Loan Agreement

(Rio Grande do Sul Integrated Municipal Development Program – Integrated Municipal Infrastructure Project - Uruguaiana Vencerá)

between

MUNICIPALITY OF URUGUAIANA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated May 13, 2009
LOAN AGREEMENT

Agreement dated May 13, 2009, between MUNICIPALITY OF URUGUAIANA (“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 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 six million eight hundred and thirty thousand Dollars ($6,830,000), 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; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

2.05. The Payment Dates are March 15 and September 15 in each year.
2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time, in each case with the prior no-objection of the Guarantor and through the Guarantor’s Secretariat of National Treasury, request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project and the Program. To this end, the Borrower shall carry out the Project through its Secretariat of Planning 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; TERMINATION

4.01. The Additional Legal Matter consists of the following, namely that the Loan has been registered with the Guarantor’s Central 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 January 25, 2010.
ARTICLE V — REPRESENTATIVE; ADDRESSES

501. The Borrower’s Representative is its Mayor.

5.02. The Borrower’s Address is:

Rua XV de Novembro 1882, Centro
Uruguaiana Rio Grande do Sul
97510-500
Brazil

Facsimile:

55-55-3411-7535

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 address: INTBAFRAD
Telex: 248423(MCI) or 1-202-477-6391
Facsimile: 64145(MCI)

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

MUNICIPALITY OF URUGUAIANA

By /s/ José Francisco Sanchotene Felice

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 strengthen the capacity of the Borrower to provide selected infrastructure services and employment opportunities for its population.

The Project constitutes a part of the Program, and consists of the following parts:

Part I: Municipal Strengthening

Strengthening of the Borrower’s capacity to more effectively and efficiently execute its programs, and implement and mainstream the appraisal, fiduciary and environmental and social procedures of the PDMI including, *inter alia*:

1. Public Service Modernization

   (a) Improvements of installation of the existing Municipal Administrative Centre to create a more user-friendly citizen access.

   (b) Automation of information systems and integration of municipal databases, including the acquisition of hardware and software required therefor.

   (c) Training, equipping and provision of expert advice to the Borrower’s staff and management in subjects related to municipal management, including public services.

2. Project Management

   Provision of technical assistance and equipment, and financing of operating costs, as required for the UGP and UAP, when applicable, to carry out the dissemination, appraisal, fiduciary, environmental, monitoring, reporting and social requirements of the PDMI and the Project.

Part II: Employment and Income Generation

1. Strategies, SME and Cluster Support

   Strengthening of the Borrower’s capacity to generate employment and income through facilitating micro and small business access to micro-credit and improvement of the effectiveness of such business including, *inter alia*, carrying out of studies to identify local growth potential and prepare a LED strategy for the Borrower and provide training to SME’s staff on formalization of business activities, business management, marketing, and Cluster organization, including implementation of marketing events.
2. **Productive Subprojects**

Carrying out of productive activities in the agriculture sector including, inter alia, growing and processing of vegetable and fruits in a sustainable way, construction of greenhouses in family operated farms, equipping of small irrigation systems, and operation of small agro-processing plants (the Productive Subprojects), and any other subprojects as agreed with the Bank.

**Part III: Infrastructure Service Improvements**

Carrying out of activities aimed to improve road, drainage and water and sanitation services including, inter alia, the following Infrastructure Service Improvement Subprojects or ISI Subprojects:

1. **Urban and Street Upgrading**

   (a) Establishment and operation of the municipal asphalt plant and provision of street maintenance equipment as required and in the numbers and specifications detailed in the Operational Manual.

   (b) Rehabilitation and paving of streets.

   (c) Improvements of pedestrian facilities, traffic signs, construction of bus shelters and tree plantings.

   (d) Improvement of drainage systems in selected neighborhoods.

2. **Water and Sanitation Improvements**

Construction of infrastructure to improve the sewerage collection and/or drainage infrastructure in *Bairro Santo Inácio* and *União das Vilas*, or such other neighborhoods as the Borrower may propose and the Bank may agree.

3. **Integrated Municipal Solid Waste Management**

   (a) Closing the existing dump, enclosing and cleaning up the area, creating a buffer zone of vegetation, implementing leachate treatment systems and opening a new sanitary landfill.

   (b) Building of socio-environmental education centers, including facilities for the segregation of recyclable waste; and training in waste recycling and other professional programs for waste-pickers and carrying out of educational programs for the entire community with respect to solid waste management.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall:
   (a) maintain a project coordination unit (UGP) within its Secretariat of Planning with the powers and responsibilities set forth in the Operational Manual; and
   (b) no later than two months from the Effective Date have such unit fully staffed with personnel with experience and qualifications satisfactory to the Bank, including the following key staff: a coordinator and experts to handle the technical, procurement, financial management and safeguard aspects of the project.

2. The Borrower shall, together with the other Participating Municipalities and until completion of the Project, maintain the Superior Council and Technical Council with the structures, powers and responsibilities set forth in the Operational Manual.

3. The Borrower shall establish, together with at least two other Participating Municipalities a unit of inter-municipal coordination (UAP) with powers and responsibilities set forth in the Operational Manual. This unit shall be established not later than such date as the Bank shall notify the Borrower that at least three of the loan agreements between the Bank and Participating Municipalities have been entered into and become effective, for purposes of the financing of part of the costs of implementing the PDMI in the respective Participating Municipalities.

B. Inter-Institutional Agreements

1. Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, abrogate, waive or fail to enforce the PDMI Inter-Municipal Agreement or any of its provisions.

C. Subprojects

1. (a) The Borrower shall, prior to submitting withdrawal applications in respect of any Productive Subproject, in respect of which the Beneficiary will have any responsibility in its implementation and/or maintenance as per the requirement of the Operational Manual, enter into an agreement, substantially in accordance with the Model Subproject Agreement, with each Beneficiary to set forth the respective parties’ responsibilities in the implementation of the Productive Subproject, including inter alia:
   (i) the Borrower’s responsibility to procure the items required for its implementation; and
(ii) the Beneficiary’s obligation to comply with the respective Business Plan and seek the Borrower’s approval to any major modifications to such Business Plan.

(b) Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, abrogate, waive or fail to enforce the Productive Subproject Agreement or any of its provisions.

D. Operational Manual

Without limitation to the provisions of Article V of the General Conditions, the Borrower shall carry out the Project in accordance with the Operational Manual, satisfactory to the Bank, containing, *inter alia*:

(a) the functions, responsibilities and training requirements for the personnel responsible for the coordination, monitoring and evaluation of the Project, including the UGP, UAP, the Superior Council and the Technical Council;

(b) procedures for procurement of goods, works and services, as well as for financial management, disbursement and audits of the Project and respective forms, reports and guidelines;

(c) the indicators to be used in the monitoring and evaluation of the Project (Performance Indicators);

(d) the Environmental Assessment and Management Framework and the Resettlement Framework;

(e) the model of Productive Subproject Agreements; and

(f) the requirements for the preparation and approval of Business Plans.

In case of any conflict between the provisions of this Agreement and those of the Operational Manual, the provisions of this Agreement shall prevail.

E. Anti-Corruption Guidelines

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

F. Safeguards

1. Resettlement

The Borrower shall, when applicable in accordance with the provisions of the Resettlement Framework: (a) furnish to the Bank for approval the Resettlement Plan; and (b) carry out such Resettlement Plan in accordance with its terms.
Section II.  **Project Monitoring Reporting and Evaluation**

A.  **Project Reports**

1.  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 (the Performance Indicators) set forth below 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 forty-five days after the 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 days after the end of each calendar quarter, interim unaudited 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, 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 Section.

2.  **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3.  **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods, Works and Non-Consultant Services

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.


(a) 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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
</tbody>
</table>

(b) National Competitive Bidding, shall be subject to the following additional procedures:

(i) the invitation to bid shall be advertised as a minimum in the national press or Official Gazette or a free and open access website;

(ii) the arrangements, under the invitation to bid, for joint-ventures (consórcios) of Brazilian and foreign firms shall be approved in advance by the Bank in each case;

(iii) the purchaser shall not 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; in addition, any change order which would result in an increase or decrease of more than said 15% with respect to a contract which was originally subject to Prior Review by the Bank when the contract was first awarded, shall itself be subject to Prior Review by the Bank to ensure that the change order does not violate this prohibition; and

(iv) the bidding documents shall be acceptable to the Bank.

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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(b) Least-Cost Selection</td>
</tr>
<tr>
<td>(c) Quality-Based Selection</td>
</tr>
<tr>
<td>(d) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(e) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. **Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

A. **General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consultant services, consultant services, Training and Operating Costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) for all Parts of the Project other than Parts I.2 and III.1 (a)</td>
<td>810,000</td>
<td>69%</td>
</tr>
<tr>
<td>(b) for Part I.2 of the Project</td>
<td>400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works</td>
<td>5,540,000</td>
<td>69%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>17,075</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(4) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount due under Section 2.07 (c) of this Agreement</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>62,925</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,830,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For purposes of paragraph 2 above the terms:

   (a) “Training” means reasonable expenditures (other than those for consultants’ services) incurred by the Borrower for the purposes of the Project and directly related to training activities described in the Project, including, *inter alia*, costs related to workshops, seminars, conferences, study tours, training registration fees, facility and equipment rentals, and local travel costs and per diems for the Borrower’s staff or consultants hired by the UGP; and

   (b) “Operating Costs” means reasonable recurrent expenditures (other than those for consultants’ services) incurred by the Borrower for the purposes of the Project and directly related to the activities described in the Project, including, *inter alia*, office materials and supplies, transportation, phone and fax charges, media campaigns and printing of materials, and local travel costs and per diems for the Borrower’s staff or consultants hired by the UGP.

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 $683,000 equivalent may be made for payments made within twelve months prior to this date for Eligible Expenditures.
2. The Closing Date is December 31, 2012. 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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15 Beginning September 15, 2013 through September 15, 2027</td>
<td>3.33%</td>
</tr>
<tr>
<td>On March 15, 2028</td>
<td>3.43%</td>
</tr>
</tbody>
</table>

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


2. “Beneficiary” means any party eligible to carry out a Productive Subproject in accordance with the provisions of the Operational Manual.

3. “Business Plan” means a business plan prepared by the Borrower and/or a Beneficiary, as the case may be, approved by the Bank and detailing the description of the business, the marketing strategy, the competitiveness analysis, a development plan, operation and management plans and relevant financial information.

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

5. “Cluster” means a geographic concentration of inter-connected businesses, suppliers and associated institutions in a particular economic sector.


8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans” dated July 1, 2005 (as amended through February 12, 2008).

9. “Infrastructure Service Improvement Subproject” or “ISI Subproject” means a set of activities to be implemented under Part III of the Project and eligible for financing out of the proceeds of the Loan in accordance with the provisions of the Operational Manual.

10. “LED” means local economic development.

11. “Model Subproject Agreement” means the agreement referred to in Section I.D.(e) of Schedule 2 to this Agreement.

12. “Operational Manual” means the manual referred to in Section I.D of Schedule 2 to this Agreement.

14. “PDMI Inter-Municipal Agreement” means the agreement, satisfactory to the Bank, entered into among the following Participating Municipalities: Bagé, Pelotas, Rio Grande, Santa Maria and Uruguaiana on November 5, 2007.

15. “Performance Indicators” means the indicators adopted in the Operational Manual for the monitoring and evaluation of the Project.


17. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 15, 2008 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.

18. “Productive Subproject” means a set of activities to be implemented under Part II.2 of the Project and eligible for financing out of the proceeds of the Loan in accordance with the provisions of the Operational Manual.

19. “Productive Subproject Agreement” means any of the agreements referred to in Section I. C.1 of Schedule 2 to this Agreement.


21. “Resettlement Framework” means the framework, dated July 23, 2007, prepared by the Participating Municipalities and set forth in the Operational Manual defining the procedures for the involuntary resettlement or economic displacement of population in the event it is required in connection with the works to be carried out under the Project as published and available to the public in the website: www.pdmi.com.br.

22. “Resettlement Plan” means any plan prepared following the requirements of the Resettlement Framework and approved by the Bank.

23. “SME” means small and medium enterprises.

24. “Superior Council” means Conselho Superior, the council established by the Participating Municipalities on November 5, 2007 in accordance with the PDMI Inter-Municipal Agreement.
25. “Technical Council” means *Conselho Técnico*, the technical arm of the Superior Council established by the Participating Municipalities on November 5, 2007 in accordance with the PDMI Inter-Municipal Agreement.

26. “UAP” means *unidade de articulação*, the unit to be established jointly by Participating Municipalities in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement.