

CONFORMED COPY

LOAN NUMBER 7837-BR

Loan Agreement

**(Additional Financing for the São Paulo State Feeder Roads Project -
Programa de Recuperação de Estradas Vicinais do Estado de São Paulo)**

between

STATE OF SÃO PAULO

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated September 27, 2010

LOAN AGREEMENT

Agreement dated September 27, 2010, between STATE OF SÃO PAULO (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”).

WHEREAS: (A) by an agreement dated August 24, 2009 between the Borrower and the Bank (the Original Loan Agreement), the Bank made a loan (Loan N° 7688-BR) to the Borrower in an amount equal to one hundred sixty six million six hundred fifty thousand Dollars (\$166,650,000) (the Original Loan) to assist in the financing of the São Paulo State Feeder Roads Project on terms and conditions set forth in the Original Loan Agreement; and

(B) The Borrower has requested the Bank to assist in the financing of the costs associated with anticipated cost overrun of works to be financed under the Original Project and scaled-up activities not covered by the Original Loan, as described in Schedule 1 to this Agreement (Project).

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 \$326,775,000 (three hundred twenty six million seven hundred and seventy five thousand Dollars), 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 the “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 Borrower’s Transport Secretary.

- 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, in each case with the prior no-objection of the Guarantor, through its Secretariat of National Treasury, 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.
 - (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project and of the State Investments Program. To this end, the Borrower shall, in accordance with the provisions of Article V of the General Conditions, cause the Project to be carried out by DER-SP.
- 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 Event of Suspension consists of the following, namely that DER-SP shall have failed to perform any of its obligations under the Subsidiary Agreement to an extent that, in the opinion of the Bank, after exchanging views with the Borrower, would materially and adversely affect the achievement of the Project objective.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 90 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement has been signed on behalf of the Borrower and DER-SP.
- 5.02. The Additional Legal Matters consist of the following:
 - (a) The Subsidiary Agreement has been duly authorized or ratified by the Borrower and DER-SP and is legally binding upon the Borrower and DER-SP in accordance with its terms.
 - (b) The Loan has been validly registered by the Guarantor'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 February 3, 2012.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Governor.

6.02. The Borrower's Address is:

Secretaria da Fazenda
Av. Rangel Pestana, 300 – 5º andar
São Paulo – SP, 01017-911

Facsimile: (55-11) 3243-3296; 3104-5953

With copies to:

Secretaria dos Transportes
Rua Iaiá Nº 126, 12º andar
Itaim Bibi
São Paulo – SP, 04542-906

Facsimile: (55-11) 3702-8160

Departamento de Estradas de Rodagem
Av. do Estado, 777, 3º andar
Ponte Pequena
São Paulo – SP, 01107-000

Facsimile: (55-11) 3311-1409

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 Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

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

STATE OF SÃO PAULO

By /s/ Alberto Goldman

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Makhtar Diop

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency of the Borrower's paved municipal road network.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

Part 1

(a) **Feeder Roads Rehabilitation Works**

- (i) Financing of anticipated cost overrun of works to be financed under the Original Project covering approximately 700km of eligible road sections; and
- (ii) Carrying out of rehabilitation works on approximately 1,200 km of additional specific sections of the Borrower's municipal paved road network not included in the Original Project, that have been identified as eligible road sections under the 4 first phases of the *Pró-Vicinais* Program including, *inter alia*: (A) rehabilitation of existing road bases and surfaces, as well as of bridges; (B) rehabilitation of shoulders to protect the shoulders' surfaces from erosion and improve the driving conditions; (C) road safety improvements, including horizontal traffic signaling; and (D) rehabilitation and upgrading of drainage systems.

(b) **Project Management**

Consolidating DER-SP's capacity to manage its road investment programs, including the *Pró-Vicinais* Program.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall, at all times during the execution and until completion of the Project, cause DER-SP to maintain a unit to be responsible for the implementation and coordination of the activities under the Project (the “DER-SP UCP”) and for carrying out all procurement, fiduciary, administrative and reporting responsibilities for all activities under the Project. The DER-SP UCP shall have a structure, functions and staff acceptable to the Bank, as defined in the Operational Manual, and shall be headed at all times by a coordinator with qualifications, experience, functions and responsibilities satisfactory to the Bank.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Borrower shall enter into a subsidiary agreement with DER-SP, under terms and conditions acceptable to the Bank (the “Subsidiary Agreement”), which shall include, *inter alia*, the obligation of the Borrower to make the proceeds of the Loan available to DER-SP and DER-SP’s obligation to: (a) carry out its responsibilities under the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, procurement, auditing, environmental and social standards and practices; and (b) carry out the Project in accordance with the Anti-Corruption Guidelines.
2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower 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, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

C. Operational Manual

Without limitation to the provisions of Section 5.01 of the General Conditions, the Borrower shall cause the Project to be carried out in accordance with the provisions of a manual, satisfactory to the Bank (the “Operational Manual”), which shall detail the procedures and guidelines for the execution, monitoring and evaluation of the Project, including, *inter alia*:

- (a) the procedures for the carrying out, monitoring and evaluation of the Project (including the technical, procurement, disbursement, financial management, social and environmental requirements thereof);
- (b) the eligibility criteria for civil works of the Project;
- (c) the Indicators to be used for Project monitoring and evaluation;
- (d) the functions, responsibilities, structure and key staff composition of the DER-SP UCP; and
- (e) the Updated Environmental Assessment and the Involuntary Resettlement Framework.

The Operational Manual may be amended by the Borrower from time to time with the prior approval of the Bank. In case of any conflict or inconsistency between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

D. Anti-Corruption

The Borrower shall carry out, and shall cause the Project to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

E. Environmental and Social Provisions

1. Without limitation to the provisions of Section 5.01 (b) of the General Conditions, the Borrower shall carry out and shall cause DER-SP to carry out the Project in accordance with the provisions and recommendations of the Updated Environmental Assessment (including provisions regarding chance finding and protection of cultural property) and the Involuntary Resettlement Framework, when applicable.
2. Prior to carrying out any civil works under the Project, the Borrower shall cause DER-SP to submit to the Bank evidence that environmental and social impacts have been identified and planned mitigation measures defined, in accordance with the provisions of the Updated Environmental Assessment and the Involuntary Resettlement Framework, as applicable.
3. The Borrower shall cause DER-SP to ensure that any contractors that will carry out civil works under the Project shall perform their work in accordance with the technical and environmental practices for the Project, as set forth in the Updated Environmental Assessment.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall cause DER-SP to 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 the Indicators included in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than two months after the end of the period covered by such report.
2. The Borrower shall cause DER-SP to, at the earliest of: (a) September 30, 2011; or (b) the point when fifty percent (50%) of the Loan amount has been disbursed, carry out a review with the Bank on the overall progress in the execution of the Project, and set out the measures and take any remedial action as a result of such review, as agreed with the Bank.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall cause DER-SP to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower shall cause DER-SP to prepare and furnish to the Bank, as part of the Project Reports, not later than two months 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 cause DER-SP to have the Project's 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. **Works, Goods and Non-consultant Services.** All works, goods and non-consultant 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 Works, Goods and Non-consultant Services

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

<u>Procurement Method</u>
(a) National Competitive Bidding, including in respect of works, goods and non-consultant services, <i>concorrência</i> (set forth in the Guarantor's Law N° 8666 of June 21, 1993) including, in respect of goods and non-consulting services, <i>pregão eletrônico</i> (set forth in the Guarantor's Law N° 10520 of July 17, 2002), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank.
(b) Shopping, including in respect of goods and non-consulting services <i>pregão eletrônico</i> (set forth in the Guarantor's Law N° 10520 of July 17, 2002) subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank.
(c) Direct contracting.

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.

<u>Procurement Method</u>
(a) Selection Based on the Consultants' Qualifications (CQS)
(b) Least-Cost Selection (LCS)
(c) Procedures set forth in Paragraphs 5.2. and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(d) Single-Source Selection (SSS)

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for works estimated to cost the equivalent of \$15,000,000 or more; (b) each contract for goods and non-consultant services estimated to cost the equivalent of \$5,000,000 or more; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more; and (d) all contracts subject to retroactive financing. 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: (a) Article II of the General Conditions; (b) this Section; and (c) 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 USD)</u>	<u>Percentage of Expenditures to be financed (inclusive of taxes)</u>
(1) Works, Goods, Non-consultant services and Consultant services for Part 1 of the Project	325,958,062.50	100%
(2) Front-end Fee	816,937.50	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount payable pursuant to Section 2.07 (c) of the this Agreement
TOTAL AMOUNT	326,775,000.00	

For purposes of this table, the term “Non-consultant services” means reasonable expenditures incurred by the Borrower for services in the Project related, *inter alia*, to traffic counting services.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$114,371,250 equivalent may be made for payments made within one year prior to this date, for Eligible Expenditures.
2. The Closing Date is June 30, 2014.

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, 2015 through June 15, 2040	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. “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 with the modifications set forth in Section III of this Appendix.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “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 and in May 2010.
4. “DER-SP” means *Departamento de Estradas de Rodagem*, the Borrower’s road administration department from the Borrower’s Secretariat of Transport (*Secretaria dos Transportes do Estado de Sao Paulo*), responsible for managing the Borrower’s road network, regulated by the Borrower’s Decree N° 26673 of January 28, 1987 and published in the Borrower’s Official Gazette N° 19, as amended to the date of this Agreement, or its successor or successors thereto.
5. “DER-SP UCP” means *Unidade de Coordenação do Programa*, the unit referred to in Section I.A.1 of Schedule 2 of this Agreement, established pursuant to the *Portaria SUP/DER* N° 33, dated April 2, 2008, and published in the Borrower’s Official Gazette N° 118, as amended to the date of this Agreement.
6. “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.
7. “Indicators” means the indicators to be used in the monitoring and evaluation of the Project, agreed with the Bank and set forth in the Operational Manual.
8. “Involuntary Resettlement Framework” means the Borrower’s document dated February 2008, specifying the population resettlement policies, planning principles, institutional arrangements, procurement arrangements and design criteria that shall apply to the preparation and carrying out of the action plans for the resettlement of population under the Project.
9. “Original Loan” means the loan amount referred to in the Whereas clause (A) of this Agreement.

10. "Original Loan Agreement" means the loan agreement referred to in the Whereas clause (A) of this Agreement.
11. "Original Project" means the project set forth in Schedule 1 to the Original Loan Agreement.
12. "Operational Manual" means the manual referred to in Section I.C of Schedule 2 to this Agreement, prepared for the Original Project and updated for this Project, dated June 11, 2010, as the same may be amended from time to time with the agreement of the Bank.
13. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006 and in May 2010.
14. "Procurement Plan" means the Borrower's procurement plan for the Project, dated December 5, 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.
15. "Pro-Vicinal Program" means *Programa de Pavimentação e Recuperação de Estradas Vicinais do Estado de São Paulo*, the Borrower's municipal paved road program created in 2007 for the rehabilitation of approximately 12,000 km of the Borrower's municipal paved road network.
16. "State Investments Program", means the Borrower's investments included under the 2008-2011 PPA (*Plano Plurianual para o período 2008-2011*), the Borrower's multiyear expenditure program for 2008-2011.
17. "Subsidiary Agreement" means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement, pursuant to which the Borrower shall make the proceeds of the Loan available to DER-SP.
18. "Updated Environmental Assessment" means the Borrower's assessment, dated February, 2008, prepared for the Original Project and updated as of September, 2009, for this Project, of the Project environmental impacts, which identifies the existing environmental conditions and the potential direct and indirect environmental impacts from the carrying out of the Project, and recommends mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.

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, collusive or obstructive 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.”

Section III. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”