

CONFORMED COPY

LOAN NUMBER 7406-PA

Loan Agreement

(Road Maintenance Project)

between

REPUBLIC OF PARAGUAY

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 13, 2006

LOAN AGREEMENT

Agreement dated October 13, 2006, between REPUBLIC OF PARAGUAY (“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 seventy four million Dollars, (\$74,000,000), 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 April 15 and October 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 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.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through MOPC, in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The UPGP’s Regulation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the UPGP to perform any of its obligations under this Agreement.

- (b) The Borrower, through MOPC, has failed to perform any of the IGAP Actions as listed in the Operational Manual.
- (c) The Borrower has taken any action or has adopted any policy 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/or have the effect of materially reversing the objective of the Project.

4.02. The Additional Event of Acceleration consist of the following, namely, that any of the events specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS

5.01. 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 eighteen (18) months after the Bank's approval of the Loan which expire on February 24, 2008.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Finance.

6.02. The Borrower's Address is:

Ministry of Finance
(*Ministerio de Hacienda*)
Chile 128
Asunción, Paraguay
Facsimile: 595 (21) 448-283

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 Asunción, Republic of Paraguay, as of the day and year first above written.

REPUBLIC OF PARAGUAY

By /s/ Ernst Bergen

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Axel van Trotsenburg

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to establish a sustainable road management strategy that ensures the upgrading and maintenance of the national road network, through, *inter alia*, the strengthening of the institutional capacity of MOPC, the promotion of efficient planning and adequate resource allocation for the rehabilitation and maintenance of the road network, and the improvement of access of excluded rural communities to the primary paved road network in selected Departments.

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

Part 1. Institutional Strengthening

(a) Strengthening of MOPC's institutional capacity in the areas of budget management, project programming, road conservation, monitoring and evaluation, and Project reporting through, *inter alia*: (i) improvement of the legal framework of the road sector and road classification; (ii) creation of a strategic planning unit within MOPC, and provision of technical assistance to such unit; (iii) implementation of a traffic counting system; and (iv) provision of training on procurement and contract monitoring.

(b) Strengthening of MOPC's institutional capacity in the areas of budget preparation and execution through, *inter alia*: (i) development of a result-based management and budget-execution monitoring system; (ii) development and implementation of an automated works certification and payment system; and (iii) strengthening of MOPC's budget formulation process.

(c) (i) Strengthening of MOPC's institutional capacity in the areas of environment and social management, works' supervision, and management of GMANS Contracts so as to enhance MOPC's monitoring, supervision and implementation of the works to be financed under the Project; (ii) strengthening of the management of road improvement and maintenance contracts; (iii) updating of the pavement management system and road inventory; and (iv) development and implementation of a communications strategy on road maintenance.

(d) Strengthening of MOPC's institutional capacity in the areas of monitoring and evaluation to set up adequate base lines and mechanisms to follow-up outcome and impact indicators through, *inter alia*: (i) measuring of vehicle operating costs; (ii) carrying out of socioeconomic impact surveys and users' satisfaction surveys, baseline establishment and monitoring; and (iii) implementation of the Indigenous People's Plan, the Environmental Management Plan, the Resettlement Framework, the Resettlement Action Plan, the Road Sector Strategy and the IGAP.

Part 2. Rehabilitation and Maintenance of the Paved Road Network

(a) (i) Carrying out, under the terms of four (4) GMANS Contracts listed in the Operational Manual, of rehabilitation works (such as base reconstruction, resurfacing, asphalt concrete overlaying, road safety works, vertical and horizontal signaling) and routine maintenance works for approximately 968 kilometers of the national paved road network (in the aggregate); and (ii) carrying out of a training program on performance-based contract preparation and monitoring for MOPC staff.

(b) Development and implementation of the Toll System Optimization Master Plan, including the carrying out of studies for the diagnosis of the current toll system and the implementation of adequate equipment for toll posts.

Part 3. Improvement and Maintenance of the Unpaved Road Network

(a) Carrying out of rehabilitation and conservation works of the unpaved road sections listed in the Operational Manual, in the Departments of Caaguazu, San Pedro and Caazapa.

(b) (i) Strengthening of general infrastructure and systems of MOPC's district offices, including the provision of training to MOPC staff on road management and contracting of maintenance works; and (ii) provision of training to selected regional and local governments' staff (in the Departments of Caaguazu, San Pedro and Caazapa) on road management and contracting of maintenance works.

SCHEDULE 2

Project Execution

Section I.

A. Institutional and Other Arrangements

1. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower, through MOPC, shall carry out the Project in accordance with:

(a) the provisions of a manual (the Operational Manual), said manual to include, *inter alia*: (i) the list of GMANS Contracts and road sections under Part 3 of the Project; (ii) the institutional and administrative structure of the UPGP and its functions and responsibilities; (iii) the Project's chart of accounts, internal controls, and budgeting, accounting and financial reporting systems; (iv) the format of the annual financial statements and semi-annual un-audited interim financial reports referred to in Section II. B.1 (b) and B.2 of this Schedule, respectively; (v) the terms of reference for carrying out the Project audits under Section II.B.3 of this Schedule; (vi) the Project's flow of funds structure; (vii) the Project administrative and procurement procedures; (viii) the Project's standard bidding documents for GMANS Contracts under Part 2 of the Project and the road rehabilitation works under Part 3 of the Project (which shall include a provision whereby the contractors must comply with the pertinent provisions of the Environmental Management Plan, the Resettlement Framework and Resettlement Action Plan, and the Indigenous Peoples' Plan; (ix) the Project indicators; (x) the provisions of the Environmental Management Plan, the Indigenous Peoples' Plan, the Resettlement Framework and Resettlement Action Plan, the Road Sector Strategy and the IGAP; and (xi) the IGAP Actions.

(b) In case of any conflict among the terms of the Operational Manual, the Environmental Management Plan, the Indigenous Peoples' Plan, the Resettlement Framework, the Resettlement Action Plan, the Road Sector Strategy, the IGAP, and those of this Agreement, the terms of this Agreement shall prevail.

2. (a) The Borrower, through MOPC, shall maintain at all times during Project implementation a team within MOPC (the UPGP) acceptable to the Bank, which shall be responsible for overall planning, coordination, supervision, monitoring and evaluation of the Project, and which shall have, *inter alia*, the responsibility of coordinating the preparation of financial statements and reports, maintenance of the records and accounts referred to in Section II.B of this Schedule, and to coordinate the procurement of goods, works and/or services under the Project.

(b) The Borrower, through MOPC, shall:

- (i) ensure that the UPGP is at all times staffed with at least a Project coordinator and with staff (to be described in the Operational Manual), all with qualifications, experience and terms of reference acceptable to the Bank; and
- (ii) ensure that the UPGP is provided with adequate facilities, satisfactory to the Bank, to carry out its responsibilities.

3. The Borrower, through MOPC, shall ensure, and cause any contractor to ensure, that any road to be maintained under a GMANS Contract and/or rehabilitated or maintained under Part 3 of the Project has not been previously financed by a Bank loan, is not being financed by a Bank loan, and/or is not being financed with the Borrower's funds under any Bank project.

4. The Borrower, through MOPC, shall ensure and cause any contractor to ensure, that any works to be carried out under the Project do not involve the use or potential pollution of International Waterways.

5. The Borrower, through MOPC (UPGP), shall: (a) not later than December 31 of each year of Project implementation (starting in the year 2006), prepare and furnish to the Bank a Project implementation plan, acceptable to the Bank, to be carried out during the calendar year following the date of presentation of said plan, which plan shall include, *inter alia*, the Project activities to be carried out during said given year and the counterpart fund allocation in respect of said Project activities; and (b) thereafter, implement and/or cause to be implemented each of said Project implementation plans in accordance with its terms.

6. The Borrower, through MOPC, shall: (a) not later than December 31 of each calendar year of Project implementation (starting in the year 2008), carry out an annual road and traffic survey in respect of said roads to be benefited under the Project under terms of reference acceptable to the Bank; (b) not later than six months after the carrying out of each of said annual surveys, prepare a report of such scope and in such detail as the Bank shall reasonably request concerning the outcome of each of said surveys; and (c) immediately thereafter, furnish to the Bank the pertinent reports mentioned in (b) herein.

7. (a) The Borrower, through MOPC (UPGP), shall: (i) not later than six calendar months after the Effective Date, prepare (under terms of reference acceptable to the Bank) and approve baseline data to enable the Borrower to comply with the obligation set forth in Section II.A.1 of this Schedule; and (ii) immediately thereafter, assess, on an ongoing basis, the Project impact in accordance with the Project indicators mentioned in Section II.A.1 of this Schedule.

(b) Without limitation to the provisions of paragraph (a) herein, the Borrower, through the MOPC (UPGP), shall: (i) not later than December 31, 2009: (A) carry out a

mid-term impact assessment of the Project in accordance with said Project indicators, which assessment shall take into account the variables related to enhanced road conditions, the transport costs, production opportunities and job generation; and (B) prepare and furnish to the Bank, a report, acceptable to the Bank, reflecting the results of said mid-term assessment; and (ii) not later than December 31, 2012: (A) carry out a final impact assessment of the Project in accordance with said Project indicators, which final assessment shall also take into account the same variables mentioned in (b) (i) (A) herein; and (B) prepare and furnish to the Bank, a report, acceptable to the Bank, reflecting the results of said final impact assessment.

8. The Borrower, through MOPC shall, not later than six months after the Effective Date, create and thereafter maintain, throughout each calendar year of Project implementation, a specific budget line entry in the relevant annual budget in order to keep track of the corresponding expenditures incurred during Project implementation against quarterly budget allocation of funds.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. (a) The Borrower, through MOPC (UPGP), 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 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 (starting with the Project Report due in June 30, 2007, and subsequently, with the Project Reports due on December 30 and June 30 of each year of Project implementation).

(b) Each Project Report shall also include: (i) the interim un-audited financial reports referred to in Section II. B.2 of this Schedule; (ii) a physical progress report in respect of Project implementation; (iii) procurement status reports, all in accordance with the format set forth in the Operational Manual; and (iv) a progress report stating the status of implementation and compliance by the Borrower, through MOPC, of the IGAP and the IGAP Actions.

(c) Without limitation upon the provisions of Section II.A.1 (b) above, the Borrower, through MOPC, shall hold annual reviews with the Bank and MH with the purpose of exchanging views and updating the IGAP.

2. The Borrower, through MOPC (UPGP), shall review with the Bank not later than one month after the submission of each Project Report during Project implementation (starting in the year 2007), the pertinent Project Reports, and thereafter, take and/or cause to be taken, as the case may be, all measures required to ensure the efficient completion

of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of said Project Reports and the Bank's views on the matter.

3. 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 by the Borrower, through MOPC, to the Bank not later than six months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through MOPC shall: (a) maintain a financial management system; and (b) prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Section II.A of this Schedule, the Borrower, through MOPC (DCP), shall prepare and furnish to the Bank as part of each Project Report, interim semi-annual un-audited financial reports for the Project covering the pertinent semester, in form and substance as set forth in the Operational Manual.

3. The Borrower, through MOPC, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period, including any such other information concerning said audited financial statements and such auditors, as the Bank may from time to time reasonably request.

4. Without limitations on the provisions of Section 5.11 of the General Conditions, the Borrower shall enable the Bank representatives to carry out supervision visits to the Borrower's territory and grant access to the Project records and accounts at least every four months during Project implementation, with the objective of reviewing, *inter alia*, the status of its financial management and accounting system, hold meetings with internal and external auditors, and confirm that adequate staffing of the UPGP and the DCP is maintained.

Section III. Procurement

A. General

1. **Goods and Works.** 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 subject to the following additional 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>
(a) National Competitive Bidding
(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) Least Cost Selection
(b) Selection Based on Consultants' Qualifications
(c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods, works procured under International Competitive Bidding, and Non-Consultant Services estimated to cost the equivalent of \$250,000 or more; (b) the first two contracts for goods, works and Non-Consultant Services to be procured under National Competitive Bidding and Shopping regardless of their cost; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more; (d) each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more; (e) each contract for the employment of consultants selected on a sole-source basis; and (f) the first two contracts for consultants' services provided by a firm or individual consultants on the basis of Least Cost Selection and Selection Based on Consultants' Qualifications regardless of their cost. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of: (a) Article II of the General Conditions; (b) this Section; and (c) such additional instructions as the Bank may specify by notice to the Borrower (including the applicable provisions of the "World Bank Disbursement Guidelines for Projects" dated May 1, 2006, as revised from time to time by the World 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.

Category	Amount of the Loan Allocated (expressed in US\$)	Percentage of Expenditures to be Financed
(1) Goods (other than non-durable goods as covered under Category (4) below), consultants' services	2,540,000	70%
(2) Works (including Non-Consultant Services)	52,400,000	70%
(3) Consultants' Services (including audits) and Training	9,580,000	70%
(4) Operating Costs	400,000	70%
(5) Unallocated	9,080,000	
TOTAL	74,000,000	

For purposes of this table:

(a) the term "Training" means expenditures (other than those for consultants' services) incurred by the Borrower, as approved by the Bank on the basis of an annual budget acceptable to the Bank, to finance reasonable transportation costs and per-diem of trainees and trainers (if applicable), training registration fees, and rental of training facilities and equipment under Part 1 of the Project; and

(b) the term "Operating Costs" means reasonable recurrent expenditures, based on an annual budget previously approved by the Bank, that would not have been incurred by the Borrower absent the Project.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$2,000,000 equivalent may be made for payments under Categories (2), (3) and (4) made prior to this date but on or after June 12, 2006 (but in no case more than twelve months prior to the date of this Agreement).

2. The Closing Date is June 30, 2012.

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 April 15 and October 15 Beginning October 15, 2011 Through October 15, 2028	2.78%
On April 15, 2029	2.70%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any

amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Definitions

(a) “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

(b) “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.

(c) “DCP” means the *Dirección de Crédito Público, Viceministerio de Administración y Finanzas del MOPC*, the multilateral aid management directorate organized within MOPC (as hereinafter defined).

(d) “Department” means a Borrower’s political subdivision as referred to in the Borrower’s Constitution.

(e) “Environmental Management Plan” means the plan, dated March 26, 2006 (*Plan de Gestión Ambiental*), duly adopted by the Borrower as part of the Operational Manual (as hereinafter defined), which sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as such plan may be revised from time to time with the agreement of the Bank.

(f) “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.

(g) “GMANS Contract” means a multi-year contract under Part 2 of the Project, satisfactory to the Bank, entered into by MOPC with a private sector contractor, which contract obligates the private sector contractor to undertake all phases of road rehabilitation and maintenance work as a single package, from design and programming of the works, through the execution of such works, with respect to an identified portion of the corresponding national road network.

(h) “IGAP” or “Improved Governance Framework and Project Action Plan” means the Borrower’s plan, dated July 10, 2006, as agreed with the Bank, which sets forth the measures and actions to be taken during implementation of the Project with respect to disclosure, civil society oversight, collusion mitigation, mitigation of forgery and fraud, complaints handling and sanctions and remedies.

(i) “IGAP Actions” means a set of specific actions to be carried out by the Borrower in accordance with the IGAP, and contained in Section VI.1 of the Operational Manual.

(j) “Indigenous Peoples” means the indigenous peoples recognized as such by the Borrower’s *Instituto Nacional del Indígena* as eligible to benefit from the constitutional and other legal protection as indigenous peoples.

(k) “Indigenous Peoples’ Plan” means the indigenous peoples plan (*Plan para los Pueblos Indígenas*) dated March 26, 2006, prepared in consultations with Indigenous Peoples for the carrying out of activities under the Project, and which is part of the Operational Manual.

(l) “International Waterways” means: (i) any river, canal, lake, or similar body of water that forms a boundary between, or any river or body of surface water that flows through, two or more countries; (ii) any tributary or other body of surface water that is a component of any waterway described in (i) herein; and (iii) any bay, gulf, strait, or channel bounded by two or more countries or, if within one country, recognized as necessary channel of communication between the open sea and other countries, and any river flowing into such waters.

(m) “MH” means *Ministerio de Hacienda*, the Borrower’s Ministry of Finance.

(n) “MOPC” means *Ministerio de Obras Públicas y Comunicaciones*, the Borrower’s Ministry of Public Works and Communications.

(o) “Non-Consultant Services” means expenditures incurred by MOPC to finance the provision of services under the Project, which services will be bid and contracted on the basis of performance of measurable physical outputs.

(p) “Operational Manual” means the manual referred to in Section I.A.1 of Schedule 2 to this Agreement, as the same may be amended from time to time by agreement between the Bank and the Borrower.

(q) “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.

(r) “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 6, 2006, 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.

(s) “Resettlement Action Plan” means each of the plans, satisfactory to the Bank, prepared or to be prepared by the Borrower for Parts 2 and 3 of the Project which set out the principles and procedures that will govern land acquisition, resettlement, compensation and rehabilitation measures under said Parts of the Project.

(t) “Resettlement Framework” means *Marco para Asistencia para el Traslado de Ocupaciones Ilegales de la Franja de Dominio*, the policy framework for resettlement, dated March 26, 2006, prepared by the Borrower for Parts 2 and 3 of the Project, which sets out the policies and procedures that shall apply to the preparation and carrying out of any Resettlement Action Plan that may be required under the Project.

(u) “Road Sector Strategy” means the Borrower’s document dated July 7, 2006, as agreed with the Bank, setting forth the Borrower’s strategy to develop and strengthen its national road sector.

(v) “Toll System Optimization Master Plan” means the Borrower’s plan to be developed and implemented under Part 2 (b) of the Project, establishing, *inter alia*, which toll booths shall be relocated under the Project, what sequencing shall be used for two-way tolls’ collection, and the quality of investments necessary for the improvement of systems and infrastructure under the Project.

(w) “UPGP” means *Unidad de Preparación, Gestión y Mejoramiento de la Red Vial*, a Project preparation and coordination unit created by the UPGP’s Legislation (as hereinafter defined), organized within MOPC, and referred to in Section I.A.2 of Schedule 2 to this Agreement.

(x) “UPGP’s Regulation” means MOPC’s Ministerial Resolution No. 523 of September 9, 2004 (as amended on August 24, 2005 by MOPC’s Ministerial Resolution No. 593).