

CONFORMED COPY

LOAN NUMBER 7489-BR

Loan Agreement

**(Additional Financing for the Rural Poverty Reduction Project -
Rio Grande do Norte)**

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

STATE OF RIO GRANDE DO NORTE

Dated June 20, 2008

LOAN AGREEMENT

AGREEMENT dated June 20, 2008, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and the STATE OF RIO GRANDE DO NORTE (“Borrower”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Borrower and the Bank hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II - LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty two million five hundred thousand Dollars (\$22,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 May 15 and November 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, 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.
- 2.08. The Borrower's Secretary at the time responsible for Labor, Housing and Social Assistance, or any person or persons whom he or she shall designate in writing is designated as representative of the Borrower for purposes of taking any action required or permitted to be taken under the provisions of Section IV of Schedule 2 to this Agreement and Article II of the General Conditions.

ARTICLE III - PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through COPES with the assistance of the Municipal Councils, 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 - EFFECTIVENESS

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that the Operational Manual (amended as per the provisions of Section I.F. of Schedule 2 to this Agreement) has been adopted with all its annexes through an administrative instruction (*Instrução Normativa*) in form and substance satisfactory to the Bank.
- 4.02. 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 March 18, 2009.
- 4.03. The Additional Legal Matter consists of the following, namely, that the Loan has been duly registered with the Central Bank of Brazil.

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. Except as provided in Section 2.08 of this Agreement, the Borrower's Representative is its Governor.
- 5.02. The Borrower's Address is:

Secretaria de Estado do Planejamento e das Finanças - SEPLAN
Centro Administrativo do Estado - Lagoa Nova
59.059-900 Natal, Rio Grande do Norte
Brazil

Facsimile: (55-84)3232-1911

With copy to:

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

Facsimile: (55-61) 3225-4022

SETHAS - Secretaria de Estado do Trabalho, da Habitação e Assistência Social
Centro Administrativo do Estado - Lagoa Nova
59.059-900 Natal, Rio Grande do Norte
Brazil

Facsimile: (55-84)3232-1830

COPES-Coordenadoria de Projetos Especiais
Rua Major Laurentino de Moraes 1220, Bairro Tirol
59020-390, Natal, RN
Brazil

Facsimile: (55-84) 3232-4206

5.03. 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:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(1-202) 477-6391

AGREED at Brasilia, Federative Republic of Brazil, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By/s/ John Briscoe

Authorized Representative

STATE OF RIO GRANDE DO NORTE

By/s/ Wilma Maria de Faria

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to promote wellbeing and income-generation for the rural poor by improving access to basic, social and economic infrastructure as well as support for productive activities through Community Subprojects; (b) to increase the social capital of rural communities to organize collectively and meet their own needs; (c) to enhance local governance and citizenship through creation and strengthening of Municipal Councils; and (d) to foster closer integration of development policies and programs in rural areas at the local level by strengthening Municipal Councils in their fund-raising, prioritization and decision-making capacity, at the same time forging links with governmental and non-governmental agencies, civil society, financial institutions and the private sector.

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

Part 1: Community Subprojects:

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

Part 2: Institutional Development:

- (a) Provision of technical assistance and training for Community Associations in, *inter alia*, community mobilization and organization, preparation of Community Subprojects, operation and maintenance of such Community Subprojects.
- (b) Training and equipping of Municipal Councils with respect to their role and responsibilities, the contents of the Operational Manual, subproject evaluation and supervision, environmental assessment of subprojects, participatory planning and financial management.
- (c) Provision of on-the-job training and expert advice for COPES' staff, Municipal Councils, and Community Associations on technical matters regarding the Community Subproject preparation/execution cycle (such matters to include, for example, technical designs, monitoring techniques and financial management).
- (d) Carrying out of workshops and seminars for Municipal Councils and Community Associations to exchange views and disseminate information and experience with respect to the implementation of the Project.

Part 3: Project Administration:

Support the overall Project implementation, coordination and supervision including, *inter alia*:

- (a) the operation of COPES and its field offices related to Project implementation;
- (b) the establishment and operation of the MIS;
- (c) the design, development and carrying out of a statewide information campaign within the Borrower's territory to disseminate information about the Project; and
- (d) the carrying out of studies to assess the impact of the Project, including, *inter alia*, a baseline evaluation study, annual physical performance reviews, a mid-term implementation review, and a comprehensive impact evaluation.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

- A. For the purposes of carrying out the Project, the Borrower shall, through SETHAS, and during Project implementation, maintain COPES with responsibilities, structure and functions satisfactory to the Bank.
- B. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
- C. The Borrower, through SETHAS, shall enter into Area Grant Agreements appropriate for the carrying out of the Project, such agreements to be made in accordance with terms of the respective draft set forth in the New Model Forms in which the Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (1) suspend or terminate the right of a Community Association to use the proceeds of the Area Grant, or obtain a refund of all or any part of the amount of the Area Grant then withdrawn, upon the Community Association's failure to perform any of its obligations under the Area Grant Agreement; and (2) require each Community Association to: (a) carry out its Community Subproject with due diligence and efficiency and in accordance with sound technical, 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; (b) provide, promptly as needed, the resources required for the purpose; (c) procure the goods, works and services to be financed out of the Area Grant in accordance with the provisions of this Agreement; (d) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Community Subproject and the achievement of its objectives; (e) (i) maintain a financial management system and 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 Community 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 the Borrower and the Bank to inspect the Community Subproject, its operation and any relevant records and documents; and (g) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.
- D. The Borrower shall exercise its rights under each Area Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of

the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Area Grant Agreement or any of its provisions.

- E. The Borrower shall continue: (a) preparing and furnishing to the Bank annual operating plans and budgets, satisfactory to the Bank, detailing the Project activities proposed to be carried out during the next succeeding year and the respective sources of funding therefor, by October 30 of each year; and (b) furnishing to the Bank the approved annual operating plans and respective budgets referred to in paragraph (a) of this Section for each year in question, not later than 30 days after the approval of the Borrower's annual budget by its *Assembléia Legislativa* (Legislative Assembly).
- F. (a) The Borrower shall continue carrying out the Project in accordance with the Operational Manual and the approved annual operating plans and respective budgets, in a manner satisfactory to the Bank.
- (b) Without limitation to the provisions of paragraph (a) of this Section, the Borrower shall incorporate:
- (i) in the environmental management plan contained in the Operational Manual:
 - (A) procedures, satisfactory to the Bank, to be followed:
 - (I) in the event that environmental issues are identified on the checklist for Community Subprojects;
 - (II) to identify and address potential cumulative environmental impacts from multiple Community Subprojects; and
 - (III) to ensure an integrated pest management approach in irrigation investments, including a pest management plan; and
 - (B) a description of the consultations carried out in respect of the environmental management plan, including the procedures referred to in (i) above; and
 - (ii) a revised Model Form consistent with the requirements of Section I.C. of Schedule 2 to this Agreement.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in the Operational Manual and agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after end of the period covered by such report.

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 forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General.

1. **Goods and Works.** All goods and works 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 and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Goods, works and services (other than consultants' services) under Community Subprojects, costing less than \$50,000 equivalent per contract, may be procured in accordance with the procedures set forth in the Operational Manual for community participation.

Contracts awarded on the basis of National Competitive Bidding are subject to the following additional provisions:

- (a) 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 Procurement 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.
- (b) Whenever required by the Bank, the invitation to bid shall be advertised for at least three consecutive days in a newspaper of wide circulation in Brazil.
- (c) The arrangements, under the invitation to bid, for a joint-venture (*consórcio*) of Brazilian and foreign firms shall be approved in advance by the Bank in each case.
- (d) The invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices.
- (e) 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.

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 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) Single-source Selection
(d) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(e) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

1. 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 the Proceeds of the Loan

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 World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures, Area Grants and New Administrative Costs 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 allocations of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures, Area Grants and New Administrative Costs in each Category:

<u>Category</u>	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
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(1) Goods, works and services required for Community Subprojects supported by:		75%	
(a) Area 1 Grants	7,875,000		
(b) Area 2 Grants	7,500,000		
(c) Area 3 Grants	3,750,000		
(2) Consultants' services and training for Parts 2 and 3 of the Project	1,726,000	100%	
(3) New Administrative Costs:			
(a) incremental operational costs	140,000	20%	
(b) Project supervision and monitoring costs	400,000	50%	
(4) Front-end Fee	56,250		Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Premium for Interest Rate Caps and Collars	0		Amount payable pursuant to Section 2.07 (c) of this Agreement in accordance with Section 4.04 of the General Conditions
(6) Unallocated	<u>1,052,750</u>		
TOTAL	<u>22,500,000</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 \$2,200,000 equivalent may be made for payments made during the twelve months immediately before this date for Eligible Expenditures under Categories (1) through (3).
2. The Closing Date is December 31, 2010. The Bank will only grant an extension of the Closing Date after the Guarantor's Ministry of Finance has informed the Bank that it agrees with such extension.

SCHEDULE 3

Amortization Schedule

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

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each May 15 and November 15 Beginning on November 15, 2011 - through November 15, 2023	3.85%
On May 15, 2024	3.75%

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

Section I. Definitions

Unless the context otherwise requires, the several terms defined in the Original Loan Agreement, its subsequent amendments and the General Conditions, have the respective meanings therein set forth, and are hereby incorporated to this Agreement. Additionally, the following definitions also constitute an integral part of this Agreement:

1. “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.
2. “Area Grants” means Area 1 Grants, Area 2 Grants and/or Area 3 Grants.
3. “Area Grant Agreements” means any of the agreements to be entered into between the Borrower and a Community Association for an Area Grant.
4. “Area 1 Grant” means grants to be made by the Borrower to a Community Association for the financing of the Community Subprojects in 59 Municipalities with the lowest: (i) Human Development Index; (ii) urban index; and (iii) number of subprojects/resources under the Original Project.
5. “Area 2 Grants” means grants to be made by the Borrower to a Community Association for the financing of Community Subprojects in 59 Municipalities with intermediate: (i) Human Development Index; (ii) urban index; and (iii) number of subprojects/resources.
6. “Area 3 Grants” means grants to be made by the Borrower to a Community Association for the financing of Community Subprojects in those remaining 47 Municipalities not covered by Area 1 and Area 2 Grants.
7. “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.
8. “COPES” means “*Coordenadoria de Projetos Especiais*”, a technical unit within SETHAS operating pursuant to the Borrower’s Decree 14.324 of February 23, 1999.
9. “General Conditions” means the “International bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 17, 2007).

10. “Human Development Index” means the index which is measured by the Guarantor’s *Instituto de Pesquisas Econômicas Aplicadas – (IPEA)* on the basis of the indicators for education, health, and income in the Borrower’s territory.
11. “MIS” means “Monitoring Information System”.
12. “Municipal Council” means a municipal council, composed mainly of representatives of communities and local organizations, as provided in the Operational Manual.
13. “Operational Manual” means the manual for the operation of the Project referred to in Section I.F of Schedule 2 to this Agreement, to be approved by the Bank and including, *inter alia*, the following: (a) procedures, satisfactory to the Bank, to be followed: (i) in the event that environmental issues are identified on the checklist for Community Subprojects; (ii) to identify and address potential cumulative environmental impacts from multiple Community Subprojects; and (iii) to ensure an integrated pest management approach in irrigation investments, including a pest management plan; (b) a description of the consultations carried out in respect of the environmental management plan; and (c) a revised Model Form consistent with the requirements of Section I.C. of Schedule 2 to this Agreement; as the same may be amended from time to time by agreement between the Borrower and the Bank.
14. “Original Loan Agreement” means the loan agreement for the Original Project between the Bank and the Borrower, dated July 4, 2002 (Loan No. 4667-BR).
15. “Original Project” means the Project described in Schedule 2 to the Original Loan Agreement.
16. “New Administrative Costs” means the operational costs (which would not have occurred absent the Project, including, *inter alia*, equipment and computer maintenance, office supplies, utilities, and rent for office facilities) and the supervision and monitoring costs of the Project incurred by COPES under Part 3 of the Project (including, *inter alia*, operation and maintenance of vehicles, repairs, fuel, spare parts and insurance, maintenance of the monitoring and information system, travel and per diem costs for technical staff of COPES carrying out training, supervisory and quality control activities, but excluding expenditures for salaries and related benefits).
17. “New Model Forms” means the set of model draft Area Grant Agreements, satisfactory to the Bank, as set forth in the Operational Manual.
18. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

19. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 15, 2007 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.
20. “SEPLAN” means *Secretaria de Estado do Planejamento e das Finanças*, the Borrower’s Secretariat of Planning and Finance.
21. “SETHAS” means *Secretaria de Estado do Trabalho, da Habitação e da Assistência Social*, the Borrower’s Secretariat for Labor, Housing and Social Assistance.