

CONFORMED COPY

LOAN NUMBER 2931 BR

(Northeast Endemic Disease Control Project)

between

FEDERATIVE REPUBLIC OF BRAZIL

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated June 17, 1988

LOAN NUMBER 2931 BR

LOAN AGREEMENT

AGREEMENT, dated June 17, 1988, between FEDERATIVE REPUBLIC OF BRAZIL (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by the Borrower; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "CESA" means the local expenditures special account to be opened pursuant to Section 2.02 (b) of this Agreement;

(b) "FESA" means the foreign exchange expenditures special account to be opened pursuant to Section 2.02 (c) of this Agreement;

(c) "Account Bank" means Central Bank in respect of CESA and the Bank referred to in Section 2.02 (c) of this Agreement in respect of FESA;

(d) "Central Bank" means Banco Central do Brasil;

(e) "Cruzado" means the currency unit of the Borrower;

(f) "SES" means Secretaria de Estado de Saude, the State Secretariats of Health;

(g) "Ministry" means the Borrower's Ministry of Health;

(h) "SUCAM" means the Superintendencia de Campanhas de Saude Publica, the Ministry's Superintendency of Public Health Campaigns, in charge, with financial and administrative autonomy, of the direct execution of activities related to the eradication and control of endemic diseases, as established by the Borrower's Decrees No. 66,623, dated May 22, 1970, and No. 79,056, dated December 30, 1976, and governed by the By-Laws (as hereinafter defined); unless the context otherwise requires the term "SUCAM" shall be used in this Agreement to mean SUCAM, a Superintendency within the Ministry that will act as agency of the Borrower for carrying out the Project pursuant to paragraph (a) of Section 3.01 of this Agreement;

(i) "PAHO" means Pan American Health Organization;

(j) "FIOCRUZ" means Fundacao Oswaldo Cruz, an agency of the Borrower, governed by its Estatuto approved by the Borrower's Decree No. 77,481, dated April 23, 1976;

(k) "By-Laws" means the internal regulations of SUCAM as set forth in the Borrower's Portaria No. 161/BSB/76, as modified by the Borrower's Portarias No. 221/BSB/82, published in the Borrower's Official Gazette on September 14, 1982, No. 229, published in such Gazette on September 23, 1982, No. 265, published in such Gazette on October 29, 1982, No. 421, published in such Gazette on August 27, 1987 and No. 407, dated September 4, 1986;

(l) "State" means the States of Maranhao, Ceara, Rio Grande do Norte, Piaui, Paraiba, Pernambuco, Alagoas, Sergipe, Bahia or Minas Gerais, each of them a political subdivision of the Borrower;

(m) "SUDS" means Sistema Unificado Descentralizado de Saude and "SUDS Agreement" means an agreement among the Borrower's Ministry of Social Security and Assistance, the Borrower's National Institute for Medical Assistance and Social Security, the Ministry, the Borrower's Ministry of Education, and a State through its SES, entered into for the purpose of putting the SUDS into effect in such State;

(n) "State Convenio" means each Termo Aditivo to the corresponding SUDS Agreement, on terms satisfactory to the Bank, to be entered into between the Borrower and a State, acting through its SES, pursuant to Section 3.01 (b) of this Agreement for purposes of, inter alia, establishing the terms for the participation of that State in the Project;

(o) "FIOCRUZ Convenio" means the agreement between SUCAM and FIOCRUZ, for purposes of carrying out Part C of the Project, dated October 27, 1987;

(p) "PAHO Convenio" means the agreement between SUCAM and PAHO, for purposes of hiring consultants and Higher level staff necessary for the carrying out of the Project, dated September 28, 1987;

(q) "Project Area" means an area comprising about 1,018 municipalities infested by vectors in the States and "Municipality" means each of such municipalities;

(r) "Higher level staff" means professionals and technicians;

(s) "Other staff" means staff other than staff referred in (r) above, including guardas and inspetores de endemias; and

(t) "Project Manager" means the head of the Coordinadoria de Gerencia de Projetos established in SUCAM by Portaria No. 421 referred to in (k) above.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to one hundred nine million dollars (\$109,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and thereafter maintain in its Central Bank an account in dollars on terms and conditions satisfactory to the Bank. Disbursements out of this account (hereinafter called CESA) shall be made exclusively to meet expenditures in Cruzados incurred in respect of the reasonable cost of goods and services required to carry out the Project and to be financed by the Bank pursuant to paragraph (a) above.

(c) The Borrower shall, for the purposes of the Project, open and thereafter maintain in a bank, acceptable to the Central Bank and the Bank, an account in dollars on terms and conditions satisfactory to the Bank. Disbursements out of this account (hereinafter called FESA) shall be made exclusively to meet expenditures in currencies other than Cruzados incurred in respect of the reasonable cost of goods and services required to carry out the Project and to be financed by the Bank pursuant to paragraph (a) above.

(d) Deposits into, and payments out of, CESA and FESA shall be made in accordance with the provisions of Schedule 5 to this Agreement. The Borrower, through the Central Bank and SUCAM, respectively, shall furnish to the Bank each month certified statements of CESA and FESA.

Section 2.03. The Closing Date shall be June 30, 1994 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such

Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

(i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.

(iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.08. The Minister of Health of the Borrower or the person or persons designated by him are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 (a) of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, the Borrower shall carry out the Project, through the Ministry acting through SUCAM, with due diligence and efficiency and in conformity with appropriate administrative, financial and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) As part of the foregoing, the Borrower, through SUCAM, shall enter: (A) into State Convenios with each of the States, such State Convenios to contain, inter alia, provisions for: (i) the adherence of the respective State to the objectives and description of the Project, and to the SUDS; (ii) the commitment of providing such space for laboratories as shall be necessary to install adequately all equipment specified in such State Convenio to be acquired for the purposes of its operation by such State and of Part A.1 of the Project; and (iii) the terms and conditions for the taking over by the respective State of the activities of diagnosis, therapy and surveillance presently being carried on by SUCAM; and (B) not later than December 31, 1988, into Termos Aditivos to the FIOCRUZ Convenio and the PAHO Convenio, satisfactory to the Bank, pursuant to the terms and conditions of said Convenios.

(c) Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the State Convenios or any provision thereof regarding the description or execution of the Project or any obligation of the Borrower set forth or referred to in this Agreement.

(d) The Borrower shall, through SUCAM, exercise all its rights under the FIOCRUZ Convenio and the PAHO Convenio, and any Termo Aditivo to either one, and, except as the Bank shall otherwise agree, shall not assign, amend, abrogate or waive any of such Convenios or Termo Aditivo, or any provision thereof regarding the description or execution of the Project or any obligation of the Borrower set forth or referred to in this Agreement.

(e) Without limitation or restriction to the provisions of paragraph (a) of this Section, the Borrower, through SUCAM, shall take all necessary measures to:

(i) enable SUCAM to hire a substantial number of the staff required for the Project and to do it with due regard to their qualifications and experience so as to ensure adequate Project execution;

(ii) obtain from each State, under the corresponding State Convenio, or each Municipality, under separate agreements to be entered between SUCAM and such Municipality, the commitment thereof to hire, if warranted, the remainder of the other staff required to perform services in respect of the Project in each such State or Municipality which has not been hired by SUCAM or the State in question, as the case may be; and

(iii) ensure that in the case Other staff is hired in accordance with (ii) above by a State or a Municipality, SUCAM shall reimburse the State or Municipality in question from the proceeds of the Loan.

(f) The Borrower shall ensure that the Project Manager is at all times a person whose qualifications and experience are adequate for purposes of the Project, and shall afford the Bank a reasonable opportunity to express its views on the qualifications and experience of any candidate for said position.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower shall, not later than July 31, 1988, complete, under terms of reference agreed between SUCAM and the Bank, a KAP (knowledge, attitudes and practices) survey, including socio-economic data, on endemic disease control in the Project Area.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower, through SUCAM, shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the CESA and FESA for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested;

(iii) furnish to the Bank monthly certified statements of the CESA and FESA; and

(iv) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower, through SUCAM, shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified, provided, however, that, if any of the events specified in the following paragraphs (a) or (b) or (c) shall have occurred and be continuing, the suspension of the Borrower's right to make withdrawals from the Loan Account may be limited to withdrawals in respect of Project expenditures related to the State or States affected:

(a) any of the States shall have failed to perform any of its obligations under its respective State Convenio;

(b) a SUDS Agreement shall have terminated or any party thereto shall have failed to comply with its obligations under the agreement in question and such failure will, in the Bank's opinion and without alternative arrangements satisfactory to the Bank having been made, materially and adversely affect the carrying out of the Project;

(c) as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that any of the States will be able to perform its obligations under its respective State Convenio; and

(d) the By-Laws shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the Bank's opinion, the carrying out of the Project without alternative arrangements satisfactory to the Bank having been made.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that any of the events specified in paragraphs (a), (b) or (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the Loan Agreement has been duly registered by the Central Bank;

(b) that the Borrower shall have entered into State Convenios with either:

(i) the SES of States covering 50% of the aggregate area of all States, or (ii) the SES of States with an aggregate population of not less than 16,000,000, or (iii) the SES of any 5 States; and

(c) that all necessary acts, consents and approvals to be performed or given by the Borrower, its political subdivisions or agencies, by any agency thereof, or otherwise to be performed or given in order to authorize the carrying out of the Project and to enable the Borrower and each of the States taken into account for the fulfillment of the condition under Section 6.01 (b) of this Agreement to perform their respective obligations pursuant to this Agreement or to the corresponding State Convenio, as the case may be, together with all necessary powers and rights in connection therewith, have been performed or given.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Loan Agreement has been duly registered by the Central Bank;

(b) that the FIOCRUZ Convenio and the PAHO Convenio have been duly authorized or ratified by the parties thereto and are legally binding upon such parties in accordance with their terms;

(c) that each of the State Convenios taken into account for purposes of fulfillment of the condition under Section 6.01 (c) of this Agreement has been duly authorized or ratified by the parties thereto and is legally binding upon such parties in accordance with its terms; and

(d) that all necessary acts, consents and approvals to be performed or given by the Borrower, each of the States taken into account for purposes of fulfillment of the condition under Section 6.01 (c) of this Agreement, their political subdivisions or agencies, or by any agency thereof or otherwise to be performed or given in order to authorize the carrying out of the Project and to enable the Borrower and each such State to perform their respective obligations pursuant to this Agreement and to the corresponding State Convenio, together with all necessary powers and rights in connection therewith, have been performed or given.

Section 6.03. The date of September 20, 1988 is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio da Fazenda  
Esplanada dos Ministerios, Bloco 5  
70048 Brasilia, D.F.  
Brazil

Cable address:

MINIFAZ  
Brasilia, Brazil

Telex:

0611506 MFAZ BR

With copies to:

Ministro da Saude  
Ministerio da Saude

Esplanada dos Ministerios,  
Bloco 11, 5o Andar  
70058 Brasilia, D.F.  
Brazil

Cable address:

MINSAUDE  
Brasilia, D.F.

Telex:

0611752 MS BR

Superintendente  
SUCAM  
Esplanada dos Ministerios  
Bloco 11, Anexo, 3o Andar  
70058 Brasilia, D.F.  
Brazil

Cable address:

SUCAM  
Brasilia, D.F.

Telex:

0611603 MS BR

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

FEDERATIVE REPUBLIC OF BRAZIL

By /s/ Adrienne Nogueira Batista

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Armeane M. Choksi

Acting Regional Vice President  
Latin America and the Caribbean

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and



the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works, including architectural fees	6,000,000	50%
(2) Equipment and furniture:	8,500,000	
(a) internationally procured		100% of foreign expenditures and 100% of local expenditures (ex-factory cost)
(b) domestically procured		50% of local expenditures
(3) Chemical supplies and drugs:	28,500,000	
(a) internationally procured		100% of foreign expenditures and 100% of local expenditures (ex-factory cost)
(b) domestically procured		50% of local expenditures
(4) Training, consultant services, and mass media acti- vities and services under Part B.3 of the Project	6,000,000	100% of foreign expenditures for services of consultants not residing in the territory of the Borrower and 50% of local expen- ditures for services of other consul- tants and for other items included in Category (4)
(5) Wages for Additional Other staff	27,000,000	60% until with- drawal appli- cations under this Category (the Applica- tions) have reached the aggregate of \$5,000,000; thereafter, 50% until the Applications have reached the aggregate of \$11,000,000;

thereafter,  
40% until the  
Applications  
have reached  
the aggregate  
of \$17,000,000;  
thereafter,  
30% until the  
Applications  
have reached the  
aggregate of  
\$22,500,000; and  
25% thereafter

(6) Incremental operating costs	13,000,000	41%
(7) Unallocated	20,000,000	
TOTAL	109,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "Additional Other staff" means Other staff hired after December 31, 1987 by SUCAM or a State or a Municipality, as the case may be, for the purposes of the Project and to be financed out of the proceeds of the Loan; and

(d) the term "Incremental Operating Costs" means: (i) wages for Higher-level staff hired by SUCAM or a State, after December 31, 1987, to do field work; (ii) supervision expenses, including per-diem and transport; and (iii) fuel and vehicle maintenance expenses, all for purposes of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$1,500,000, may be made on account of payments made for expenditures before that date but after February 1, 1987; and

(b) expenditures on account of equipment under Part A.1 of the Project for any State other than a State taken into account for the fulfillment of the condition under Section 6.01 (c) of this Agreement, unless: (i) the Bank has received evidence satisfactory to the Bank that the Borrower and the State in question have executed and delivered the corresponding State Convenio, and (ii) all necessary acts, consents and approvals to be performed or given by the Borrower, its political subdivisions or agencies, by any agency thereof, or otherwise to be performed or given in order to authorize the carrying out of the Project and to enable the Borrower and the State in question to perform their respective obligations pursuant to this Agreement or to the corresponding State Convenio, as the case may be, together with all necessary powers and rights in connection therewith, have been performed or given.

SCHEDULE 2

Description of the Project

The main objective of the Project is to reduce the prevalence of three endemic diseases (Chagas disease, schistosomiasis and leishmaniasis) in the Project Area and the intensity of human infection in the population at risk in such Area to minimum

levels where only epidemiological surveillance activities are needed to keep these diseases under control. A second objective is the strengthening of SUCAM's capabilities and efficiency to expand control activities in the Project Area. Finally, it is a complementary objective of the Project to support the Ministry's activities in reducing the occurrence of new cases of Acquired Immune Deficiency Syndrome (hereinafter AIDS).

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 objectives:

Part A: Prevention and Control of Disease Transmission

The strategy for prevention and control of endemic diseases will consist of identifying the vulnerable points of the transmission cycle and trying to break it with environmental measures (pesticide spraying, mollusciciding and household sanitation) and personal chemotherapy (mass or selective treatment). This strategy includes three well defined phases: Preparatory Phase, already executed, and a follow-up thereof by the Intervention Phase, consisting of field operations, including information, education and communication (hereinafter IEC) activities, applying pesticides for vector control, elimination of animal reservoirs, and mass screening and treatment of human cases, and the Surveillance Phase, which includes annual evaluation of disease prevalence and case finding of vectors and new patients in the treated area (active surveillance), and compulsory reporting of vectors and/or new cases (passive surveillance). Each reported new case will be subject to a full enquiry leading to identifying sources of infection and immediate treatment.

The foregoing will be achieved, inter alia, through the provision of about 100 man-months of technical assistance services and the:

1. Acquisition by SUCAM and utilization by the corresponding State of equipment for about 12 regional serologic laboratories for Chagas Disease in the Project Area, one of which, located in Belo Horizonte will be used as a Central Reference Laboratory (CRL) for quality control of laboratory standards and training.
2. Acquisition and utilization by SUCAM of equipment for about 10 regional serologic laboratories for Leishmaniasis in the Project Area.
3. Equipping of 2 SUCAM laboratories for vector research for Chagas Disease and for Schistosomiasis.
4. Hiring about 385 Higher level staff and 2,820 Other staff, and training about 520 Higher level staff and 3,270 Other staff.
5. Acquisition and utilization of about 65,250 kilograms of Niclosamide; 2,200,000 kilograms of DDT 75% concentrate and 123,000 kilograms of DDT 100% concentrate; 18,000,000 capsules and 86,000 bottles (240 cubic centimeters each) of oxamniquine or, alternatively, an appropriate amount of raziquantel.

Part B: Community Mobilization

A program for promoting community involvement in the control of endemic diseases, including:

1. Acquisition and utilization of furniture and equipment for 10 regional offices, including audiovisual equipment and power generators for 22 pick-ups.
2. Acquisition and utilization of about 23 video cassette sets; 23 overhead projectors; 14 slide projectors; 14 photographic cameras; 10 electronic copiers; and 14 tape recorders.
3. Contracting of the production, distribution and broadcasting of television spots, radio jingles and spots, still films, and posters, calendars and flip charts.
4. Hiring of one IEC specialist, and hiring and training of about 21 Higher-level staff and 22 Other staff.

5. Provision of about 20 man-months of IEC technical assistance services.

Part C: Operational Research

A program of research in the following areas: (i) biological control; (ii) laboratory tests; (iii) vaccine testing; (iv) epidemiological studies to test the effectiveness of other interventions, including behavioral changes; and (v) cost-effectiveness studies.

Part D: Institutional Development

A program of expansion and improvement of SUCAM's field facilities, information systems and management, including:

- (a) construction and equipping of 6 regional directorates and 19 local (district) offices of SUCAM;
- (b) upgrading 11 regional and local facilities of SUCAM;
- (c) remodelling 15 spaces for serologic laboratories, and 2 training centers;
- (d) furnishing and equipping the parts of SUCAM's headquarters related to Project management and 2 training centers of SUCAM;
- (e) hiring and training of about 130 Higher-level staff for SUCAM headquarters and its 10 regional directorates;
- (f) acquisition and utilization of about 40 Lovibond kits or toxicity tests;
- (g) carrying out of one seminar, 2 training courses and one or more refresher seminars, all for SUCAM staff, on the safe use of pesticides; and
- (h) contracting of 48 man-months of technical assistance in the fields of: (i) planning; (ii) administration and information systems; (iii) transport; and (iv) health legislation.

Part E: AIDS Prevention and Control

Carrying out of a Program to support:

- (a) on-going activities in a multimedia AIDS education campaign targeted at high-risk groups as well as the population at large;
- (b) a training program for Higher-level staff in the areas of management, diagnostic techniques and epidemiology of AIDS;
- (c) epidemiological studies in AIDS prevalence; and
- (d) the equipping of regional laboratories for blood testing and quality control of blood transfusions.

\* \* \*

The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each April 15 and October 15	
beginning October 15, 1991 through October 15, 2002	4,540,000

On April 15, 2003

4,580,000

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\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
percentage	The interest rate (expressed as a per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than eleven years before maturity	0.73
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable contracts for goods shall be grouped so as to permit international competitive bidding.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Brazil may be granted a margin of preference in accordance with, and subject to, the following provisions:

1. All bidding documents for the procurement of goods shall clearly indicate any preference which would be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

2. After evaluation, responsive bids will be classified in one of the following two groups:

(1) Group A: bids offering goods manufactured in Brazil if the bidder shall have established to the satisfaction of the Borrower and the Bank that such goods contain components manufactured in Brazil equal to at least 50% of the value of the complete goods.

(2) Group B: bid offering any other goods.

3. In order to determine the lowest evaluated bid of each group, all evaluated bids in each group shall be first compared among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A is the lowest, it shall be selected for the award.

4. If, as a result of the comparison under paragraph 3 above, the lowest evaluated bid is a bid from group B, all group B bids shall be further compared with the lowest evaluated bid from group A after adding: (i) to the c.i.f. bid price of goods to be imported in each group B bid an amount equal to the smaller of: (A) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group B bid; or (B) 15% of the c.i.f. bid price of such goods, and (ii) to the ex-factory bid price of goods supplied domestically offered in each group B bid an amount equal to the smaller of: (A) the amount of customs duties and other import taxes which would be levied on the goods offered in such group B if they originated from the same foreign country as the bid included in group B which enjoys the lowest customs duties and other import taxes; or (B) 15% of the ex-factory bid price of such goods. If, as a result of this comparison, the bid from group A is the lowest, it shall be selected for the award; if not, the lowest evaluated bid from group B, as determined under paragraph 3 above, shall be selected for the award.

Part C: Other Procurement Procedures

1. Contracts for: (a) civil works, except as provided in paragraph 3 hereof; (b) goods estimated to cost the equivalent of \$25,000 or more, but less than the equivalent of \$250,000, up to an aggregate amount to be financed out of the proceeds of the Loan not exceeding the equivalent of \$11,000,000; and (c) activity and services under Part B.3 of the Project, may be awarded in accordance with competitive bidding procedures locally advertised, satisfactory to the Bank.

2. Contracts for goods estimated to cost less than the equivalent of \$25,000, up to an aggregate amount to be financed out of the proceeds of the Loan not exceeding the

equivalent of \$3,500,000, may be awarded following evaluation and comparison of quotations furnished by at least three suppliers eligible under the Guidelines. Contracts shall be awarded to the lowest evaluated quotations.

3. Civil works up to an aggregate amount to be financed out of the proceeds of the Loan not exceeding the equivalent of \$2,000,000 may be carried out by force account in each Regional Directorate of SUCAM, through agreements between SUCAM and the local Department of Public Works in each Municipality, such agreements to be reviewed and approved by the Bank prior to their signing.

4. Contracts for the purchase of niclosamide and oxamniquine under Part A.5 of the Project, to the extent the drug in question is proprietary in nature and obtainable only from one source, may be directly negotiated with the manufacturer without competition up to a maximum amount of \$4,000,000 equivalent in the case of niclosamide and \$15,000,000 equivalent in the case of oxamniquine.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works estimated to cost the equivalent of \$500,000 or more, and each contract for goods estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the CESA or FESA, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the CESA or FESA in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the CESA or FESA, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$8,000,000 and to \$500,000 (or such other amount as the Bank may agree, at the request of and by notice, to the Borrower according to the disbursement requirements of the Project), to be withdrawn from the Loan Account and deposited in the CESA and FESA, respectively, pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, payments out of CESA or FESA, as the case may be, shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule. The Account Bank shall authorize withdrawals from the CESA or FESA, as the case may be, on the basis of the evidence that the Bank shall have reasonably determined. For each such withdrawal so authorized, the Account Bank shall debit or cause to be debited CESA or FESA, as the case may be, with the dollar equivalent of the amount of the eligible expenditures in question in Cruzados, in the case of CESA, or with the actual dollar amount or the dollar equivalent of the eligible expenditures in currencies other than dollars or Cruzados, in the case of FESA.

3. After the Bank has received evidence satisfactory to it that CESA and FESA have been duly opened, withdrawals of the corresponding Authorized Allocation and subsequent withdrawals to replenish CESA or FESA, as the case may be, may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the corresponding Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in CESA or FESA, as the case may be, such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Bank requests for replenishment of CESA or FESA, as the case may be, at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into CESA or FESA, as the case may be, such amounts as shall be required to replenish CESA or FESA, as the case may be, with amounts not exceeding the amount of payments made out of CESA or FESA, as the case may be, for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of CESA or FESA, as the case may be, for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank may deny any request for a further deposit into CESA or FESA when either of the following situations first arises:

(i) the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be, unless otherwise agreed by the Bank, equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in CESA or FESA, as the case may be, as of the date



of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of CESA or FESA (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Bank, deposit into CESA or FESA, as the case may be, (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless otherwise agreed by the Bank, no further deposit by the Bank into CESA or FESA shall be made until the Borrower has made such deposit or refund.

(b) If the Bank shall have determined at any time, and after consultation with the Borrower, that any amount outstanding in CESA or FESA will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount for crediting to the Loan Account and immediate cancellation, provided, however, that in the event that any amount outstanding in either CESA or FESA could be utilized to cover eligible expenditures under the other special account, the Bank may at any time within a period ending six months after the date of this Agreement, and upon request of the Borrower thereafter, authorize the transfer of such outstanding amount to the special account where the eligible expenditures could be financed.

