

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF096766

Global Environmental Facility Trust Fund Grant Agreement

(Tocantins Sustainable *Cerrado* Project)

between

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

and

STATE OF TOCANTINS

Dated June 14, 2010

GEF TRUST FUND GRANT NUMBER TF096766

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT dated June 14, 2010, entered into between:
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
("World Bank"), acting as an implementing agency of the Global Environment Facility
("GEF"); and STATE OF TOCANTINS ("Recipient").

The Recipient and the World Bank, under the Sustainable *Cerrado* Initiative, hereby agree as follows:

ARTICLE I – STANDARD CONDITIONS; DEFINITIONS

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 ("Standard Conditions"), with the modifications set forth in the Appendix to this Agreement, constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix to this Agreement.

ARTICLE II – THE PROJECT

- 2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out, through SRHMA, Components 3 and 4 of the Project and shall cause NATURATINS and RURALTINS, to carry out (jointly with SRHMA in the case of Component 3) respectively, Components 1 and 3 and Components 2 and 3, all in accordance with the Technical Cooperation Agreements and the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE III – THE GRANT

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement and to assist in financing the Project, a grant in an amount equal to three million United States Dollars (\$3,000,000) (“Grant”).
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

ARTICLE IV – ADDITIONAL REMEDIES

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:
 - (a) The World Bank has declared the Recipient ineligible to be awarded a contract financed by the World Bank.
 - (b) The Sustainable Cerrado Initiative Committee Legislation has been amended, suspended, abrogated, repealed, waived or not complied with so as to affect, in the opinion of the World Bank, materially and adversely the ability of said Sustainable Cerrado Initiative Committee or of the Recipient to perform any obligation under this Agreement.
 - (c) The Technical Cooperation Agreements have been amended, suspended, abrogated, repealed, waived or not complied with so as to affect, in the opinion of the World Bank, materially and adversely the ability of the Recipient to perform any obligation under this Agreement.
 - (d) The Sustainable Cerrado Program Legislation has been amended, suspended, abrogated, repealed, waived or not complied with so as to affect, in the opinion of the World Bank, materially and adversely the ability of the Recipient to perform any obligation under this Agreement.

ARTICLE V – EFFECTIVENESS; TERMINATION

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.
 - (a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate action.

- (b) The Technical Cooperation Agreements have been signed on behalf of the Recipient, on one hand, and respectively NATURATINS and RURALTINS, on the other hand, in form and substance satisfactory to the World Bank and the execution and delivery of said Technical Cooperation Agreements on behalf of the Recipient, on one hand, and respectively NATURATINS and RURALTINS, on the other hand, have been duly authorized or ratified by all necessary governmental and corporate action.
 - (c) The Operational Manual has been adopted by the Recipient in form and substance satisfactory to the World Bank.
 - (d) The Project Coordination Unit has been created by the Recipient in form and substance satisfactory to the World Bank.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a) of this Agreement, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank, of counsel acceptable to the World Bank, showing the following matters:
- (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and
 - (b) on behalf of the Recipient on one hand, and respectively NATURATINS and RURALTINS, on the other hand, that the Technical Cooperation Agreements have been duly authorized or ratified by, and executed and delivered on their behalf and are legally binding upon the Recipient, on one hand, and respectively NATURATINS and RURALTINS, on the other hand, in accordance with their terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.04. *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

ARTICLE VI – RECIPIENT’ REPRESENTATIVE; ADDRESSES

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

Secretaria de Recursos Hídricos e Meio Ambiente - SRHMA
Quadra 103 Norte Rua NO 11, número 32, conjunto 4
Palmas, 77001-036, TO
Brazil

Facsimile: (55-63) 3218-2173

With copy to:

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

Facsimile: (55-61) 2020-5006

And with copy to:

MMA – Secretaria de Biodiversidade e Florestas
Esplanada dos Ministérios, Bloco B, 7º andar
Brasília, DF, 70068-901
Brazil

Facsimile: (55-61) 4009-1213

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

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

Cable:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

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

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

By /s/ Makhtar Diop

Authorized Representative

STATE OF TOCANTINS

By /s/ Carlos Henrique Amorim

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to enhance biodiversity conservation in, and improve the environmental and natural resources management of, the *Cerrado* in the territory of the Recipient, through appropriate policies and practices.

The Project consists of the following Components:

Component 1. Biodiversity Protection in the Recipient's Territory at the Ecosystem and Species Levels

Contribute to ecosystem conservation through the creation and consolidation of protected areas, ensuring the effective protection and management of at least 541,000 hectares of ecologically valuable *Cerrado* Biome by: (a) creating at least 250,000 hectares of protected areas located in priority areas for conservation; and (b) strengthening the management and implementation of four existing protected areas in the Recipient's territory; all through studies and other activities related to the creation of protected areas, *inter alia*, environmental assessments, development of management plans and sustainability strategies, implementation of basic protected area management infrastructure, creation and proper functioning of management councils for protected areas, and use of landscape planning tools.

Component 2. Sustainable Use of Biodiversity in the Cerrado Biome in the Production Landscape Surrounding Protected Areas

Promote in the rural properties around the existing four protected areas in the Recipient's territory, the sustainable use of biodiversity in the *Cerrado* Biome and its conservation in the production landscape by enhancing and promoting environmentally sustainable production processes, building capacity of rural producers to apply best practices and adopt alternatives to deforestation while ensuring compliance of legal reserves and permanent preservation areas, all through the strategic identification and location of rehabilitated or compensated legal reserve areas in municipalities surrounding existing protected areas, the creation of biological corridors connecting protected areas with legal reserve areas and permanent preservation areas, and the preparation and implementation of one species-level management plan for the golden grass.

Component 3. Recipient's Capacity for Biodiversity Conservation and Monitoring

Strengthen and enhance capacity in the relevant sectors of the Recipient's administration responsible for implementing the Recipient's biodiversity policy in order to carry out effective biodiversity conservation and monitoring, in particular inside and

around protected areas, including the enhancement of state-level tools and systems for monitoring biodiversity.

Component 4. Project Coordination, Monitoring, Evaluation and Information Dissemination

Ensure the continuous coordination, management and monitoring of all Project activities by supporting timely and efficient technical coordination, monitoring and evaluation activities as well as satisfactory financial management, procurement, audit and reporting activities, together with the preparation and implementation of an information and dissemination plan.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall establish and thereafter maintain until the completion of the execution of the Project, a coordination unit (the Project Coordination Unit) within the administrative structure of SRHMA in charge of the daily technical coordination, monitoring and evaluation of the Project with competent staff in adequate numbers with qualifications and experience satisfactory to the World Bank, including the following key staff: a coordinator, a deputy coordinator and five technical and administrative staff.
2. The Recipient shall maintain until the completion of the execution of the Project, a Project management unit (the Project Management Group) within the administrative structure of SEINF in charge of the daily financial management and procurement of the Project with competent staff in adequate numbers with qualifications and experience satisfactory to the World Bank, including the following key staff: a specialist in project management, a financial management specialist and a procurement specialist.
3. The Recipient, through the Project Coordination Unit and the Project Management Group, shall prepare and furnish to the World Bank on or about each November 30, commencing on any such date after the Effective Date, or such other date as the World Bank shall agree upon, an annual operational plan (the Annual Operational Plan) for the Project and thereafter implement the Project during the following twelve months in accordance with said Annual Operational Plan.
4. On or about December 1, 2011, or such other date as the World Bank shall agree upon, the Recipient shall, through the Project Coordination Unit and the Project Management Group: (a) carry out jointly with the World Bank a mid-term review of the implementation of operations under the Project (Midterm Review), covering the progress achieved in the implementation of the Project; and (b) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by the World Bank.

B. Anti-Corruption

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

C. Technical Cooperation Agreements

1. The Recipient shall carry out Components 3 and 4 of the Project and shall cause NATURATINS and RURALTINS, to carry out (jointly with SRHMA in the case of Component 3), respectively, Components 1 and 3 and Components 2 and 3 of the Project, through technical cooperation agreements (the Technical Cooperation Agreements), to be executed and thereafter implemented under terms and conditions acceptable to the World Bank, all in accordance with the Operational Manual, including the Environmental Management Framework for the Initiative, the Environmental Assessment, the Resettlement Framework for the Initiative, the Indigenous Peoples Planning Framework for the Initiative and the Procurement Plan, and except as the World Bank shall otherwise agree, shall not amend or waive any provision of these documents without the World Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.

2. The Recipient shall, under the Technical Cooperation Agreements, obtain adequate rights, including the right to: (i) suspend or terminate the right of NATURATINS and RURALTINS to use the proceeds under the Technical Cooperation Agreements, declare said Technical Cooperation Agreement to be terminated and/or obtain a refund of all or any part of the proceeds under said Technical Cooperation Agreement then withdrawn, upon NATURATINS' or RURALTINS' failure to perform any of their obligations under the Technical Cooperation Agreements; and (ii) require NATURATINS and RURALTINS to: (A) carry out their relevant activities under the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines, all as further described in the Operational Manual; (B) provide, promptly as needed, the counterpart funds and the resources required for the purpose of said activities; (C) cause the goods, works and services to be financed out of the proceeds of the Grant channeled through the Technical Cooperation Agreement, to be procured in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the activities carried out and the achievement of their objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the activities carried out under the Technical Cooperation Agreements; and (2) at the request of the World Bank, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World

Bank, and promptly furnish the statements as so audited to the World Bank; (F) enable the World Bank or cause the World Bank to be enabled under the Technical Cooperation Agreements to inspect the activities carried out, their operation and any relevant records and documents; (G) prepare and furnish to the Recipient and to the World Bank Project Reports and the Completion Report as per Section II. A below; and (H) prepare and furnish to the Recipient and to the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing or cause all such information to be prepared and furnished to the Recipient and the World Bank under the Technical Cooperation Agreement.

3. The Recipient shall exercise its rights under the Technical Cooperation Agreements in such manner as to protect its own interests and the interests of the Member Country and of the World Bank in order to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Technical Cooperation Agreements or any of their substantive provisions (such as objectives of the activities carried out and compliance with the Operational Manual). In case of any conflict between the terms of the Technical Cooperation Agreements and those of this Agreement, the terms of this Agreement shall prevail.

D. Partnership Agreements

1. To facilitate the carrying out of Component 2 of the Project, the Recipient shall execute no later than twelve months after the Effective Date and thereafter maintain partnership agreements (the Partnership Agreements) under terms and conditions acceptable to the World Bank, with the Nature Conservancy, selected rural/small producers associations, and selected municipalities in the Recipient's territory, all in accordance with the Operational Manual and except as the World Bank shall otherwise agree, shall not amend or waive any provision of the Partnership Agreements without the World Bank's prior written approval. In case of any conflict between the terms of said Partnership Agreements and those of this Agreement, the terms of this Agreement shall prevail.
2. The Recipient shall exercise its rights under the Partnership Agreements in such manner as to protect its own interests and the interests of the Member Country and of the World Bank in order to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Partnership Agreements or any of their substantive provisions (such as objectives of the activities carried out and compliance with the Operational Manual).

E. Safeguards

1. Environmental Management Framework for the Initiative and Environmental Assessment

The Recipient shall, through the Project Coordination Unit, carry out the Project or cause the Project to be carried out in accordance with the provisions and requirements of the Environmental Management Framework for the Initiative and the Environmental Assessment (including provisions for pest management, chance finding of cultural property and natural habitats).

2. Resettlement Framework for the Initiative

The Recipient shall, through the Project Coordination Unit, carry out the Project or cause the Project to be carried out in accordance with the provisions and requirements of the Resettlement Framework for the Initiative, as applicable.

3. Indigenous Peoples Planning Framework for the Initiative

The Recipient shall, through the Project Coordination Unit, carry out the Project or cause the Project to be carried out in accordance with the provisions and requirements of the Indigenous Peoples Planning Framework for the Initiative, as applicable.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall, through the Project Coordination Unit, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.
2. The Recipient shall, through the Project Coordination Unit, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants whose qualifications, experience and terms of reference are acceptable to the World Bank.

B. Financial Management; Financial Reports; Audits

1. The Recipient, through the Project Management Group, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient, through the Project Management Group, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient, through the Project Management Group, shall have the Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works, non-consultants' services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004 and revised in October 2006 ("Procurement Guidelines") in the case of goods, works and non-consultants' services, and Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" published by the World Bank in May 2004 and revised in October 2006 ("Consultant Guidelines") in the case of consultants' services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines ("Procurement Plan").
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

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

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

Contracts awarded on the basis of National Competitive Bidding are subject to the following additional provisions, namely the bidding documents shall be acceptable to the World 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) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection based on Consultants' Qualifications
(e) Single-source Selection
(f) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the World Bank of Procurement Decisions

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

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed inclusive of Taxes
(1) Goods, works, Non-consultants' Services, Consultants' Services, Workshops and Training	2,700,000	100%
(2) Operating Costs for the Project Coordination Unit and the Project Management Group	300,000	100%
TOTAL AMOUNT	3,000,000	

3. For the purposes of this table:
 - (a) the term “Workshops and Training” means: (i) training materials and rental of training facilities; and (ii) reasonable fees, travel, and per diem of trainers, training institutions and trainees;
 - (b) the term “Operating Costs” means recurrent costs associated with the Project coordination and implementation of the Project by the Recipient, through the Project Coordination Unit and the Project Management Group, including: (i) operation and maintenance of vehicles, repairs, fuel and spare parts; (ii) equipment and computer maintenance; (iii) shipment costs (whenever these costs are not included in the cost of goods); (iv) office supplies and equipment; (v) rent for office facilities; (vi) utilities; (vii) travel and per diem costs for technical staff carrying out supervisory and quality control activities; (viii) communication costs including advertisement for procurement purposes; and (ix) all costs associated with audit support; and
 - (c) the term “Non-consultant Services” means the reasonable expenditures incurred on account of Project implementation to cover reasonable costs of rental of software, data collection services and other services which are not rendered by consultants and which are not covered in the definitions of Workshops and Training and Operating Costs as set forth in paragraphs (a) and (b) above.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$500,000 equivalent may be made for payments made during the twelve months immediately before this date but on or after June 10 , 2009, for Eligible Expenditures under Categories (1) and (2).
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2013.

Section V. Other Undertakings

The Recipient, through the Project Coordination Unit, shall no later than six months after the Effective Date, hire the independent auditors required for the audits referred to in Section II.B.3 above, under terms of reference and with qualifications and experience

satisfactory to the World Bank and in accordance with the provisions of Section III above.

APPENDIX

Modifications to the Standard Conditions – Definitions

Section I. **Modification to the Standard Conditions**

The Standard Conditions are modified as follows:

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

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

Section II. **Definitions**

1. “Annual Operational Plan” means each plan referred to in Section I.A.3 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. “*Cerrado*” means the collection of ecosystems that composes the *Cerrado* Biome.
5. “*Cerrado* Biome” means a savannah and dry forest biome in the central highlands of the Member Country’s territory which covers an area equivalent to 200 million hectares.

6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the World Bank in May 2004 and revised in October 2006.
7. “Effective Date” means the date so-referred to in Section 5.03 of this Agreement.
8. “Environmental Management Framework for the Initiative” means a planning framework for environment, pest management, natural habitats and cultural property chance finding, satisfactory to the World Bank, prepared in the context of the Sustainable *Cerrado* Initiative for the purposes of mitigating any adverse impact on the environment, pest management, natural habitats and cultural property as a result of the Sustainable *Cerrado* Initiative and the Sustainable *Cerrado* Initiative Related Projects, including this Project, dated May 1, 2008, published and available to the public on the website <http://www.mma.gov.br>, as said framework may be amended from time to time with the World Bank’s prior approval.
9. “Environmental Assessment” means the document satisfactory to the World Bank, dated February 16, 2009 prepared by the Recipient for each relevant activity under the Project in accordance with the Environmental Management Framework for the Initiative, published and available to the public on the website <http://www.to.gov.br>, as said framework may be amended from time to time with the World Bank’s prior approval and which contains protection measures for the environment, pest management, natural habitats and cultural property in respect of the Project, including identification of existing environmental, pest management, natural habitats or cultural property conditions and potential direct and indirect impacts from the carrying out of the Project, recommendation of mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.
10. “Indigenous Peoples Planning Framework for the Initiative” means a planning framework for indigenous peoples, satisfactory to the World Bank, prepared in the context of the Sustainable *Cerrado* Initiative for the purposes of mitigating any adverse impact on indigenous peoples as a result of the Sustainable *Cerrado* Initiative and the Sustainable *Cerrado* Initiative Related Projects, including this Project, dated April 1, 2008, published and available to the public on the website <http://www.mma.gov.br>, as said framework may be amended from time to time with the World Bank’s prior approval.
11. “Member Country” has the meaning set forth in Section I.1 of this Appendix.
12. “MMA” means the Member Country’s Ministry of Environment.

13. “NATURATINS” means *Instituto Natureza do Tocantins*, the Recipient’s nature institute, as established and operating pursuant to the Recipient’s Law No. 858 dated July 26, 1996.
14. “Operational Manual” means the operational manual for the Project, satisfactory to the World Bank to be adopted by the Recipient and which shall contain, *inter alia*: (i) the functions and responsibilities of the Project Coordination Unit in charge of daily Project technical coordination and monitoring and the Project Management Group in charge of daily financial management and procurement for the Project; (ii) the procedures for procurement of works, goods and services for the Project, as well as for financial management and audits of the Project; (iii) the indicators to be used in the monitoring and evaluation of the Project and the selection criteria for the rural/small producers association and the selected municipalities under Component 2 of the Project; (iv) flow and disbursement arrangements of Project funds; (v) the staffing plan for the Project Coordination Unit and the Project Management Group; (vi) the annual operational plan for the first year of the Project; and (viii) the Environmental Management Framework for the Initiative, the Environmental Assessment, the Resettlement Framework for the Initiative, the Indigenous Peoples Planning Framework for the Initiative and the Procurement Plan.
15. “Partnership Agreements” means agreements to be executed between the Recipient through SRHMA, on the one hand and The Nature Conservancy, selected rural/small producers associations, and selected municipalities in the Recipient’s territory, on the other hand, all in form and substance satisfactory to the World Bank and defining the collaboration framework between parties for the carrying out of Component 2 of the Project by The Nature Conservancy, said selected rural/small producers associations, and selected municipalities in the Recipient’s territory.
16. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006.
17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 3, 2010 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.
18. “Project Coordination Unit” means the Project coordination unit, a unit within the administrative structure of SRHMA in charge of the day-to-day technical coordination and implementation of the Project, as established and operating under a regulation to be adopted by the Recipient in form and substance satisfactory to the World Bank.

19. “Project Management Group” means the Project management team (*Grupo de administração de projetos – GAP*), a team within the administrative structure of SEINF in charge of the day-to-day financial management and procurement of the Project, as established and operating under the Recipient’s regulation *Portaria* No. 604/02 dated November 12, 2002.
20. “Resettlement Framework for the Initiative” means a planning framework for involuntary resettlement, satisfactory to the World Bank, prepared in the context of the Sustainable *Cerrado* Initiative containing the principles and policies that shall apply to the preparation and carrying out of any resettlement measure as a result of the Sustainable *Cerrado* Initiative and the Sustainable *Cerrado* Initiative Related Projects, including this Project, dated May 1, 2008, published and available to the public on the website <http://www.mma.gov.br>, as said framework may be amended from time to time with the World Bank’s prior approval.
21. “RURALTINS” means *Instituto de Desenvolvimento Rural do Tocantins*, the Recipient’s rural development institute, as established and operating pursuant to Recipient’s Law No. 20/89 dated April 21, 1989.
22. “SEINF” means *Secretaria de Infraestrutura do Estado do Tocantins*, the Recipient’s Secretariat for Infrastructure.
23. “SRHMA” means *Secretaria de Recursos Hídricos e Meio Ambiente do Estado do Tocantins*, the Recipient’s Secretariat of Water Resources and Environment.
24. “Sustainable *Cerrado* Initiative” means an umbrella project supported by a grant from the Global Environment Facility Trust Fund in the amount of USD 13 Million, the resources of which will be used to support four Projects (“Sustainable *Cerrado* Initiative Related Projects”), including the Tocantins Sustainable *Cerrado* Project under this Agreement.
25. “Sustainable *Cerrado* Initiative Committee” means *Comitê da Iniciativa Cerrado Sustentável*, a committee created by MMA and including representatives from public and private institutions.
26. “Sustainable *Cerrado* Initiative Committee Legislation” means the regulation (*Portaria*) No. 327 adopted by MMA for the creation of said Sustainable *Cerrado* Initiative Committee.
27. “Sustainable *Cerrado* Initiative Related Projects” means each and all the Projects which will be approved by the World Bank as a consequence of the Sustainable *Cerrado* Initiative, including the Tocantins Sustainable *Cerrado* Project under this Agreement.

28. “Sustainable *Cerrado* Program” means *Programa Cerrado Sustentável* or *Programa Nacional para a Conservação e Uso Sustentável do Bioma Cerrado*, the Member Country’s national program for the conservation and sustainable use of the *Cerrado* Biome.
29. “Sustainable *Cerrado* Program Legislation” means the Member Country’s Decree No. 5.577, dated November 8, 2005.
30. “Technical Cooperation Agreements” means agreements; one between the Recipient, through SRHMA, and NATURATINS, and the other between the Recipient, through SRHMA, and RURALTINS, each in form and substance satisfactory to the World Bank and defining the collaboration framework between parties for the carrying out of Components 1 and 3 of the Project by NATURATINS and Components 2 and 3 of the Project by RURALTINS.
31. “The Nature Conservancy” means “*The Nature Conservancy do Brasil*”, a non-governmental organization regularly constituted in the Member Country’s territory with the following registry number: CNPJ 001041750001-49.