

CONFORMED COPY

LOAN NUMBER 7595-BR

Loan Agreement

(Sergipe State Integrated Project: Rural Poverty – *Projeto de Combate a Pobreza Rural no Estado do Sergipe “PCPR II – 2a Fase”*)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

STATE OF SERGIPE

Dated May 11, 2009

LOAN AGREEMENT

Agreement dated May 11, 2009, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and STATE OF SERGIPE (“Borrower”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty million and eight hundred thousand Dollars (\$20,800,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 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 Fixed 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 March 15 and September 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of 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 the Secretariat of the National Treasury of the Guarantor’s Ministry of Finance, 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, through SEPLAN declares its commitment to the objective of the Project as described in Schedule 2 to this Agreement. To this end, the Borrower shall cause the Project to be carried out by PRONESE in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following:
 - (a) PRONESE’s Legislation (or the legislation pertaining to a future entity participating in the implementation of the Project, previously agreed between the Borrower and the Bank) has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.
 - (b) The Technical Cooperation Agreement has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower or PRONESE to perform any of their obligations regarding the project.

- 4.02. The Additional Event of Acceleration consist of the following, namely that any 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 Conditions of Effectiveness consist of the following:
- (a) that the Operational Manual (amended as per the provisions of Section I.A.3. of Schedule 2 to this Agreement) has been adopted with all its annexes through an administrative instruction (*Portaria*) in form and substance satisfactory to the Bank; and
 - (b) the Technical Cooperation Agreement has been executed on behalf of the Borrower, through its Secretariat of Planning, and PRONESE in form and substance satisfactory to the Bank.
- 5.02. The Additional Legal Matters consist of the following:
- (a) the Technical Cooperation Agreement has been duly authorized or ratified by the Borrower and PRONESE and is legally binding upon the Borrower and PRONESE in accordance with its terms; and
 - (b) the Loan has been duly registered with 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 March 23, 2010.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Secretary of Planning.
- 6.02. The Borrower's Address is:

Secretaria de Estado do Planejamento de Sergipe
Rua Vila Cristina, 1051
Bairro São José
Aracaju, SE, 49020-150
Brazil

Facsimile:
(55-79) 3214-7080

With copies to:

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

Facsimile:
(55-61) 3225-4022

And to:

PRONESE - *Empresa de Desenvolvimento Sustentável do Estado de Sergipe*
Rua Vila Cristina, 1051
Bairro São José
Aracaju, SE, 49020-150
Brazil

Facsimile:
(55-79) 3211-8878

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By/s/ Makhtar Diop

Authorized Representative

STATE OF SERGIPE

By/s/ Maria Lúcia de Oliveira Falcon

Authorized Representative

WITNESSED

By/s/ Marcelo Deda Chagas

Governor of the State of Sergipe

SCHEDULE 1

Project Description

The objective of the Project is to increase social and economic opportunities for Municipalities' rural poor by improving their access to basic social and economic infrastructure and thus contributing to the Borrower's objective of improving its Human Development Index.

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: Community Subprojects

Financing grants for small scale community investments (Community Subprojects) consisting, *inter alia*, of: (a) infrastructure investments such as for rural water supply and electrification; (b) social investments such as construction of day care centers and rehabilitation of schools and health posts; and (c) other productive investments such as for small-scale community agro-processing and minor irrigation schemes.

Part 2: Institutional Development

- (a) Provision of technical assistance and training for Community Associations in, *inter alia*, community mobilization and organization, preparation of Community Subprojects, as well as operation and maintenance of such Community Subprojects.
- (b) Provision of capacity-building and training to the Municipal Development Councils, the Community Associations and to PRONESE with respect to their role and responsibilities, the contents of the Operational Manual, subproject evaluation and supervision, environmental assessment of Community Subprojects, participatory planning and financial management.
- (c) Carrying out workshops and seminars for the Municipal Development Councils and the Community Associations to exchange experiences related to Project implementation so as to facilitate the integration with other state or federal poverty reduction initiatives.

Part 3: Horizontal Integration

Provision of technical assistance, consultancies, software and system installation to the Borrower's Secretariat of Planning to: (i) strengthen result-based management capacity in order to improve planning, integration, monitoring and evaluation of public policies and investments for poverty reduction; (ii) improve the alignment of public expenditures with the Borrower's development priorities; and (iii) support modernization of the Borrower's public administration.

Part 4: Project Administration, Supervision, Monitoring and Evaluation

Support the overall Project implementation, coordination, supervision, monitoring and evaluation activities carried out by PRONESE.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Other Arrangements

1. For the purposes of carrying out the Project, the Borrower shall maintain PRONESE with responsibilities, structure and functions satisfactory to the Bank.
2. The Borrower shall continue, through SEPLAN and PRONESE: (a) preparing and furnishing to the Bank annual operating plans and budgets, satisfactory to the Bank, detailing the Project activities proposed to be carried out during the next succeeding year and the respective sources of funding therefore, by October 30 of each year; and (b) furnishing to the Bank the approved annual operating plans and respective budgets referred to in subparagraph (a) of this paragraph for each year in question, not later than 30 days after the approval of the Borrower's annual budget by its *Assembléia Legislativa* (Legislative Assembly).
3. The Borrower shall continue, through PRONESE, carrying out the Project in accordance with the Operational Manual, the Environmental Management Plan and the Indigenous Peoples' Plan, all as updated in form and substance satisfactory to the Bank; and the approved annual operating plans and respective budgets, in a manner satisfactory to the Bank.

B. Technical Cooperation Agreement

1. To facilitate the carrying out of the Project by PRONESE, the Borrower shall maintain the Technical Cooperation Agreement and make the proceeds of the Loan available to PRONESE under said Technical Cooperation Agreement between the Borrower and PRONESE, under terms and conditions approved by the Bank as further specified in the Operational Manual.
2. The Borrower shall exercise its rights under the Technical Cooperation 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 or waive the Technical Cooperation Agreement or any of its provisions.

C. Anti-Corruption

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

D. Community Subprojects

1. The Borrower shall make Area Grants to Community Associations in accordance with eligibility criteria and procedures acceptable to the Bank as further detailed in the Operational Manual.
2. The Borrower shall cause PRONESE to enter into Area Grant Agreements appropriate for the carrying out of the Project, such agreements to be made in accordance with terms of the respective draft set forth in model forms approved by the Bank and included in the Operational Manual (the Model Forms), in which PRONESE shall obtain rights adequate to protect its interests and those of the Bank.
3. The Borrower shall cause PRONESE to exercise its rights under each Area Grant Agreement in such manner as to protect the interests of the Borrower, PRONESE and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall ensure that PRONESE not assign, amend, abrogate or waive any Area Grant Agreement or any of its provisions.

Section II. Project Monitoring Reporting and Evaluation**A. Project Reports**

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five days after the end of the period covered by such report.
2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than June 30, 2012.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report, not later than forty five days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-Consultants' Services.** All goods, works and non-consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and 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.

<u>Procurement Method</u>
(a) National Competitive Bidding (including, in respect of goods, non-consultants' services and works, <i>convite, tomada de preços</i> and <i>concorrência</i> set forth in the Guarantor's Law No. 8.666 of June 21, 1993)
(b) Shopping (including, in respect of goods and non-consultants' services, <i>pregão eletrônico</i> set forth in the Guarantor's Law No. 10520 of July 17, 2002)
(c) Community Participation procedures described in the Procurement Plan for Community Subprojects

Contracts awarded on the basis of National Competitive Bidding are subject to the following additional procedures, namely that the bidding documents shall be acceptable to the Bank.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

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

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions (*Carta de Desembolso*) 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>	Amount of the Loan Allocated (Expressed in <u>Dollars</u>)	<u>% of Expenditures to be Financed</u>
(1) Goods, works and services (including Non-Consultant services) required for Community Subprojects supported by:	12,370,000	75%
(a) Area 1 Grants	5,300,000	
(b) Area 2 Grants		
(2) Consultants' services and training for Parts 2, 3 and 4 of the Project	2,200,000	100%
(3) Administrative Costs		
(a) incremental operational costs	40,000	20%
(b) Project supervision and monitoring costs	200,000	50%
(4) Front-end Fee	52,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Premium for Interest Rate Caps and Collars	0	Amount payable pursuant to Section 2.07 (c) of this Agreement in accordance with Section 4.04 of the General Conditions
(6) Unallocated	638,000	
TOTAL	20,800,000	

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 \$2,000,000 equivalent may be made for payments made prior to this date but on or after February 1, 2008, but not earlier than 12 months from the date of this Agreement, for Eligible Expenditures under Categories (1) through (3).

2. The Closing Date is December 31, 2011. The Bank will only grant an extension of the Closing Date after the Guarantor's Ministry of Finance has informed the Bank that it agrees with such extension.

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 March 15 and September 15 Beginning March 15, 2014 through September 15, 2023	5%

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 subparagraph 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.

APPENDIX**Definitions**

1. “Administrative Costs” means the operational costs and the supervision and monitoring costs of the Project incurred by SEPLAN and PRONESE under Part 4 of the Project (which would not have occurred absent the Project, including, *inter alia*, non-consultant services, equipment and computer maintenance, office supplies, utilities, rent for office facilities, operation and maintenance of vehicles, repairs, fuel, spare parts and insurance, maintenance of the monitoring and information system, travel and per diem costs for technical staff of PRONESE carrying out training, supervisory and quality control activities, but excluding expenditures for salaries and related benefits).
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. “Area Grants” means Area 1 Grants or Area 2 Grants.
4. “Area Grant Agreements” means any of the agreements to be entered into between the Borrower through PRONESE and a Community Association for an Area Grant.
5. “Area 1 Grant” means grants to be made by the Borrower through PRONESE to a Community Association for the financing of the Community Subprojects in the Borrower’s 41 Municipalities with the least favorable Human Development Index.
6. “Area 2 Grants” means grants to be made by the Borrower to a Community Association for the financing of Community Subprojects in the Borrower’s Municipalities other than the Municipalities benefiting from Area 1 Grants.
7. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
8. “Community Association” means an association a civil association formed by members of a community (*Associação Civil*) duly established in the Borrower’s territory in accordance with the Guarantor’s laws, and which meets the criteria set forth in the Operational Manual for participating in the Project.
9. “Community Subproject” means any investment referred to in Part 1 of the Project to be carried out by a Community Association utilizing the proceeds of an Area Grant, and which meets the criteria set forth in the Operational Manual.
10. “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.
11. “Environmental Management Plan” means the document dated April 23, 2008, as published and available to the public on the website www.pronese.se.gov.br, which contains the environmental protection measures in respect of the Project, including measures for chance finding of cultural property, protection of natural habitats and pest

- management, identification of existing environmental conditions and potential direct and indirect environmental impacts from the carrying out of the Project (including from the carrying out of Community Subprojects), recommendation of mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.
12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
 13. “Human Development Index” means the index which is measured by the Guarantor’s *Instituto de Pesquisas Econômicas Aplicadas – (IPEA)* on the basis of the indicators for education, health, and income in the Borrower’s territory.
 14. “Indigenous Peoples’ Plan” means the document dated April 23, 2008, as published and available to the public on the website www.pronese.se.gov.br, which contains protection measures in favor of indigenous peoples located in the Borrower’s territory, including the description and location of indigenous areas in the Borrower’s territory, strategy for the participation of indigenous peoples in the Project with due respect to their cultural identity, institutional partnerships, process of participation, risks and mitigating measures, and monitoring and evaluation procedures.
 15. “Model Forms” means the set of model draft Area Grant Agreements, satisfactory to the Bank, as set forth in the Operational Manual.
 16. “Municipal Development Council” means a municipal council, composed mainly of representatives of communities and local organizations, as provided in the Operational Manual.
 17. “Municipality” or “Municipalities” means any and all the municipalities in the Borrower’s territory which are eligible to receive an Area Grant pursuant to the criteria set forth in the Operational Manual.
 18. “Operational Manual” means the manual for the operation of the Project, in form and substance satisfactory to the Bank and to be approved by the Borrower, which includes, *inter alia*, the following: (a) procedures to be followed: (i) in the event that environmental issues are identified on the checklist for Community Subprojects; (ii) to identify and address potential cumulative environmental impacts from multiple Community Subprojects; and (iii) to ensure an integrated pest management approach in irrigation investments; (b) a description of the consultations carried out in respect of the Environmental Management Plan; (c) the Environmental Management Plan and the Indigenous Peoples’ Plan; and (d) revised Model Forms consistent with the requirements of Section I.D.2. of Schedule 2 to this Agreement; as the same may be amended from time to time by agreement between the Borrower and the Bank.
 19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

20. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated August 4, 2008 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.
21. “PRONESE” means *Empresa de Desenvolvimento Sustentável do Estado de Sergipe*, the Borrower’s sustainable development company.
22. “PRONESE’s Legislation” means the Borrower’s Law No. 4.498 of January 2, 2002, as amended by Law No. 6.253 of December 11, 2007.
23. “SEPLAN” means *Secretaria de Estado do Planejamento de Sergipe*, the Borrower’s Secretariat of Planning.
24. “Technical Cooperation Agreement” means the agreement (*Convênio*) to be executed between the Borrower, through its Secretariat of Planning, and PRONESE for the implementation of the Project and in form and substance satisfactory to the Bank.