

**CONFORMED COPY**

**LOAN NUMBER 7952-BR**

# **Loan Agreement**

**(Santa Catarina Rural Competitiveness Project -  
Programa Santa Catarina Rural-MICROBACIAS 3)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**STATE OF SANTA CATARINA**

**Dated September 30, 2010**

## **LOAN AGREEMENT**

Agreement dated September 30, 2010, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and STATE OF SANTA CATARINA (“Borrower”). The Bank and the Borrower 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 ninety million dollars, (US\$90,000,000), 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. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Secretary of SAR.
- 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 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 its Secretariat of the 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 objectives of the Project. To this end, the Borrower shall cause: (a) SAR (through EPAGRI and CIDASC, FATMA, and the Participating Entities to carry out the activities under Parts 1 (a), 2 and 3 of the Project which fall under their administrative jurisdiction; and (b) the Beneficiaries to carry out Part 1 (b) of the Project, all with assistance of the Participating Entities and in accordance with the provisions of Article V of the General Conditions, the Partnership Agreements the Cooperative Agreements and the Subproject Agreements.

- 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 Events of Suspension consist of the following:
- (a) the Project Implementation Unit Regulation and/or the Rural Development Council Regulations have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to perform any of its obligations under this Agreement; and
  - (b) EPAGRI, CIDASC and/or FATMA shall have failed to comply with any of their obligations under the pertinent Partnership Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in Section 4.01 (a) and (b) 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) Project Implementation Unit Regulation has been adopted by the Borrower in form and substance satisfactory to the Bank.
  - (b) The Partnership Agreements have been signed by the parties thereto.
  - (c) The Project Operational Manual, in form and substance satisfactory to the Bank, has been adopted by the Borrower through the issuance of a resolution.
- 5.02. The Additional Legal Matter consists of the following:
- (a) the Partnership Agreements have been duly authorized or ratified by the Borrower and by, respectively, EPAGRI, CIDASC and FATMA, and are legally binding upon all said parties in accordance with their terms; and

- (b) the Loan has been 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 2, 2012.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Governor.
- 6.02. The Borrower's Address is:

Gabinete do Governador  
Centro Administrativo  
Rodovia SC 401-km 5, nº 4.600, Bairro João Paulo  
Florianópolis, SC, 88032-000  
Brazil

Facsimile: (55-48) 32213131

With copy to:  
Secretaria de Estado da Fazenda  
Centro Administrativo  
Rodovia SC 401-km 5, nº 4.600, Bairro João Paulo  
Florianópolis, SC, 88032-000  
Brazil

Facsimile: (55-48) 32151794

Secretaria de Estado da Agricultura e Desenvolvimento Rural  
Rodovia Admar Gonzaga  
1486 – Km 3 – Itacorubi  
Florianapolis, SC, 88034-001  
Brazil

Facsimile: (55-48) 3239-4093

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 Brasília, 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 SANTA CATARINA

By /s/ Leonel Arcângelo Pavan

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to increase the competitiveness of family agriculture producer organizations while providing support for an improved framework of structural competitiveness-inducing public services activities in the Borrower's territory.

The Project consists of the following parts:

#### **Part 1. Family Agriculture Competitiveness and Increased Access to Markets**

Support family agriculture competitiveness in the Borrower's territory through the implementation of the pertinent EEPs and the provision of technical assistance, by working with stakeholders across local, municipal and regional levels in order to increase organizational and participation skills for Project implementation through:

- (a) the carrying out of pre-investment activities to: (i) support technical, extension and training services to create and consolidate added-value arrangements among family agriculture producer organizations and other commercial stakeholders; (ii) identify potential business opportunities and prepare business proposals; (iii) prepare related business plans; and (iv) build capacity among technical service providers to enhance the quality of their services provided in support of rural competitiveness; and
- (b) the carrying out of demand-driven productive and added-value investments through FDR to support the implementation by family agriculture producer organizations of viable business plans, including, inter alia: (i) diversification and improvement of production/farming systems; (ii) agro-processing; (iii) support to meet legal environmental and sanitary requirements for market access; (iv) marketing and logistics; and (v) off-farm/non-agricultural investments.

#### **Part 2. Complementary Public Investments for Rural Competitiveness**

Support the improvement of the structural rural competitiveness framework through the implementation of the pertinent EEPs and the provision of technical assistance, by financing public goods activities that are crucial for the sustained competitiveness of family agriculture producer organizations, and for the implementation of sectoral activities, such as water resource management; ecosystems and corridor management; environmental monitoring and education; rural infrastructure; regulatory framework compliance; rural technical assistance and extension, sanitary and phyto-sanitary services; and rural tourism.

### **Part 3. Support to the Rural Competitiveness Institutional Framework**

Enhance public administration performance in support of rural competitiveness through the implementation of the pertinent EEPs and the provision of technical assistance by implementing: (a) more efficient financial management and procurement systems; (b) a results-based management approach for the Project and the main institutions of the Borrower which have administrative jurisdiction over the rural sector; and (c) Project coordination, monitoring and evaluation.



## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. (a) The Borrower through SAR, shall cause the Project to be carried out in accordance with the Project Operational Manual, including the Procurement Plan, the Annual Operating Plan, the Environmental Management Framework, the Involuntary Resettlement Framework and the Indigenous Peoples Framework; and (b) except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of these documents without the Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.
2. The Borrower shall maintain, until the completion of the execution of the Project, a Project implementation unit (the Project Implementation Unit) within SAR and with competent staff in adequate numbers with qualifications and experience satisfactory to the Bank and in accordance, as applicable, with the provisions of Section III of this Schedule, including the following key staff: a Project coordinator, an environment specialist, a social specialist, an administrative coordinator, a procurement specialist and a financial management specialist.
3. The Borrower shall maintain, until the completion of the execution of the Project, a council (the Technical Council of Representatives) to convene at least once every semester, and shall submit the minutes of said meetings to the Bank.
4. The Borrower shall, at least once a year during Project implementation on or about December 1, commencing on the first such date after the Effective Date, prepare and furnish to the Bank a plan (the Annual Operating Plan) for the Project's operation during the following twelve months.
5. The Borrower shall furnish to the Bank no later than 30 days after the Effective Date and thereafter every six months after the Effective Date, regular reports (the EEP Spending Reports) prepared in accordance with the provisions of the Project Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule.
6. The Borrower shall furnish to the Bank on or about April 5 and October 5 each year starting on any such date after the Effective Date, a procurement report (the Procurement Plan Report) confirming that all procurement activities under the Project have been carried out in accordance with the Procurement Plan.

7. The Borrower shall: (a) have all the Project's procurement records and documentation (including those for the Subprojects) for each fiscal year of the Project audited, in accordance with appropriate procurement auditing principles by independent auditors acceptable to the Bank; (b) furnish to the Bank as soon as available, but in any case not later than nine months after the end of each such fiscal year, the procurement audit report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (c) furnish to the Bank such other information concerning said procurement records and documentation and the procurement audit thereof as the Bank shall from time to time reasonably request.
8. The Borrower, through SAR, shall ensure and/or cause to be ensured, that the EEPs will comply with the eligibility criteria and procedures set forth in the Project Operational Manual.
9. If, at any time, the Bank determines that any portion of the financing under the Project was used for items improperly procured in violation of Section III to this Schedule, was not used for Eligible Expenditures or, in case of the Eligible Expenditure Programs of the Project, was not supported by evidence of actual spending by the Borrower under said Eligible Expenditure Programs and/or by evidence of satisfaction of other criteria set forth in this Agreement or in the Project Operational Manual, the Borrower shall refund any such portion to the Bank for subsequent withdrawal or for cancellation thereof, as the Bank shall specify by notice to the Borrower.

**B. Anti-Corruption**

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

**C. Subprojects**

1. Upon approval of a Subproject, the Borrower, through SAR, shall make available a portion of the proceeds of the Loan (the Grant) to the pertinent Beneficiary pursuant to an agreement (the Grant Agreement) to be entered into between the Borrower, through SAR, and said Beneficiary on terms and conditions acceptable to the Bank, including those set forth in paragraph 2 below, and in accordance with eligibility criteria and procedures acceptable to the Bank as further detailed in the Project Operational Manual.
2. Each Grant Agreement shall contain, inter alia, the following provisions: (a) SAR shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (1) suspend or terminate the right of Beneficiaries to use the proceeds of the Grant, or obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the Beneficiaries' failure to perform any of its

obligations under the Grant Agreement; and (2) require each Beneficiary to: (a) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, agricultural, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, the Project Operational Manual, the Environmental Management Framework, the Indigenous Peoples Framework and the Involuntary Resettlement Framework, and the provisions of this Agreement as applicable to Subprojects; (b) provide, promptly as needed, the resources required for the purpose; (c) procure the goods, works and services (including consultants' services) to be financed out of the Grant in accordance with the provisions of this Agreement; (d) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Subproject and the achievement of its objectives; (e) (i) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the Bank for community driven initiatives, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (ii) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (f) enable SAR and the Bank to inspect the Subproject, its operation and any relevant records and documents; and (g) prepare and furnish to SAR and the Bank all such information as the Borrower, SAR or the Bank shall reasonably request relating to the foregoing.

3. The Borrower, through SAR, shall exercise its rights and carry out its obligations under each Grant Agreement in such manner as to protect the interests of the Borrower, the Project Implementation Unit and the Bank and to accomplish the purposes of the Project. Except as the Bank shall otherwise agree, the Borrower shall ensure that the Project Implementation Unit not assign, amend, abrogate, terminate, waive or fail to enforce any Grant Agreement or any of its provisions.

**D. Partnership Agreements**

1. For purposes of carrying out Parts 1(a), 2 and 3 of the Project, the Borrower, through SAR, shall make available a portion of the proceeds of the Loan to EPAGRI, CIDASC and FATMA to carry out said Parts of the Project which fall under their administrative jurisdiction as further specified in the Project Operational Manual pursuant to a separate agreement (the Partnership Agreement) to be entered into between the Borrower, through SAR, and each of these entities, all under terms and conditions approved by the Bank as further specified in the Project Operational Manual. The Borrower, through SAR, shall cause EPAGRI, CIDASC and FATMA within their responsibilities to comply with said Partnership Agreements (including provisions of the Anti-Corruption

Guidelines applicable to recipients of Loan proceeds other than the Borrower) until the end of the execution of their respective Parts of the Project.

2. The Borrower, through SAR, shall exercise its rights and carry out its obligations under each Partnership 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, terminate, waive or fail to enforce any Partnership Agreement or any of their provisions.

**E. Cooperative Agreements**

1. The Borrower, through SAR, shall, execute a separate agreement (the Cooperative Agreement) with each Participating Entity, under terms and conditions approved by the Bank as further specified in the Project Operational Manual for purposes of assisting EPAGRI, CIDASC, FATMA and the Beneficiaries in the implementation of the respective Parts of the Project under their responsibility. Said Cooperative Agreements shall be executed no later than six months after the Effective Date, and for those Participating Entities entering Project implementation on a later date, the Cooperative Agreements shall be executed no later than 90 days after Bank approval of participation.
2. The Borrower, through SAR, shall exercise its rights and carry out its obligations under the Cooperative Agreements 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, terminate, waive or fail to enforce any Cooperative Agreement or any of their provisions.

**F. Safeguards**

**1. Environmental Management**

The Borrower, through the Project Implementation Unit, shall: (a) implement the Project and, when applicable, cause the Subprojects to be implemented in accordance with the Environmental Management Framework (including provisions for natural habitats, pest management, forests and chance finding of cultural property); and (b) when applicable, furnish to the Bank for its approval a specific environmental assessment for each Subproject, and thereafter carry out and/or cause to be carried out said environmental assessment in a manner acceptable to the Bank, and thereafter cause Beneficiaries to carry out the actions specified by such specific environmental assessment in accordance with its terms.

**2. Indigenous Peoples**

The Borrower, through the Project Implementation Unit, shall: (a) implement the Project and, when applicable, cause the Subprojects to be implemented in accordance with the provisions of the Indigenous Peoples Framework; and (b) when applicable, furnish to the Bank for its approval an specific indigenous peoples plan for each Subproject, and thereafter carry out and/or cause the Beneficiaries to carry out said specific indigenous peoples plan in accordance with its terms.

**3. Involuntary Resettlement**

The Borrower, through the Project Implementation Unit, shall: (a) implement the Project and, when applicable, cause the Subprojects to be implemented in accordance with the provisions of the Involuntary Resettlement Framework; and (b) when applicable, furnish to the Bank for its approval an specific involuntary resettlement plan for each Subproject, and thereafter carry out and/or cause the Beneficiaries to carry out said specific involuntary resettlement plan in accordance with its terms.

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

**A. Project Reports**

1. The Borrower, through the Project Implementation Unit, 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 the performance 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 one month 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 two months after the Closing Date

**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 not later than sixty 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 Borrower shall ensure that the audited Financial Statements for each such period shall be: (a) furnished to the Bank not later than six months after the end of such period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

### **Section III. Procurement**

#### **A. General**

1. **Goods , Works and Services (Other than Consultants' Services)** All goods, works and services (other than 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 Services (Other than Consultants' Services)**

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

<b>Procurement Method</b>
(a) National Competitive Bidding, including in respect of works, goods and services (other than Consultant's Services), <i>convite, tomada de preços</i> and <i>concorrência</i> (set forth in the Borrower's Law N° 8,666 of June 21, 1993), and in respect of goods and services (other than Consultant's Services), <i>pregão eletrônico</i> (as set forth in the Borrower's Law N° 10520 of July 17, 2002, and in Decree N° 5,450 of May 31, 2005), under 'COMPRASNET', the procurement portal of the Borrower, or any other e-procurement system approved by the Bank, 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 services (other than consultants' services), <i>pregão eletrônico</i> set forth in the Guarantor's Law N° 10,520 of July 17, 2002, and in Decree N° 5,450 of May 31, 2005).
(c) Direct Contracting
(d) Goods, works and services (other than consultants' services) under Subprojects may be procured in accordance with the procedures set forth in the Project Operational Manual for community participation.

**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.

<b>Procurement Method</b>
(a) Selection under a Fixed Budget
(b) Least-Cost Selection
(c) Selection Based on the Consultant's Qualifications
(d) Single-Source Selection
(e) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(f) Sole Source Procedures for the Selection of Individual Consultants set forth in paragraph 5.4 of the Consultant Guidelines for the Selection of Individual Consultants

**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 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.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed or reimbursed (inclusive of Taxes)</b>
(1) Eligible Expenditure Programs under the Project (including Subprojects)	73,200,000	Up to 50% of amounts spent and reported under the EEP Spending Reports
(2) Consultants' services for technical assistance under the Project (including Subprojects)	16,575,000	73%
(3) Front-end Fee	225,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) <i>Premia</i> for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.07(c) of this Agreement
<b>TOTAL AMOUNT</b>	<b>90,000,000</b>	



**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$9,500,000 equivalent for Category (1) and \$500,000 equivalent for Category (2) may be made for payments made prior to this date but on or after October 1, 2009 (but in no case more than twelve months prior to the date of this Agreement) for Eligible Expenditure Programs under Category (1) and Eligible Expenditures under Category (2); and
  - (b) for payments made under Category (1) unless: (i) the relevant EEP Spending Report, as referred to in Section I.A.5 of this Schedule, has been submitted to, and found satisfactory by, the Bank, in accordance with the provisions of the Project Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule; and (ii) all other conditions referred to in the Project Operational Manual and in the additional instructions referred to in Section IV.A.1 of this Schedule (including compliance with the Disbursement-Linked Indicators, when applicable and as referred to in Schedule 5 to this Agreement) have been met by the Borrower in form and substance satisfactory to the Bank.
2. If the Bank has:
  - (a) received only partial evidence of compliance under the Disbursement-Linked Indicators referred to in Schedule 5 to this Agreement and/or the 70 percent rule (both interim and final) (as referred to in the Project Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule) is not met, and/or the Borrower has not presented enough Eligible Expenditures under the Eligible Expenditure Programs to disburse the full amounts in respect to the withdrawals under Category (1) (as referred to in the Project Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule), the Bank may, at its option, authorize that the unwithdrawn portion of the Loan resulting from this lack of evidence be carried forward to the subsequent withdrawals, provided that, if this occurs, the amount to be disbursed by the Bank, in the aggregate under all subsequent withdrawals, shall not exceed 50 percent of the sum of amounts spent under the Eligible Expenditure Programs for the years up to and including the one for which the withdrawal is made; and

- (b) not approved a full withdrawal by the Borrower of the Loan proceeds under Category (1), the Bank may, by notice to the Borrower and the Guarantor, cancel the corresponding amount of the Loan at the time of the final disbursement.
- 3. The Closing Date is September 30, 2016. The Bank may grant an extension of the Closing Date after the Guarantor's Ministry of Finance has informed the Bank that it agrees with such an extension.

**Section V. Access to Information**

The Bank may disclose the Legal Agreements and any information related to the Legal Agreements in accordance with its policy on access to information, in effect at the time of such disclosure.

**Section VI. Other Undertakings**

- 1. The Borrower, through SAR, shall: (i) no later than three months after the Effective Date, designate the independent auditors as referred to in Sections II. B.3 above; and (ii) no later than six months after the Effective Date, designate the procurement auditors as referred to in Section I. A.7 above; all under terms of reference and with qualifications and experience satisfactory to the Bank.
- 2. By September 30, 2013, or such other date as the Bank shall agree upon, the Borrower shall: (i) carry out jointly with the Bank, a mid-term review of the implementation of operations under the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be agreed by the Bank.
- 3. The Borrower, through SAR, shall: (i) no later than twelve months after the Effective Date, launch a public competitive examination (in form and substance satisfactory to the Bank) to hire rural extensionists; and (ii) no later than twelve months after the Effective Date adopt and publish a regulation in form and substance satisfactory to the Bank in order to create the Borrower's institute of water administration (IGASC).

**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.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each March 15 and September 15, beginning September 15, 2020 through September 15, 2034	3.33%
On March 15, 2035	3.43%

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.

**SCHEDULE 4**

**Eligible Expenditure Programs**

Budget Item and Borrower's Budget Line Numbers (as set forth in the Borrower's Budget Laws)		Expenditure Type	Expected Expenditures (US\$ '000)					
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Rural Roads under Part 2 of the Project (including Subprojects)	0100	Goods / Works / Services (including consultants' services) / and Operating Costs.	874	2,044	2,545	2,843	3,438	1,507
Digital Inclusion under Part 2 of the Project (including Subprojects)	0250	Goods / Works / Services / Recurrent Costs	412	290	237	152	152	183
Quality of Life in Rural and Urban Areas under Part 1 of the Project (including Subprojects)	0300	Goods / Works / Services / Recurrent Costs	1,800	1,910	1,668	2,328	3,207	3,208
Competitive Agribusiness under Part 1 and 2 of the Project (including Subprojects)	0310	Goods / Works / Services / Recurrent Costs	18,770	15,624	14,374	15,840	15,182	16,925
Sustainable Environmental Development under Part 1 and 2 of the Project (including Subprojects)	0340	Goods / Works / Services / Recurrent Costs	1,476	1,583	841	1,119	679	941
Water Resources Management under Part 2 of the Project (including Subprojects)	0350	Goods / Works / Services / Recurrent Costs	6,079	5,056	3,224	3,988	3,797	3,578
Rural Tourism under Part 1 and 2 of the Project (including Subprojects)	0640	Goods / Works / Services / Recurrent Costs	498	765	689	980	255	278
Administration and Management in the Executive branch of the Borrower under Part 3 of the Project (including Subprojects)	0900	Goods / Works / Services / Recurrent Costs	1,034	819	721	635	637	630

**SCHEDULE 5**

**Disbursement Linked Indicators**

Disbursement Linked Indicator	Annual Cumulative Target						Total
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
(1) Number of new added-value arrangements established or strengthened, such as alliances, networks and cooperatives	N/A	79	102	120	129	138	138
(2) Number of existing small agro-businesses made compliant with SPS Requirements, and new agro-processing and non-agricultural businesses created	N/A	60	140	270	400	500	500
(3) Number of ancillary climate-resilient production systems improvement and tourism plans executed through Subprojects with Project support	N/A	1,576	4,616	7,658	14,600	20,000	20,000
(4) Number of rural tourism plans executed through Subprojects with Project support	N/A	12	18	24	30	30	30
(5) Number of River Basin Strategic Plans formulated on a participatory basis	N/A	3	5	8	11	14	14
(6) Number of River Basins with registration of users completed	N/A	3	5	8	11	14	14
(7) Number of hectares of forests under “Conservation Credits”	N/A	50	450	950	950	950	950
(8) Number of farms with SIEE implemented (SIEE of livestock - meat and milk -, grains, forestry, SAF and tourism)	N/A	0	30	80	140	200	200
(9) Number of kilometers of rural roads associated to business plans rehabilitated	N/A	250	500	800	1,150	1,300	1,300
(10) Number of Pilot Digital Inclusion projects implemented with internet connection to support enterprises connected to networks	N/A	5	10	10	10	10	10
(11) Number of units of Family Agriculture production and processing units registered and certified to comply with phyto-sanitary requirements	N/A	420	850	1,400	2,170	2,740	2,740
(12) Number of farms certified for absence of animal tuberculosis and brucellosis	N/A	0	100	250	450	700	700
(13) Number of new regular technical assistance and rural extension professional staff allocated by EPAGRI in priority Project municipalities, by CIDASC to phyto-sanitary certification and by FATMA to SIEE implementation	N/A	156	156	176	176	176	176

## APPENDIX

### Section I. Definitions

1. “70 percent rule” means a condition to be met by the Borrower for Loan disbursements to take place, namely that for interim disbursements (as specified in the additional instructions referred to in Section IV.A.1 of this Agreement), the EEPs supported actually disburse at least 70% of the overall budgeted amount for the group as a whole during the previous semester with respect to the monthly budget forecast issued by the SEF at the beginning of each fiscal year, while for final disbursements (as specified in the additional instructions referred to in Section IV.A.1 of this Agreement), that the expenditures for each of the eight EEPs in the previous fiscal year be equal to or greater than 70% of their individual budgeted amounts for the fiscal year with respect to the expected annual budgeted amounts specified in Schedule 4 to the Loan Agreement.
2. “Annual Operating Plan” means each plan referred to in Section I.A.4 of Schedule 2 to this Agreement.
3. “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.
4. “Beneficiaries” means a family agriculture producer organization, a group of individuals living in a rural area, a rural community organization, a rural cooperative in the Borrower’s territory, all vested with legal personality in accordance with the Borrower’s and the Guarantor’s law, whose Subprojects have been found eligible in accordance with the criteria set forth in the Project Operation Manual, have applied for financing and have received or are to receive a Grant to be executed under Part 1 (b) of the Project.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “CIDASC” means *Companhía Integrada de Desenvolvimento Agrícola de Santa Catarina*, the Borrower’s public enterprise established and operating under the Borrower’s Law/Decree N° 5,516 dated February 28, 1979, and transformed in public enterprise on September 6, 2005.
7. “Conservation Credits” means the valuation of environmental assets (existing forest or forest in recuperation), duly registered by FATMA and eligible to be used as collateral, conditioned on counterpart obligations on the part of the property owner.

8. “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 May 2010.
9. “Cooperative Agreements” means any of the agreements referred to in Section I. E.1 of Schedule 2 to this Agreement.
10. “Disbursement-Linked Indicators” means the set of indicators set forth in Schedule 5 to this Agreement and as further specified in the Project Operational Manual.
11. “EEP” or “Eligible Expenditure Programs” means the Project’s sector program budget lines described in Schedule 4 to this Agreement under which a set of defined expenditures for the reasonable cost of goods, works, services (including consultants’ services), and Operating Costs, will be financed with the proceeds of the Loan, and thus said set of expenditures constitute a subset of the Eligible Expenditures defined in the General Conditions.
12. “EEP Spending Report” means the report prepared by the Borrower in accordance with the Project Operational Manual and referred to in Section I.A.5 of Schedule 2 to this Agreement on the spending status of the Eligible Expenditure Programs under the Project.
13. “EPAGRI” means *Empresa de Pesquisa Agropecuária e de Extensão Rural de Santa Catarina*, the Borrower’s agency for the provision of rural extension and research services, established and operating under the Borrower’s Law/Decree N° 8,245 dated April 18, 1991.
14. “Environmental Management Framework” means the Borrower’s framework, dated January 20, 2010, acceptable to the Bank, duly published and available to the public on the website <http://www.microbacias.sc.gov.br>, which contains the environmental principles and policies that shall apply to the implementation of the Project including, when applicable, to the preparation and carrying out of any Subproject.
15. “FATMA” means *Fundação do Meio Ambiente*, the Borrower’s Environmental Management Foundation, as established and operating under the Borrower’s Law/Decree N° 662 dated July 30, 1975.
16. “FDR” means *Fundo de Desenvolvimento Rural*, the Borrower’s fund for rural development, as established and operating under the Borrower’s Law/Decree N° 8,676 dated June 17, 1992.
17. “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.

18. “Grant” means a grant made or to be made (out of the proceeds of the Loan) by the Borrower to Beneficiaries for the financing of a portion of the capital cost of Subprojects.
19. “Grant Agreement” means any of the agreements referred to in Section I.C.1 of Schedule 2 to this Agreement.
20. “IGASC” means *Instituto de Gestão de Águas de Santa Catarina*, the Borrower’s institute for water management, referred to in Section VI of Schedule 2 to this Agreement and to be established by the Borrower through a regulation all in form and substance satisfactory to the Bank.
21. “Indigenous Peoples Framework” means the Borrower’s framework dated December 22, 2009, acceptable to the Bank, duly published and available to the public on the website <http://www.microbacias.sc.gov.br>, which contains the social principles and policies that shall apply for the protection of indigenous peoples in connection with the implementation of the Project including, when applicable, to the preparation and carrying out of any Subproject.
22. “Involuntary Resettlement Framework” means the Borrower’s framework dated December 22, 2009, acceptable to the Bank, duly published and available to the public on the website <http://www.microbacias.sc.gov.br>, which contains the resettlement principles and policies that shall apply to the implementation of the Project including, when applicable, to the preparation and carrying out of any Subproject.
23. “Operating Costs” means the following management and supervision costs, to the extent they would not have been incurred absent the Project, including: (i) maintenance of furniture and equipment; (ii) communication costs; and (iii) travel expenses (*per diem*, lodging and transportation), other than for training purposes.
24. “Participating Entities” means collectively each and all of the entities participating in the Project implementation, i.e., SOL, SDS, , SSP-PMA,SIE , and any other entity in addition to or in substitution of the aforementioned, as acceptable to both the Borrower and the Bank, and set forth in the Operational Manual.
25. “Partnership Agreement” means any of the agreements referred to in Section I. D.1 of Schedule 2 to this Agreement.

26. “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 May 2010.
27. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated July 27, 2010 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.
28. “Project Implementation Unit” means the Project implementation unit within SAR in charge of the daily implementation of the Project as established and operating under the Project Implementation Unit Regulation, and referred to in Section I.A.2 of Schedule 2 to this Agreement.
29. “Project Implementation Unit Regulation” means the regulations to be enacted by the Borrower setting forth the structure and responsibilities to be assigned to the Project's Implementing Unit.
30. “Project Operational Manual” means the Borrower’s operational manual for the Project, satisfactory to the Bank, which shall contain, *inter alia*: (i) the terms of reference, functions and responsibilities for the personnel of the Project Implementation Unit; (ii) the procedures for procurement of works, goods, services (other than consultants’ services) and consultants’ services for the Project and for the Subprojects, as well as for financial management and audits (i.e. financial audit and procurement audit) of the Project and of the Subprojects; (iii) the flow and disbursement arrangements of Project funds; (iv) the eligibility criteria for the Subprojects, their selection and approval processes, the Restrictive List, as well as model forms for Grant Agreements; (v) model forms for the Cooperative Agreements; (vi) the staffing plan for the Project Implementation Unit; (vii) the Annual Operating Plan for the first year of the Project; (viii) the EEPs and Disbursement Linked Indicators; and (ix) the Environmental Management Framework, the Involuntary Resettlement Framework and the Indigenous Peoples Framework, as such manual may be amended from time to time with the agreement of the Bank.
31. “Restrictive List” means a list of activities to be annexed to the Project Operational Manual and detailing all the types of Subprojects which are excluded from the Project, irrespective of the source of financing.
32. “River Basin Strategic Plans” means a strategic plan prepared by the Borrower, and its associated actions (including a diagnosis of water resources; and water supply and demand) for the management of river basin resources in the Borrower's territory, as detailed in the Project Operational Manual.

33. “Rural Development Council Regulation” means the Borrower’s Decree No. 009/93 dated September 9, 1993 setting forth the structure and responsibilities assigned to the Technical Council of Representatives.
34. “SAF” means *Sistema Agroflorestal*, an integrated land-use system incorporating fruit-bearing and wood-producing species with agricultural/livestock production for the generation of both economic and ecological benefits.
35. “SAR” means *Secretaría de Estado da Agricultura e Desenvolvimento Rural*, the Borrower’s Secretariat for Agriculture and Rural Development.
36. “SDS” means *Secretaria de Desenvolvimento Sustentável*, the Borrower’s Secretariat for Sustainable Development.
37. “SIE” means *Secretaria de Estado da Infraestrutura e Equipamento*, the Borrower’s Secretariat for Infrastructure and Equipment.
38. “SIEE” means *Sistema de Integração Econômica e Ecológica*, the Borrower’s management practices to be implemented under the Project to integrate local production arrangements with conservation techniques, as further detailed in the Operation Manual.
39. “SOL” means *Secretaria de Estado de Turismo, Cultura e Esporte*, the Borrower’s Secretariat for Tourism and Sports.
40. “SSP” means *Secretaria de Segurança Pública*, the Borrower’s Secretariat for Public Security.
41. “SPS Requirements” means sanitary and phytosanitary requirements, established by Federal and State legislation, for primary and value-added agricultural production.
42. “Subprojects” means any of the investments referred to in Part 1 (b) of the Project, as approved by the Borrower through the Project Implementation Unit and the Bank in accordance with relevant provisions of the Project Operational Manual.
43. “Technical Council of Representatives” means a committee in charge of the oversight of the Project as established and operating under the Rural Development Council Regulation.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. The introduction to Section 2.05 and paragraph (a) of said Section of the General Conditions are modified to read as follows:

“The Borrower shall use the proceeds of the Loan or cause said proceeds to be used exclusively to finance (and/or as reimbursement for) expenditures which, except as otherwise provided in the Loan Agreement, satisfy the following requirements:

(a) the payment is for the financing or reimbursement of the reasonable cost of goods, works, services (including consultants’ services), Operating Costs and Personnel Expenditures (as said terms are defined in the Appendix to the Loan Agreement) required for the Project, to be financed or reimbursed out of the proceeds of the Loan and procured, all in accordance with the provisions of the Legal Agreements; ”

2. 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.”

3. 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: (i) a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association; and/or (ii) a declaration by another financier that the Borrower (other than the Member Country) or the Project Implementing Entity is 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 Project Implementing 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.”

4. 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.”

- (c) The definition of the term “Variable Rate” is modified, in relevant part, to read as follows:

“(c) upon a Currency Conversion to an Approved Currency of an amount of the Withdrawn Loan Balance that accrues interest at a variable rate during the Conversion Period, the variable rate of interest applicable to such amount shall be equal to either: (i) the sum of: (A) LIBOR, or such other base rate as may be agreed by the Borrower and the Bank, for the Approved Currency; plus (B) the spread to LIBOR or to such other base rate, if any, payable by the Bank under the Currency Hedge Transaction relating to said Currency Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the interest rate component of the Screen Rate.”

### **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.”