

DONATION AGREEMENT

This DONATION AGREEMENT (hereinafter referred to as “the Agreement”) is entered into by and between:

The Norwegian Ministry of Foreign Affairs (hereinafter referred to as the “Donor”), herein represented by the Royal Norwegian Embassy in Brasilia (hereinafter referred to as the “Embassy”),

and

BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL - BNDES (hereinafter referred to as “BNDES”), a company wholly owned by the Brazilian federal government, organized and validly existing under the laws of the Federative Republic of Brazil (hereinafter referred to as “Brazil”), with its registered head office at Brasilia, Distrito Federal, Brazil, and main office in the city of Rio de Janeiro, State of Rio de Janeiro, at Avenida República do Chile nº 100, CEP 20031-917, herein represented by its President and a Director,

WHEREAS:

According to Decree nº 6.527/2008, enacted at August 01st, 2008, BNDES has been authorized to create the Amazon Fund (“Fundo Amazônia”), which shall provide non-reimbursable funds to investments in actions to prevent, monitor and avoid the deforestation and to promote the conservation and the sustainable usage of the forests of the Amazon biome and, up to 20% of the Fund’s resources, of other biomes in Brazil and other tropical countries (hereinafter called the “Fund” or the “Programme”);

According to BNDES’s Board of Executive Officers Resolution nº 1640, the Fund has been created on September 09th, 2008;

The resources of Fund shall be compounded of several donations from national and international persons;

The Federative Republic of Brazil and the Donor have signed a Memorandum of Understanding dated September 16 2008, pursuant to which the Donor has indicated its desire to make donations to the Fund under the understanding that the donations to the Amazon Fund will be additional to significant budgetary contributions by the Brazilian Federal Government in deforestation-reducing activities.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the parties hereto agree as follows:

Article I Scope and Objectives

1. This Agreement sets forth the terms and procedures for the Donor’s support to the Amazon Fund as outlined in the agreed Summary in Annex I and further described in the Amazon Fund Project Document (AFPD) dated 22 November 2008.
2. The total amount of contributions that can be made to the Fund annually will be determined by the level of effective reduction of greenhouse gas emissions from deforestation.

3. The Goal of the Fund is to support projects that contribute to a reduction of greenhouse gas emissions from deforestation and forest degradation.

The Purposes of the projects to be supported by the Fund are to prevent, monitor, and combat deforestation, and to promote the conservation and sustainable use of the Amazon Biome. Up to 20% of the funds can be used to support the development of forest monitoring and control systems in other Brazilian biomes or other tropical countries.

Article II Cooperation and Representations

1. The agreement is based on mutual trust and cooperation between the Parties. The Parties shall communicate and cooperate fully with the aim to ensure that the Goal and Purposes are successfully achieved. The Parties further agree to cooperate on preventing any unlawful conduct, and undertake to adopt rapid legal action to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or of corruption. The Parties shall immediately inform each other about any indication of such unlawful practices related to the Fund.
2. The Donor's Representations: The Donor represents that it has full power and authority to enter into this Agreement and that it has obtained all legal and administrative authorizations to make the donation as provided herein.
3. BNDES's Representations: BNDES represents that: (i) it is a wholly owned government institution, duly incorporated and validly existing under the laws of Brazil, (ii) it has all requisite corporate or other power and has all material governmental licenses, authorizations, consents and approvals necessary to carry on its business as now being conducted; (iii) the Fund has been duly created in accordance with the laws of Brazil and BNDES's internal policies; (iv) it has the power to enter into, perform and deliver, and has taken all necessary actions to authorize its entry into, performance and delivery of this Agreement and the transactions contemplated herein.

The entry into and performance by BNDES of, and the transactions contemplated by, this Agreement do not and will not conflict with any law or regulation of any governmental authority applicable to BNDES; its constitutional documents, or any agreement or instrument binding upon it.

Article III Organizational Structure

The organizational structure of the Fund consists of BNDES as the manager, a Steering Committee (Comitê Orientador do Fundo Amazônia - COFA) and a Technical Committee (Comitê Técnico do Fundo Amazônia - CTFA). The composition and mandate for COFA and CTFA are described in Decree nº 6.527/2008, enacted August 01st, 2008 and further described in the AFPD.

Article IV Contribution of the Donor

1. The Donor shall make available to BNDES financial grants (each financial grant, a Contribution) to be used exclusively to support the projects to be financed from the Fund in the planned period 2009 – 2015, in accordance with Decree no. 6.527/2008, the regulations of the Fund, and its operational policies. For 2009 the Contribution will be in an amount up to NOK 700,000,000 (seven hundred million Norwegian kroner). Subsequent annual amounts will be specified in separate addenda to this Donation Agreement to be proposed by the Donor based on results achieved in reducing greenhouse gas emissions from deforestation. The

methodology used to estimate the maximum amount of contributions to the fund is described in the AFPD.

2. The Contributions shall be used to finance areas listed in the decree 6.527/2008 and mentioned in the Annex 1.
3. The Donor welcomes the participation of other donors to the Fund and accepts that the Contribution may be commingled with those from other donors.

Article V Contributions and Obligations of the BNDES

BNDES shall be responsible for managing the Fund, and shall hereunder:

1. Have the overall responsibility for the operation, reporting and monitoring of the Fund,
2. Manage fund raising in accordance with the emission quantity certified by the Technical Committee and disbursement according to the guidelines set down by the Steering Committee.
3. Develop the Fund's portfolio and manage project selection, contracting, monitoring and ex-post evaluation,
4. Ensure that the Contributions are used according to criteria as established by the Steering Committee for the use of the Fund,
5. Ensure that Donor Contributions, which shall include any accrued interests, are kept separate from the funds of BNDES and that they are properly accounted for, and that the Contribution is reflected in the accounting of the Fund,
6. Promptly inform the Donor of any circumstances that interfere or threaten to interfere with the successful implementation of the Fund,
7. Issue personal, non-transferable, non-negotiable diplomas to acknowledge the Contribution to the Fund,
8. Prepare a result matrix, considering the seven categories mentioned in Article 1 in Decree no. 6.527, dated 1st August, 2008, and the overall goals of the Sustainable Amazon Plan and the Action Plan for the Prevention and Control of Deforestation in the Amazon with goal, purpose, and indicators, before the end of 2009,
9. Set up a website with up-to-date information on the fund's operational performance, including beneficiaries, disbursements, projects and reports.

Article VI Disbursements

1. The Contributions will be disbursed upon semi-annual, or more frequent, written requests from BNDES based on the financial needs of the Fund and on the amount of emission reductions attested by the Technical Committee.
2. When determining the amount to request, BNDES shall take into account the good faith projected expenditures for activities to be financed by the Fund in the coming six-month period and unspent disbursed amounts and income from all sources as well as any income credited to the Fund according to Clause 5 below.

Along with the requests, except for the first Contribution, BNDES shall submit statements of cash and bank balances from the Programme's accounting records.

3. Funds will be transferred upon the Donor's approval of the requests to BNDES bank account in Banco do Brasil, BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO E SOCIAL, CNPJ - 33.657.248/0001-89, account nr. 001 22349 0000050903, Swift Code BRASBRJRJO, and shall be made available to the Fund immediately.

BNDES shall immediately acknowledge receipt of the funds in writing. The date of receipt shall be stated as well as its value in Brazilian reais.

4. BNDES shall retain 3% from each Contribution to cover its operation costs and expenses in the management of the Fund, including those of Steering Committee, Technical Committee, and of the independent auditing services to be hired.
5. Funds received from the Donor but not yet paid to projects under the Fund will be deposited in a Fixed Income Investment Fund named the Gaia Fund which will only invest in Brazilian treasury bonds. BNDES is the Gaia Fund's single shareholder and it operates only with the Amazon Fund. BNDES shall credit all income from such investment as well as any accrued interests to the Fund to be used for the same purposes as the Contribution

Article VII Annual Meeting

1. Representatives of BNDES and the donors to the Fund shall have an Annual Meeting no later than eight weeks after the publication of the Annual Report in order to:
 - Discuss the progress of the Fund, including results and fulfilment of agreed obligations,
 - Discuss issues of special concern for the implementation of the Fund, such as the major risk factors, and how to manage such risks/issues,
 - Inform about plans for changes in the COFA criteria for the Fund.
2. Each of the Parties may include others to participate as observers or as advisors to their delegations.
3. The documentation specified in Articles VIII and X shall form the basis for the consultations.
4. The Annual Meeting shall be called and chaired by BNDES.
5. Main issues discussed and points of view expressed shall be recorded in Agreed Minutes. The Agreed Minutes shall be drafted by BNDES and be submitted to the donors to the Fund for comments no later than four weeks after the Annual Meeting.
6. Each donor shall bear its own costs regarding its participation in the Annual Meeting, including travel, costs of compensation, subsistence of its own, and other expenses.

Article VIII Reports

1. BNDES shall submit to the Donor or publish on the web the reports and documentation assessing the contribution of the Fund in reducing emission from deforestation and forest degradation, as specified below.
2. BNDES shall publish the Amazon Fund Annual Report annually within the second quarter of the year, beginning 2010. The annual Report shall be prepared as outlined in Annex II to this Agreement. The overall purpose of the Report is to assess the contribution of the Amazon Fund in relation to activities under the seven categories of the Decree 6.527, financed by the

Fund to reducing emissions from deforestation and forest degradation through preventing, monitoring, and combating deforestation and promoting conservation and the sustainable use of the forest.

3. The financial statement shall be made available on the website within the second quarter each year, beginning 2010. The statement shall capture all sources of funding, with sufficient segregation of data to permit identification of individual sources of funds and disbursements on major Fund activities or types of expenditure. The financial statements shall give complete and detailed information on the financing of the Fund.

Article IX Selection of Projects and Procurement

1. Projects will be selected in accordance with the procedures set forth on the AFPD. BNDES will ensure that the highest ethic standards will be observed during the selection of projects to be financed by the Fund as well as the execution of the contracts for the projects.

BNDES shall ensure that its employees comply with the federal government's code of ethics as well as with that of BNDES.

2. BNDES will endeavour its best efforts to ensure that all procurement, acquisition or contracting in projects financed by the Fund comply with public sector procurement regulations or good practices established by the private sector, and to adopt criteria of efficiency and autonomy that result in competitive market prices for the respective goods and services, which, in addition, must be necessary to each project.

Article X Audit

1. The Fund shall be audited annually by external auditors of acknowledged international competence, as provided for in Decree 6527/2008.
2. A financial audit shall be carried out in accordance with the Brazilian technical accounting standard NBC T 11 – Independent Audit Standards of the Financial Statements issued by the Federal Accounting Council. The audit shall also check if the requirements of the national and international financial standards are being met.
3. A compliance audit shall be carried out to check if the application of the Fund resources correspond to its purposes and the guidelines established by the Steering Committee, as well as if the results of the projects supported through the Fund conform with the Sustainable Amazon Plan and with the Action Plan for the Prevention and Control of Deforestation in the Amazon.
4. BNDES shall deliver to the Donor the audit report and any other report from the auditor significant to the implementation of the Fund within the second quarter of each year. BNDES shall comment upon the auditor's findings.

Article XI Reviews – Evaluation

Norway reserves the right to carry out independent reviews or evaluations of the Programme as and when Norway deems it necessary. BNDES shall be informed about such initiatives and may be invited to join. BNDES shall upon request assist in providing relevant information within the limits of its regulations and rules. The cost for such reviews shall be borne by the Norway and will not reduce the amount of the Contribution.

Article XII Reservations

1. The Donor reserves the right to withhold disbursements at any time in case e.g.:
 - The Fund develops unfavourably in relation to the Goal and Purposes,
 - Substantial deviations from projected expenditure occur,
 - The documentation specified in Articles VIII and X have not been submitted as agreed,
 - The financial management of the Programme has not been satisfactory
2. BNDES shall do their utmost to ensure that funds that have been found to be misused or not properly accounted for by a beneficiary of the Fund are repaid to the Fund's account.
3. The Donor has the right to cancel the Agreement or portion of the Agreement, with immediate effect if it determines that corrupt or fraudulent practices were engaged in by representatives of BNDES or by a beneficiary of the Fund during procurement or execution of the contract without BNDES having taken timely and appropriate action satisfactory to Norway to remedy the situation in accordance with applicable legislation.
4. Before the Donor withholds disbursements or cancels the Agreement, the Parties shall consult with a view to reaching a solution in the matter.

Article XIII Notices

All notices required or allowed to be given pursuant to this Agreement shall be in writing, and either (i) sent by mail or private courier, postage prepaid, or (ii) transmitted by facsimile to the facsimile number (if any) or by email to the email address (if any) of the receiving party stated in this Agreement. Notices will be deemed received (a) when actually delivered, if sent by post or private courier. (b) when transmitted, if sent by facsimile or email. Either party may, by written notice, designate a new address and/or facsimile number and/or email address to which such notices shall be directed.

Notices to the Donor:

Royal Norwegian Embassy
Avenida das Nações, Quadra 807, Lote 28
Brasília, DF
70418-900

Email: emb.brasilia@mfa.no

If to BNDES:

Avenida República do Chile, 100
Rio de Janeiro, RJ, Brazil
20031-917

At.: Superintendente da Area de Meio Ambiente

T: +55 21 2172-7546

F: +55 21 2172-6285

E-mail: fundoamazonia@bndes.gov.br

Article XIV Entry into force – Termination – Disputes

1. The Agreement shall enter into force on the date of its signature, and shall remain in force until the December 31, 2015

2. Notwithstanding the previous clause each Party may terminate the Agreement upon three months written notice. Such termination will not affect funds committed pursuant to any agreement entered into between BNDES and any other third party for the purpose of this Agreement prior to the receipt of such notice. Any unspent uncommitted funds including the Donor's share of any income shall be returned to the Donor pro-rata, net of any legal obligations.
3. If any dispute arises relating to the implementation or interpretation of the Agreement, the Parties shall consult with a view to reaching a solution.
4. No amendment or waiver of any provision of this Agreement will be effective unless it is in writing and signed by the Parties hereto.


IN WITNESS WHEREOF the undersigned, acting on behalf of their respective institutions, have signed the Agreement in two originals in the English language.


Done in Brasília, the 25th day of March of 2009.

For the Norwegian Ministry
of Foreign Affairs


Turid B. Rodrigues Eusébio
Ambassador

For Banco Nacional de Desenvolvimento
Econômico e Social - BNDES


Luciano Coutinho
President


Elvrio Lima Gaspar
Director

Annex 1: Agreed Summary

Annex 2: Outline for Annual Report

Annex I: Agreed Summary

Identification of the Programme

Programme Title/Name: Support to the Amazon Fund

Partner institution: Banco Nacional de Desenvolvimento Econômico e Social – BNDES

Description of the Programme

The Amazon Fund was created to collect donations for non-reimbursable investments in preventing, monitoring and fighting against deforestation while promoting forest conservation of the Amazon biome and, up to 20% of the Fund's resources, of other biomes in Brazil and other tropical countries.

Goal

The Goal of the Fund is to support projects that contribute to a reduction of greenhouse gas emissions from deforestation and forest degradation.

Purposes

The Purposes of the projects to be supported by the Fund are to prevent, monitor, and combat deforestation, and to promote the conservation and sustainable use of the Amazon Biome. Up to 20% of the funds can be used to support the development of forest monitoring and control systems in other Brazilian biomes or other tropical countries.

Eligible projects must fall in at least one of the following categories:

- a) Management of public forests and protected areas,
- b) Environmental control, monitoring and inspection,
- c) Sustainable forest management,
- d) Economic activities from the sustainable use of forests,
- e) Economic and ecological zoning, territorial planning and land ownership regulation,
- f) Conservation and sustainable use of biodiversity, and
- g) Recovery of deforested areas.

And include, at least, one of the following modalities:

- a) Public forests and protected areas (environmental services and management),
- b) Sustainable production activities,
- c) Scientific and technological development applied to the sustainable use of biodiversity, and
- d) Institutional development and enhancement of control mechanisms.

Annex II: Outline for Annual Report

- 1) Message from the President of the Brazilian Development Bank
- 2) Roster of Donors
- 3) Composition of the Amazon Fund Guiding and Technical Committees
- 4) Data about deforestation and the corresponding carbon emissions
- 5) Fund purposes, guidelines and priorities for the period
- 6) Amazon Fund material performance
 - a) Performance of the Amazon Fund Support Lines
 - b) List of supporting projects containing information summary, comprising:
 - Description of purposes, beneficiaries and main expected results
 - Project contribution for the Fund purposes
 - Project amount, support amount, disbursed percentage
 - Estimated deadlines for project completion and dates of critical events
- 7) Amazon Fund financial performance
 - a) Fund-raising statistics;
 - b) Fund availabilities and disbursement perspectives
 - c) Gaia Fund performance
 - d) Financial statements and statistical tables
- 8) Amazon Fund prognostics
- 9) Appendices:
 - a) Financial audit report
 - b) Compliance audit report
 - c) Annual summary of the Steering Committee's deliberations
 - d) Carbon emissions resulting from deforestation attested by the Technical Committee
 - e) Other

Other elements may be incorporated to the Annual Report, according to specific demands or identified needs.