CONFORMED COPY

February 24, 2011

Messrs. Gustavo Codas Friedmann, Director General Paraguayo
and Jorge Miguel Samek, Director General Brasil
Itaipú Binacional
De La Residenta 1075
Asunción, Paraguay

Re: Grant No. TF096758 (Improving the Conservation of Biodiversity and Sustainable Land Management in the Atlantic Forest of Eastern Paraguay Project)
Additional Instructions: Disbursement

Dear Sirs:

I refer to the Letter Agreement (“Agreement”) between the International Bank for Reconstruction and Development/International Development Association (“World Bank”), acting as an implementing agency of the Global Environmental Facility and the Itaipú (the “Recipient”) for the above-referenced project, dated February 24, 2011. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant TF096758 (“Grant”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Grant:

- Advance
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four months after the Closing Date specified in the Grant Agreement. Any changes to this date will be notified by the World Bank.
(iii) **Disbursement Conditions (subsection 3.8).** Please refer to the Disbursement Condition(s) in the Grant Agreement, and also Schedule 2, Section I, E. of the Grant Agreement, which states that:

“In addition to the provisions of Section I.D above, the Recipient shall refrain from presenting to the World Bank Grant withdrawal applications and/or withdrawing Grant proceeds from the Designated Account (all under Category (2) TBC) to finance any given Community Subproject I, until the Recipient has furnished to the World Bank evidence, acceptable to the World Bank, indicating that: (i) the Community Subproject I Manual has been approved by the Recipient; (ii) the EC has been established as provided in Section I.J (a)(C) of this Schedule; and (iii) the auditor to carry out the audits referred to in Part A.5 of the Project has been hired as provided in Section II.B.4 (a) of this Schedule.”

### II. Withdrawal of Grant Proceeds

(i) **Authorized Signatures (subsection 3.1).**

A letter in the Form attached (Attachment 2) should be furnished to the Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
Torre Bouchard  
Bouchard 547,  
Buenos Aires, Argentina  
Attention: Penelope Brook, Country Director

(ii) **Applications (subsections 3.2 - 3.3).** Please provide completed and signed applications for withdrawal, together with supporting documents, in the Forms attached to the address indicated below:

The World Bank  
SCN - Quadra 02 - Lote A  
Edif. Corporate Financial Center, Sala 304  
70712-900 Brasília, D.F. - Brasil  
Attention: Mariana Brasil, Loan Department

(iii) **Electronic Delivery (subsection 3.4)** The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of
preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Tokens”) provided in Attachment 4; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications is USD90,000 equivalent for reimbursement and direct payment.

(vi) Advances (sections 5 and 6).

- Type of Designated Account (subsection 5.3): Pooled
- Currency of Designated Account (subsection 5.4): United States Dollars (USD)
- Financial Institution at which the Designated Account Will Be Opened (subsection 5.5): ABN AMRO
- Ceiling (subsection 6.1): USD450,000.

III. Reporting on Use of Grant Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- For reporting eligible expenditures paid from the Designated Account:
  - Records evidencing eligible expenditure (e.g., copies of receipts, supplier invoices) for payments made for (i) Goods under contracts valued at USD100,000 equivalent or more; (ii) Consulting Firms under contract valued at USD100,000 equivalent or more; (iii) Individual Consultants under contracts valued at USD50,000 equivalent or more; (iv) Works under contracts valued at USD200,000 equivalent or more; Non-Consultant Services under contracts (valued at USD50,000 equivalent or more (Attachment 3A – Statements of Expenditure with supporting documents);
  - Statement of Expenditure in the form attached (Attachment 3B – Statements of Expenditure without supporting documents) for all other expenditures / contracts, including Training and Operational Costs.
• **For requests for Direct Payment**: records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices.

(ii) **Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3)**: Quarterly.

(iii) **Other Supporting Documentation Instructions**
A Designated Account activity reconciliation statement and Bank Statement should be submitted with each withdrawal application reporting on the use of Grant proceeds from the Designated Account.

**IV. Other Important Information**


If you have not already done so, the Bank recommends that you register as a user of the Client Connection website ([http://clientconnection.worldbank.org](http://clientconnection.worldbank.org)). From this website you will be able to download Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Jose C. Janeiro, Senior Finance Officer at jjaneiro@worldbank.org using the above reference.

Yours sincerely,

/s/ Penelope Brook  
Country Director  
Country Management Unit  
Argentina, Paraguay and Uruguay
Attachments:
1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
3A - Form of Records “Statement of Expenditure” – with supporting documentation and
3B - “Statement of Expenditure” for which no supporting documentation is required.
4. Form Terms and Conditions of Use of Secure Identification Devices in connection with Use of
   Electronic Means to Process Applications and Supporting Documentation, dated January 20,
   2010

Prepared by: Jose C. Janeiro, LOAFC

Cleared with: Jimena Garrote, Counsel, LEGLA,
Marcelo Acerbi, TTL, LCSEN

Cc with copies:  Mr. Oscar Rivas, Secretario del Ambiente
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Mr. Enzo Cardozo Jiménez, Ministro de Agricultura
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