

CONFORMED COPY

LOAN NUMBER 7411-BR

Loan Agreement

**(Bahia Integrated State Highway Management
Project – Programa de Restauração e Manutenção de Rodovias - PREMAR)**

between

STATE OF BAHIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated September 10, 2007

LOAN NUMBER 7411-BR

LOAN AGREEMENT

Agreement dated September 10, 2007, between the STATE OF BAHIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I—GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan 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 one hundred million Dollars (\$100,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; 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.

- 2.06. The Payment Dates are June 15 and December 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time, with the prior non-objection of the Guarantor, through the Secretariat of National Treasury of the Guarantor's Ministry of Finance, request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan 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 4.04 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III—PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall cause DERBA to carry out the Project, with the assistance of: (a) SEINFRA to carry out Part 2.B of the Project; (b) SEI to carry out Part 2.C of the Project; and (c) AGERBA to carry out Part 2.D of the Project, all in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall

ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement and the procedures of the Operational Manual.

ARTICLE IV—REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

DERBA shall have failed to perform any of its obligations under the Subsidiary Agreement to an extent that, in the opinion of the Bank, would materially and adversely affect the achievement of the Project objective.

4.02. The Additional Events of Acceleration consist of the following:

The event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 90 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V—EFFECTIVENESS

5.01. The Additional Legal Matters consist of the following:

The Loan has been validly registered by the Guarantor's Central Bank.

5.02. 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 May 14, 2008.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is the Secretary of SEINFRA.

6.02. The Borrower's Address is:

Secretaria de Infra-Estrutura
Av. Luiz Viana Filho, 4ª. Av., nº 440
Centro Administrativo da Bahia – Salvador, Bahia, Brasil
CEP 41750-000

Facsimile: ++ (55) 71 3371 7488

With a copy to:

Secretaria do Planejamento do Estado da Bahia – SEPLAN
 Av. Luiz Viana Filho, 2ª Av., nº 250
 Centro Administrativo da Bahia – Salvador, Bahia, Brasil
 CEP: 41.746-900

Facsimile ++(55.71) 3115-3945

Secretaria da Fazenda do Estado da Bahia – SEFAZ
 Av. Luiz Viana Filho, 2ª Av. nº 250
 Centro Administrativo da Bahia – Salvador, Bahia, Brasil
 CEP: 41.746-900

Facsimile ++(55.71) 3115-2408

Departamento de Infra-estrutura de Transportes da Bahia
 Av. Luiz Viana Filho, 4ª Av. nº 445
 Centro Administrativo da Bahia – Salvador, Bahia, Brasil
 CEP: 41.750-300

Facsimile ++(55.71) 3115-2289

Secretaria de Assuntos Internacionais do Ministério do Planejamento
 Esplanada dos Ministérios, Bloco K, 5º andar
 CEP 70.040-906, Brasília – DF, Brasil

Facsimile ++(55.61) 3225-4022

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 the District of Columbia, United States of America, as of the day and year first above written.

STATE OF BAHIA

By /s/ Jaques Wagner

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Makhtar Diop

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase effective use of the Borrower's road infrastructure, through: (a) rehabilitation and maintenance of key sections of the Borrower's paved road network; and (b) provision of support for institutional improvements in the Borrower's road sector, while fostering greater integration among the Borrower's regions and with the rest of the country.

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

Part 1: Highway Rehabilitation and Maintenance

Carrying out of projects consisting of rehabilitation, resurfacing, and environmental rehabilitation works on about 2,000 kilometers (or approximately 15% of the Borrower's paved roads network) of particular sections of the Borrower's paved road network that have been identified as eligible road sections on the basis of relevant criteria under the Project and PELTBAHIA, including, *inter alia*, related engineering studies, designs, environmental and social assessments, and supervision services (the "Sub-projects").

Part 2: Institutional Strengthening

A. Strengthening of DERBA's institutional capacity, through the provision of technical assistance, operational support (equipment and software) and training of staff for, *inter alia*:

- (i) implementing and expanding the scope of the Borrower's road administration training program;
- (ii) strengthening of DERBA's planning and monitoring capacity;
- (iii) optimization of DERBA's information system, especially in the following areas: data collection, supervision of civil and environmental works, monitoring of assets' condition evolution, and provision of technical support *in situ*;
- (iv) establishment and operation of DERBA's Quality Group;
- (v) strengthening of DERBA's capacity in managing impacts of its investment programs on society and the environment;

- (vi) contributing to DERBA's technical development, through the undertaking of studies to, *inter alia*: define policy, structure implementation strategies and undertake pilot projects to manage municipal road networks, on the basis, *inter alia*, of low-cost technologies, as well as improve the offer of transport services for the rural poor; and
- (vii) providing support to the PCU in handling the Project's reporting, procurement and financial management aspects.

B. Strengthening of SEINFRA's institutional capacity, through the provision of technical assistance, operational support (equipment and software) and training of staff for, *inter alia*, the consolidation and gradual implementation of the Borrower's PELTBAHIA program.

C. Strengthening of SEI's institutional capacity, through the provision of technical assistance, operational support (equipment and software) and training of staff for, *inter alia*, optimizing the role of transport services as a tool to promote regional and local development and economic growth and the provision of basic services.

D. Strengthening of AGERBA's institutional capacity, through the provision of technical assistance, operational support (equipment and software) and training of staff for, *inter alia*, consolidating its normative regulations, developing analysis systems to supervise concessionaires' activities, designing and implementing a technical training program, and supporting the preparation of feasibility studies for pilot public-private partnerships.

SCHEDULE 2**Project Execution****Section I. Institutional and Other Arrangements****A. Agreements**

1. To facilitate the carrying out of the Project, the Borrower, through SEINFRA, shall make the proceeds of the Loan available to DERBA by means of a subsidiary agreement executed between the Borrower and DERBA, under terms and conditions acceptable to the Bank (the “Subsidiary Agreement”), which includes, *inter alia*, the following:

- (a) the Borrower’s obligation to make available to DERBA, through budgetary allocations, the proceeds of the Loan to facilitate the carrying out of the Project;
- (b) the Borrower’s obligation to delegate the execution of the Project to DERBA, and to create all the necessary conditions for DERBA to comply with its obligations under the Subsidiary Agreement, including the overall monitoring and coordination of Project implementation;
- (c) DERBA’s obligation to use the Loan funds transferred to it exclusively for the purposes of the Project;
- (d) DERBA’s obligation to carry out Parts 1 and 2.A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, procurement, auditing, environmental and social standards and practices;
- (e) DERBA’s obligation to comply with detailed monitoring, evaluation and reporting requirements as set forth in the Operational Manual; and
- (f) DERBA’s obligation to enter into the agreements referred to in paragraph 2, 3 and 4 of this Section I.A.

2. To facilitate the carrying out of Parts 2.B, 2.C and 2.D of the Project, the Borrower shall cause DERBA to comply with the terms and conditions of the participation agreements with SEINFRA (the “SEINFRA Participation Agreement”), SEI (the “SEI Participation Agreement”), and AGERBA (the “AGERBA Participation Agreement”), which include, *inter alia*, SEINFRA, SEI and AGERBA’s obligation to provide technical assistance to DERBA for carrying out, respectively, Part 2.B, 2.C and 2.D of the Project, with due diligence and efficiency and in conformity with appropriate

administrative, financial, procurement, auditing, environmental and social standards and practices.

3. The Borrower, through SEINFRA, shall ensure that DERBA, SEI and AGERBA each exercise their rights and comply with their obligations under the SEI Participation Agreement and the AGERBA Participation 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 ensure that neither DERBA, SEI, nor AGERBA assign, amend, abrogate, waive or fail to enforce its rights under such agreements or any provision thereof.

4. The Borrower, through SEINFRA, shall exercise its rights and comply with its obligations under the Subsidiary Agreement and the SEINFRA Participation Agreement, and shall ensure that DERBA complies with its obligations under the Subsidiary Agreement, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce its rights under such agreements or any provision thereof.

B. Implementation Arrangements

At all times during the execution of the Project, the Borrower shall:

1. maintain, until completion of the Project, a unit within DERBA, to be responsible for the overall coordination of the Project (the "PCU"), such PCU to have staffing, functions and responsibilities satisfactory to the Bank, including *inter alia*, the following responsibilities:

- (a) overall planning, coordination and monitoring of Project activities;
- (b) supervision of the relevant DERBA's departments in charge of rehabilitation and maintenance planning, engineering project reviews and the preparation of the technical parts of procurement documents;
- (c) supervision of DERBA's Project procurement and contracting of the required civil works, goods and consultant's services;
- (d) review and clearance of all the contracts necessary for Project execution;
- (e) carrying out of the financial management of the Project, including without limitation the: (i) support to DERBA in processing payments for activities under the Project; (ii) issuance of financial statements and reports; and (iii) preparation and maintenance of administrative, procurement and financial records;

- (f) preparation and submission to the Bank of: (i) disbursement requests; and, (ii) Project information and Project management reports in accordance with the format established in the Operational Manual; and
- (g) provision of assistance and documentation to external independent auditors.

2. maintain, until the completion of the Project, a unit within DERBA, to be responsible for the monitoring, evaluation and improvement of the quality of DERBA's road programs under Part 1 of the Project (including Sub-projects) from a technical and managerial point of view (the "Quality Group"), such Quality Group to have staffing, functions and responsibilities satisfactory to the Bank, including *inter alia*, the following responsibilities:

- (a) provision of advise on improving the efficiency of the Borrower's road investment programs; and
- (b) carrying out of technical audits on the performance of the programs, engineering and civil works under Part 1 of the Project (including Sub-projects), and on the performance of entities involved in the execution of such programs and activities, on the basis of indicators (the "Performance Indicators") as set forth in the Operational Manual; and

3. ensure that road maintenance and rehabilitation activities to be supported by the Project take place within the existing road Rights-Of-Way (ROW) and at the sites identified and selected for the carrying out of road civil works.

C. Environmental and Social Provisions

Without limitation to the provisions of Section 5.01 (b) of the General Conditions, the Borrower shall cause the Project, and each and every Sub-project, to be carried out in accordance with the provisions and recommendations of the EA, the Indigenous Peoples Framework, the Resettlement Policy Framework and the procedures outlined in the Operational Manual (including provisions regarding protection of cultural property), when applicable.

D. Operational Manual

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

- (j) the procedures, technical requirements and costing structure to be followed in the preparation of engineering designs for any Sub-projects;
- (ii) the procedures to be followed for the identification and mitigation of potential environmental and social impacts;
- (iii) the procedures for prior review and approval by the Bank on any proposed Sub-projects;
- (iv) Project procurement and financial management requirements and procedures;
- (v) the Performance Indicators to be used for Project monitoring and evaluation; and
- (vi) the functions, responsibilities, structure and key staff composition of the PCU and the Quality Group.

The Borrower shall not amend, waive or fail to enforce the Operational Manual. In case of any conflict or inconsistency between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

E. Sub-projects

1. Prior to initiating any bidding procedure for works under a Sub-project, the Borrower shall cause DERBA to submit to the Bank, for its review and approval, the following information in respect of each Sub-project, in form and substance satisfactory to the Bank, and in conformity with the relevant provisions of the Operational Manual: (a) a detailed description of how the relevant Sub-project meets the eligibility criteria set forth in the Operational Manual; (b) the related engineering design and cost estimate; (c) an environmental management plan, satisfactory to the Bank, for the Sub-project, which shall be based on the EA for the Project; (d) when applicable, an action plan for involuntary resettlement of the population affected by the Sub-project, to be prepared in accordance with the Resettlement Policy Framework; (e) when applicable, an indigenous people development plan prepared with the affected indigenous group in accordance with the Indigenous People Development Framework; and (f) such other information as the Bank shall reasonably request.

2. Prior to initiating works under any Sub-project, the Borrower shall cause DERBA to submit to the Bank for its review and approval evidence that the corresponding environmental permits required for the execution of the works planned under the proposed Sub-project have been issued.

3. The Borrower shall cause DERBA to ensure that any contractors that will carry out civil works under each of the Sub-projects shall perform their work in accordance with the technical, environmental and social practices for the Project, as presented in the EA.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Borrower shall cause DERBA to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the 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 45 days after the end of the period covered by such report.

2. The Borrower shall cause DERBA to, at the earliest of: (a) June 30, 2009; or (b) the point when fifty percent (50%) of the Loan amount has been disbursed, carry out a review with the Bank on the overall progress in the execution of the Project, including the Sub-projects, and set out the measures and take any remedial action as a result of such review, as agreed with the Bank (the "Mid-term Review").

3. The Borrower shall cause DERBA to, by August 30 of each year during Project implementation, furnish to the Bank for its review, the Borrower's draft investment program for its road sub-sector (including Sub-projects) for the subsequent year (the Investment Program), including an estimate of the expenditures and sources of funds for such program. The Borrower shall cause DERBA to take into account the review and opinion of the Bank in its preparation and implementation of the final Investment Program.

4. The Borrower shall take, and cause each of DERBA, SEINFRA, SEI and AGERBA to take all measures required to ensure the efficient completion of the Project, including the Sub-projects, and the objective thereof, based on the conclusions and recommendations of the reviews provided for in this Section and the Bank's views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall cause DERBA to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower shall cause DERBA to prepare and furnish to the Bank, as part of the Project Report, interim un-audited financial reports for the Project covering the relevant semester, in form and substance satisfactory to the Bank.
3. The Borrower shall cause DERBA to 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, commencing with the fiscal year in which the first withdrawal from the Loan Account was made. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-Consultant Services.** All goods, works and non-consultant services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
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 Schedule.
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 and Works

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

consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
<p>(a) National Competitive Bidding, subject to the following additional procedures:</p> <p>(i) contracts shall be awarded to the bidder whose bid has been determined to be the lowest evaluated bid, such evaluation to be based on price and, whenever appropriate, to also take into account factors similar to those referred to in paragraph 2.52 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid;</p> <p>(ii) whenever required by the Bank, the invitation to bid shall be advertised in at least one newspaper of national circulation in Brazil;</p> <p>(iii) the arrangements, under the invitation to bid, for joint-ventures (<i>consórcios</i>) of Brazilian and foreign firms shall be approved in advance by the Bank in each case;</p> <p>(iv) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices; and</p> <p>(v) the purchaser shall not, without the Bank's prior approval, issue any change order under a contract which would increase or decrease by more than 15% the quantity of goods (and related services) without any change in the unit prices or other terms and conditions of sale.</p>
(b) Shopping

C. Particular Methods of Procurement of Consultants' Services

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

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection,

which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) Quality-based Selection
(b) Least-Cost Selection
(c) Procedures set forth in paragraphs 5. and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(d) Single-Source Selection

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (i) all contracts for goods or works procured on the basis of International Competitive Bidding; (ii) the first two contracts for works procured on the basis of National Competitive Bidding; (iii) the first two contracts for goods procured on the basis of National Competitive Bidding; (iv) the first two contracts for goods procured on the basis of Shopping; (v) each contract for consultants' services provided by a firm estimated to cost more than the equivalent of \$200,000; and (vi) each contract for consultants' services provided by an individual consultant estimated to cost more than the equivalent of \$50,000. 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 this Section and such additional instructions as the Bank shall specify by notice to the Borrower to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed</u>
(1) Works for Sub-projects	75,600,000	50%
(2) Goods	3,000,000	100%
(3) Services	13,800,000	84%
(4) Unallocated	7,600,000	
(5) Front-end Fee	0	Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(6) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.08 (c) of this Agreement
TOTAL AMOUNT	<u>100,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed ten million Dollars (\$10,000,000) equivalent may be made for payments made prior to this date but on or after December 14, 2005 and in no case more than 12 months before the date of this Agreement, for Eligible Expenditures.

2. The Closing Date is September 30, 2013.

SCHEDULE 3**Amortization Schedule**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each June 15 and December 15: Beginning December 15, 2011 through December 15, 2022	4.17 %
On June 15, 2023	4.09 %

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: (a) 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 (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX**Section I. Definitions**

1. “AGERBA” means *Agência Estadual de Regulação de Serviços Públicos de Energia, Transportes e Comunicações da Bahia*, the Borrower’s Energy, Transport and Communication Services Regulatory Agency, created by Law No. 7.314, dated May 19, 1998 and published in the Borrower’s Official Gazette N° 16.816 on May 20, 1998, as amended to the date of this Agreement, or its successor or successors thereto.
2. “AGERBA Participation Agreement” means the agreement with AGERBA referred to in Section I.A.2 of Schedule 2 to this Agreement, dated June 8, 2006.
3. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
5. “DERBA” means *Departamento de Infra-Estrutura de Transportes da Bahia*, the Borrower’s Department for Transport Infrastructure, as organized within SEINFRA, restructured through Law No. 8.250 April 17, 2002 and published in the Borrower’s Official Gazette N° 17.950 on April 18, 2002, as amended to the date of this Agreement, or its successor or successors thereto.
6. “Environmental Assessment” or “EA” means the Borrower’s assessment, dated November 2005, of the Project environmental impacts, which identifies the existing environmental conditions and the potential direct and indirect environmental impacts from the carrying out of the Project, and recommends mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
8. “Indigenous Peoples Framework” means the indigenous peoples policy framework of the Borrower, dated December 2005, and furnished to the Bank on December 13, 2005.
9. “Investment Program” means the Borrower’s program referred to in Section II.A.3 of Schedule 2 to this Agreement.
10. “Mid-term Review” means the review referred to in Section II.A.2 of Schedule 2 to this Agreement.

11. “Operational Manual” means the manual referred to in Section I.D of Schedule 2 to this Agreement, dated March 14, 2006, as the same may be amended from time to time with the agreement of the Bank.
12. “Participation Agreements” means any of the agreements referred to in Section I.A.2 of Schedule 2 to this Agreement.
13. “PCU” means *Unidade de Coordenação do Programa (UCP)*, the unit referred to in Section I.B.1 of Schedule 2 of this Agreement, established pursuant to the *Portaria No.265*, dated November 10, 2005, and published in the Borrower’s Official Gazette No. 18.964 on November 11, 2005, as amended to the date of this Agreement.
14. “PELTBAHIA” means *Programa Estadual de Logística de Transportes, Caminhos para o Desenvolvimento, 2004*, the Transport Logistics State Program prepared by the Borrower in 2004, with the objective of defining an intervention strategy to improve the Borrower’s regional integration and improve the efficiency of its roads and transport logistical arrangements.
15. “Performance Indicators” means the indicators referred to in Section I.B.2 (b) of Schedule 2 to this Agreement.
16. “PREMAR” means *Programa de Restauração e Manutenção de Rodovias*, the Borrower’s Road Rehabilitation and Maintenance Program, structured following the strategic directions given in the PELTBAHIA.
17. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
18. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated September 23, 2005 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.
19. “Quality Group” means the *Núcleo de Qualidade*, the unit referred to in Section.I.B.2 of Schedule 2 to this Agreement, established pursuant to the *Portaria No.266*, dated November 10, 2005, and published in the Borrower’s Official Gazette No. 18.964 on November 11, 2005, as amended to the date of this Agreement.
20. “Resettlement Policy Framework” means the Borrower’s document dated December, 2005, and furnished to the Bank on December 13, 2005, specifying the population resettlement policies, planning principles, institutional arrangements, procurement arrangements and design criteria that shall apply to the preparation

and carrying out of the action plans for the resettlement of population under Sub-projects.

21. “Rights-Of-Way” or “ROW” means the paved strip and the entire area legally owned by the Borrower, reserved for the construction, operation and maintenance of the roadside, including deposits, borrow sites, materials treatment areas, quarries, access roads and facilities provided for Project workers.
22. “Secretariat of National Treasury” means the *Secretaria do Tesouro Nacional*, the Guarantor’s Secretariat of National Treasury.
23. “SEI” means *Superintendência de Estudos Econômicos e Sociais*, the Borrower’s Center for Economic and Social Studies as organized within SEPLAN (as herein defined), as restructured by Law No. 9.513, dated June 6, 2005 and published in the Borrower’s Official Gazette N° 18.857 on June 7, 2005, as amended to the date of this Agreement, or its successor or successors thereto;
24. “SEI Participation Agreement” means the agreement with SEI referred to in Section I.A.2 of Schedule 2 to this Agreement, dated June 8, 2006.
25. “SEINFRA” means *Secretaria de Infra-Estrutura*, the Borrower’s Secretariat of Infrastructure, created by Law No. 7.435, dated May 19, 1998 and published in the Borrower’s Official Gazette N° 16.997 on December 31, 1998, as amended to the date of this Agreement, or its successor or successors thereto;
26. “SEINFRA Participation Agreement” means the agreement with SEINFRA referred to in Section I.A.2 of Schedule 2 to this Agreement, dated June 8, 2006.
27. “SEPLAN” means *Secretaria de Planejamento*, the Borrower’s Secretariat of Planning, or its successor or successors thereto;
28. “Sub-project” means any project, selected in accordance with the provisions of the Operational Manual and approved by the Bank, to be carried out by eligible contractors, and consisting of the activities described in Part 1 of the Project; and
29. “Subsidiary Agreement” means the agreement referred to in Section I.A.1 of Schedule 2 to this Agreement dated June 8, 2006, pursuant to which the Borrower shall make the proceeds of the Loan available to DERBA.