and available to the public on the website www.mma.gov.br and outlining specific implementation procedures, mitigation measures and monitoring procedures for any involuntary resettlement under the Partnership, as said plan may be amended from time to time with the Bank’s prior approval.
25. “Supervisory Commission” means a commission as established and operating under the Supervisory Commission Regulation and in charge of reviewing, selecting and approving Partnership proposals.
26. “Supervisory Commission Regulation” means MMA’s regulation (*Portaria*) to be adopted by MMA for the establishment of the Supervisory Commission.
27. “Technical Cooperation Agreements” means any of the agreements signed with the Eligible States for the implementation of the Project, as referred to in Section I.C of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

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



“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. Suspension by the Bank

... (l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”



