Loan Agreement

(Tocantins Sustainable Regional Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF TOCANTINS

Dated October 29, 2004
AGREEMENT, dated October 29, 2004, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the STATE OF TOCANTINS (the Borrower).

WHEREAS (A) the Federative Republic of Brazil (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), have requested the Bank to assist in the financing of the Project;

(B) by an agreement of even date herewith between the Guarantor and the Bank (the Guarantee Agreement), the Guarantor has agreed to guarantee the payment obligations of the Borrower in respect of the loan provided for in Article II of this Agreement (the Loan); and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans” of the Bank, dated September 1, 1999 (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:
(a) “COFIEX” means Comissão de Financiamentos Externos, the Guarantor’s Comission of External Borrowings, within the Guarantor’s Ministry of Planning, Budget and Management, and governed by Decreto No. 3502, of June 12, 2000;

(b) “Conservation Unit Subproject” means any of the projects referred to in Part B (2) (a) of the Project;

(c) “DERTINS” means the Borrower’s Road Department (Departamento de Estradas de Rodagem do Estado do Tocantins), under SEINF;

(d) “Eligible Categories” means Categories (1) through (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(e) “Eligible Expenditures” means the expenditures for goods, works, consultants’ services and training activities referred to in Section 2.02 of this Agreement;

(f) “Environmental Manual” means Manual Operacional da Gestão Ambiental do Setor Rodoviário, the Borrower’s manual, issued in November 1998, which establishes the norms and procedures for prevention, reduction or mitigation of the environmental impacts of road projects in the Borrower’s territory, including the design, construction, operation and maintenance of roads by the Borrower;

(g) “FMR” means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement;

(h) “GAP” means Gerência Administrativa do Projeto, the Project administrative management task force established in Diretoria de Apoio Estratégico of SEINF, pursuant to Portaria SEINF 604/02, dated November 12, 2002, which is coordinated by its Director, for the purposes of being responsible for scheduling and monitoring Project activities, including procurement, disbursement, accounting and internal controls, and reporting obligations;

(i) “GOP” means Gerência Operacional do Projeto, the Project operational task force, comprising a representative of SEPLAN, a representative of DERTINS and GAP’s Coordinator, appointed pursuant to Portaria 002/03, dated August 29, 2003, issued by SEINF AND SEPLAN, for purposes of being responsible for overall Project management and supervision;

(j) “Indigenous Peoples Development Strategy” means the document entitled Diretrizes Básicas para o Desenvolvimento dos Povos Indígenas no Âmbito das
Obras Rodoviárias, approved pursuant to *Portaria* 003/03, dated September 3, 2003, issued by SEINF and SEPLAN, which sets forth the principles and policies that shall apply to the preparation and carrying out of any indigenous peoples development plan that may be required under any Subproject;

(k) “Municipal Road Operational Manual” means the manual, issued by the Borrower on March 27, 2003, which contains the rules and procedures for the carrying out of Municipal Road Subprojects;

(l) “Municipal Road Subproject” means any of the projects referred to in Part C (2) (a) of the Project;

(m) “NATURATINS” means *Instituto Natureza do Tocantins*, the Borrower’s environmental protection agency;

(n) “PIP” means the Project implementation plan, prepared by the Borrower and furnished to the Bank on March 27, 2003, which contains, *inter alia*, the operational procedures and timetables to be followed in the carrying out of the Project, the criteria for allocating funds for Municipal Road Subprojects, standard bidding documents for procurement of goods and works and standard requests for proposals for selection of consultants under the Project;

(o) “Report-based Disbursements” means disbursements made pursuant to the Borrower’s option for withdrawal of funds from the Loan Account referred to in Part A.5 of Schedule 1 to this Agreement;

(p) “Resettlement Framework” means the Borrower’s document entitled *Diretrizes Para Reassentamento Involuntário*, dated October 2002, which contains the principles and policies that shall apply to the preparation and carrying out of any resettlement action plan that may be required under any Subproject;

(q) “SEINF” means the Borrower’s Infrastructure Secretariat (*Secretaria da Infra-Estrutura*);

(r) “SEPLAN” means the Borrower’s Planning and Environment Secretariat (*Secretaria do Planejamento e Meio Ambiente*);

(s) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;
“State Road Subproject” means any of the projects referred to in Part C (2) (b) of the Project;

“Subproject” means a Conservation Unit Subproject, a Municipal Road Subproject or a State Road Subproject; and

“UTR” means any of SEPLAN’s regional technical units referred to in Part A (2) of the Project.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to sixty million Dollars ($60,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works, consultants’ services and training activities required for the Project and to be financed out of the proceeds of the Loan, and in respect of the front-end fee referred to in Section 2.04 of this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009 or such later date as the Bank shall establish, after having received evidence that COFIEX has authorized the extension of the Closing Date. The Bank shall promptly notify the Borrower and the Guarantor of such later date, which shall not be a date beyond the date authorized by COFIEX.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one per cent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (a) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of
the General Conditions to but not including the fourth anniversary of such date; and (b) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period, at the Variable Rate; provided that, upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time, in each case with the prior authorization of the Guarantor, through the Guarantor’s Secretariat of 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 said 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 Section 2.01(7) of 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
Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall: (i) through SEPLAN, carry out Parts A and B of the Project; (ii) through DERTINS, carry out Part C of the Project; and (iii) through GAP, carry out Part D of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation to the provisions of paragraph (a) of this Section, the Borrower shall carry out the Project in accordance with the provisions of the PIP and the Municipal Road Operational Manual. In case of any inconsistency between a provision of the PIP or the Municipal Road Operational Manual and this Agreement, the provisions of this Agreement will prevail.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower shall coordinate, supervise, monitor and evaluate the Project activities under arrangements satisfactory to the Bank, including maintaining, for such purposes, the GAP and the GOP until Project completion with a structure and functions satisfactory to the Bank, and with staff in adequate numbers and with adequate qualifications and experience, such units to be headed at all times by coordinators with qualifications and experience satisfactory to the Bank.

Section 3.04. The Borrower shall:

(a) establish UTRs in the regions of: (i) Bico do Papagaio and Sudeste, not later than six months after the Effective Date; and (ii) Nordeste and Jalapão, not later than one year after the establishment of the UTRs in (i) above; and

(b) assign at least a planning specialist and an environmental specialist for each such UTR, and provide appropriate facilities, equipment and budgets for each such UTR’s operations and functioning.

Section 3.05. The Borrower shall submit all State Road Subprojects for the Bank’s approval, in accordance with the following procedures:
(a) prior to initiating detailed engineering designs of any State Road Subproject, the Borrower shall furnish to the Bank, for its review and approval, an application containing the following information in respect of such State Road Subproject:

(i) the rationale for the selection of such State Road Subproject, including (A) evidence, satisfactory to the Bank, that such State Road Subproject was selected through appropriate participatory mechanisms, such as the minutes of deliberations of a regional development council or any other type of forum acceptable to the Bank, (B) socio-economic data of such State Road Subproject’s area of influence, and (C) information on the Municipal Road Subprojects related to such State Road Subproject;

(ii) the results of the screening for potential impacts on the environment, on indigenous peoples, and on the historic patrimony, as applicable; and

(iii) if applicable, the terms of reference for the preparation of any required environmental mitigation plan and/or indigenous peoples development plan.

(b) Prior to initiating any bidding procedure for works under a State Road Subproject, the Borrower shall furnish to the Bank, for its review and approval, an application, in the format set forth in the PIP, containing the following information in respect of such Subproject:

(i) a summary of the engineering design and economic analysis carried out in accordance with the criteria and methodology set forth in the PIP;

(ii) if applicable, (A) an environmental mitigation plan, and/or (B) an indigenous peoples development plan prepared in a participatory manner with the affected indigenous group in accordance with the Indigenous Peoples Development Strategy, and/or (C) a resettlement action plan prepared in accordance with the Resettlement Framework; and
Section 3.06. Prior to initiating any bidding procedures for works under a Municipal Road Subproject, the Borrower shall furnish to the Bank, for its review and approval, an application containing the following information and documentation with respect to such Subproject:

(a) a copy of the relevant municipality’s development agenda, including a description of the participatory mechanisms followed for the preparation of such agenda;

(b) the priority list of the road sections to be included in such Municipal Road Subproject, including the minutes of the public discussions held for its preparation, signed by the participants or their representatives;

(c) an agreement between the Borrower and the relevant municipality detailing the commitments of each party to strengthen such municipality’s participatory planning and management capacity, as well as providing for the financing and carrying out by the Borrower of such Municipal Road Subproject, and the collaboration to be provided by such municipality in connection thereto;

(d) a datasheet for such Municipal Road Subproject presenting the characteristics of the selected road sections, the designs prepared in accordance with the technical standards set forth in the Municipal Road Operational Manual, implementation schedules and cost estimates of the works to be carried out, the related economic and environmental data, and the corresponding economic evaluation, in the format set forth in such Manual;

(e) the environmental license or authorization issued by NATURATINS in accordance with the environmental norms, set forth in the Municipal Road Operational Manual, for the construction of bridges and culverts under Municipal Road Subprojects, including any prevention or mitigation measures required by NATURATINS; and

(f) if applicable, an indigenous peoples development plan prepared in a participatory manner with the affected indigenous group in accordance with the Indigenous Peoples Development Strategy.

Section 3.07. Prior to initiating the carrying out of any works under a Conservation Unit Subproject, the Borrower shall furnish to the Bank, for its review and approval:
(a) the proposed management plan for the relevant environmental protected area; and

(b) if applicable, (i) an indigenous peoples development plan prepared in a participatory manner with the affected indigenous group in accordance with the Indigenous Peoples Development Strategy, and/or (ii) a resettlement action plan prepared in accordance with the Resettlement Framework.

Section 3.08. The Borrower shall:

(a) include in all contracts for road engineering and works under the Project, when applicable, the clauses needed for the implementation of the Environmental Manual and the Resettlement Framework; and

(b) carry out the Subprojects as approved by the Bank and shall ensure the effective implementation, as applicable, of the related environmental and social impact assessments and/or corresponding environmental mitigation plans and/or resettlement action plans and/or indigenous peoples action plans that may have been approved by the Bank.

Section 3.09. The Borrower shall carry out baseline and follow-up surveys for the evaluation of the socio-economic impacts of the Project. For that purpose, the Borrower shall contract the services of specialists in accordance with the relevant terms of reference and implementation schedule set forth in the PIP, including, inter alia, the contracting of such services for the baseline survey in the Borrower’s Sudeste region not later than four months after the Effective Date.

Section 3.10. The Borrower shall:

(a) by not later than September 30 of each year during Project implementation, furnish to the Bank, for comments, the Borrower’s draft program for its road sub-sector (including the State Road Subprojects and Municipal Road Subprojects) during the subsequent year, including an estimate of the expenditures and sources of funds for such program; and

(b) without limitation upon the provisions of Section 3.01 (a) of this Agreement, take into account, when preparing the budgetary proposal for the program referred to in (a) above, any comment of the Bank thereon.

Section 3.11. The Borrower shall:
(a) monitor and evaluate the carrying out of the Project on the basis of the indicators set forth in the Borrower’s letter to the Bank dated September 29, 2003; and

(b) not later than 30 months after the Effective Date, conduct a comprehensive mid-term review with the Bank on the progress of the Project, including, if applicable, a review of the municipalities that have not been able to comply with the requirements set forth in Section 3.06 (a) and (b) of this Agreement. Thereafter, the Borrower shall take all such action which shall have been agreed upon with the Bank, during such review, as necessary for the efficient execution of the Project and the achievement of its objective, such action to be taken in the manner and within the timetable agreed upon during such review.

Section 3.12. If applicable, the Borrower shall, not later than 42 months after the Effective Date, submit to the Bank a proposal for reallocation of the funds allocated, in the PIP, to Municipal Road Subprojects in municipalities that are not able to comply with the requirements set forth in Section 3.06 (a) and (b) of this Agreement. Thereafter, the Borrower shall reallocate such funds as shall have been approved by the Bank.

Section 3.13. The Borrower shall:

(a) prepare and furnish to the Bank, not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Bank and the Borrower, a plan, of such scope and in such detail as the Bank shall reasonably request, for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain in the GAP a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.
(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited in accordance with auditing standards acceptable to the Bank consistently applied by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records, accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were Report-based Disbursements or were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank’s representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure or the reports referred to in Part A.5 of Schedule 1 to this Agreement, as the case may be, submitted during such fiscal year, together with the
procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank (the FMR), which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided by the Loan, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation;

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report; and

(iv) presents projections, for a period until the end of the fiscal year following the date of the FMR, of physical progress, procurement activities, and sources and uses of funds in respect of the Project.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover the period not covered by the previous FMR until the end of such calendar quarter.
ARTICLE V

Effective Date; Termination

Section 5.01. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Loan has been validly registered by the Guarantor’s Central Bank.

Section 5.02. The date January 28, 2005, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Secretary of SEPLAN is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

<table>
<thead>
<tr>
<th>International Bank for Reconstruction and Development</th>
<th>1818 H Street, N.W.</th>
<th>Washington, D.C. 20433</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cable address: INTBAFRAD</td>
<td>Telex: 248423 (MCI)</td>
<td>Facsimile: (202) 477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>64145 (MCI)</td>
<td></td>
</tr>
</tbody>
</table>
For the Borrower:

Secretaria do Planejamento e Meio Ambiente
AANO Esplanada das Secretarias - Centro
77085-050 Palmas, Tocantins
Brazil

Facsimile: (55-63) 218-1158

With copies to:

Ministério do Planejamento, Orçamento e Gestão
Secretaria de Assuntos Internacionais
Esplanada dos Ministérios, Bloco “K” - 5º andar
70040-906, Brasília, D.F.
Brazil

Facsimile: (55-61) 225-4022

Secretaria da Infra-Estrutura
AANO Esplanada das Secretarias – Centro
77003-020 Palmas, Tocantins

Facsimile: (55-63) 218-1690
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the city of Brasília, Brazil, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Antonio Rocha Magalhães
Authorized Representative

STATE OF TOCANTINS

By /s/ Marcelo de Carvalho Miranda
Authorized Representative
## SCHEDULE 1

Withdrawal of the Proceeds of the Loan

### A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works under:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Municipal Road Subprojects</td>
<td>24,650,000</td>
<td>60%</td>
</tr>
<tr>
<td>(b) State Road Subprojects</td>
<td>7,490,000</td>
<td>50%</td>
</tr>
<tr>
<td>(c) performance-based maintenance contracts</td>
<td>2,139,000</td>
<td>50%</td>
</tr>
<tr>
<td>included in Part C (1) of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Conservation Unit Subprojects</td>
<td>192,000</td>
<td>85%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>2,334,000</td>
<td>100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 85% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollars)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>----------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>(3) Consultants’ services (other than under Category (4) below) for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) engineering and supervision under Municipal Road Subprojects</td>
<td>1,240,000</td>
<td>60%</td>
</tr>
<tr>
<td>(b) engineering and supervision under State Road Subprojects, and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>performance-based maintenance contracts under Part C (1) of the Project</td>
<td>705,000</td>
<td>50%</td>
</tr>
<tr>
<td>(c) technical assistance</td>
<td>4,300,000</td>
<td>84%</td>
</tr>
<tr>
<td>(d) zoning and environmental surveys</td>
<td>7,300,000</td>
<td>84%</td>
</tr>
<tr>
<td>(4) Training (including consultants’ services and other training-related expenditures)</td>
<td>2,150,000</td>
<td>84%</td>
</tr>
<tr>
<td>(5) Front-end fee</td>
<td>600,000</td>
<td>Amount due pursuant to Section 2.04 of this Agreement</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>6,900,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60,000,000</td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule:

   (a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor; and

   (b) the term “local expenditures” means expenditures in the currency of the Guarantor or for goods or services supplied from the territory of the Guarantor.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding $700,000, may be made on account of payments made within one year before the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than $500,000 equivalent per contract; (b) works costing less than $10,000,000 equivalent per contract; (c) services of individual consultants costing less than $50,000 equivalent per contract; (d) services of consulting firms costing less than $100,000 equivalent per contract; and (e) training-related activities (other than consultants’ services), all under such terms and conditions as the Bank shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Loan Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the Loan Account, the Borrower shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.
2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

   (a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

   (b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

   (a) if the Bank at any time is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

   (b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Loan Account; or

   (c) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower and the Guarantor of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such
notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower and the Guarantor of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.
Annex A to SCHEDULE 1

Operation of Special Account
When Withdrawals Are Not Report-based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of $5,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of $2,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed $15,000,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested.

   (b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding
special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
Annex B
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are
Report-based Disbursements

1. Withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in raising living standards of its rural poor population and in reducing inequalities and regional disparities among its inhabitants, by improving access to markets, job opportunities and infrastructure and social services for rural communities in the Borrower’s poorest regions, while ensuring sustainable use of natural resources and the protection of fragile ecosystems.

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

Part A: Participatory Planning and Management of Regional and Municipal Development

Carrying out of a program, consisting of provision of technical assistance and equipment and carrying out of training activities, as the case may be, for:

(1) the establishment and/or strengthening of mechanisms for local civil society participation in the definition and monitoring of regional and municipal development agendas;

(2) the establishment of regional technical units of SEPLAN (UTRs) for the purposes of: (a) promoting the creation of regional and municipal development councils, associations and/or fora; (b) providing technical assistance and training services to such councils, associations and fora in the carrying out of their participatory planning and coordination functions for integrated and sustainable regional and local development; and (c) providing technical assistance and training services to municipal administrations for purposes of strengthening their planning, budgeting and financial management capacities;

(3) the strengthening of the Borrower’s capacity to undertake multi-sectoral planning, to administer public programs, and to monitor and evaluate the performance of such programs; and

(4) the undertaking of monitoring and evaluation of public programs supporting rural development (including the Project).

Part B: Environmental and Land Use Management
Carrying out of an environmental protection program, consisting of the provision of technical assistance and equipment and carrying out of training activities and small works, as the case may be, for:

1. the strengthening of the Borrower’s land management capacity, through the undertaking of detailed regional ecological-economic zonings, and strengthening of SEPLAN’s analytical and monitoring capacity;

2. the consolidation of the Borrower’s environmental protection system, through:
   a. the carrying out of projects for the creation of six environmental protected areas and the execution of the works necessary for the implementation of such areas (the Conservation Unit Subprojects),
   b. the collection of data on the Borrower’s main surface and subterranean water resources, and
   c. the strengthening of the Borrower’s climatic and hydrological monitoring system; and

3. the regulation and promotion of sustainable land use, through the definition of adequate incentives, economic and regulatory instruments for implementation of land management policies, definition and implementation of licensing procedures for rural properties, and improvement of technological support to small producers.

Part C: Rural Transport Improvement

Carrying out of a program, consisting of provision of technical assistance and equipment, and carrying out of works and training activities, as the case may be, for:

1. the strengthening of the Borrower’s road management capacity, by ensuring the preparation, monitoring and evaluation of efficient road programs, and by gradually increasing the Borrower’s road maintenance capacity with the introduction of performance-based maintenance contracts, and decentralization of road maintenance activities through the creation of new districts and development of road maintenance capacity at the municipal and inter-municipal levels;

2. (a) the definition, after consultation with the relevant municipal forum, and carrying out, of projects (Municipal Road Subprojects) to upgrade, to all-weather condition through the construction of bridges and culverts, about 6,000 kilometers, in the aggregate, of priority road sections of the main municipal road networks in the Borrower’s regions known as Bico do Papagaio, Nordeste, Jalapão, and Sudeste; and (b) the carrying out of projects (State Road Subprojects) to upgrade about 200 kilometers, in the aggregate, of the Borrower’s high-priority feeder roads linking the main municipal networks in the regions referred to in (a) above to the primary transport network of the Borrower; and
(3) the promotion of cost-effective rural transport services (particularly school bus systems) and mobile health and public administration services, and establishment of mechanisms to improve access of the rural poor to such services.

Part D: Project Coordination

Provision of technical assistance and equipment to the GAP for the coordination of Project activities.

* * *

The Project is expected to be completed by June 30, 2009.
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 shall 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) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment 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>Payment Date</th>
<th>Installment Share (Expressed as a %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 15, 2010</td>
<td>5.50%</td>
</tr>
<tr>
<td>March 15, 2011</td>
<td>5.50%</td>
</tr>
<tr>
<td>September 15, 2011</td>
<td>10.00%</td>
</tr>
<tr>
<td>March 15, 2012</td>
<td>10.00%</td>
</tr>
<tr>
<td>September 15, 2012</td>
<td>10.00%</td>
</tr>
<tr>
<td>March 15, 2013</td>
<td>10.00%</td>
</tr>
<tr>
<td>September 15, 2013</td>
<td>5.50%</td>
</tr>
<tr>
<td>March 15, 2014</td>
<td>5.50%</td>
</tr>
<tr>
<td>September 15, 2014</td>
<td>5.50%</td>
</tr>
<tr>
<td>March 15, 2015</td>
<td>5.50%</td>
</tr>
<tr>
<td>September 15, 2015</td>
<td>5.50%</td>
</tr>
<tr>
<td>March 15, 2016</td>
<td>5.50%</td>
</tr>
<tr>
<td>September 15, 2016</td>
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</tr>
<tr>
<td>March 15, 2017</td>
<td>5.50%</td>
</tr>
<tr>
<td>September 15, 2017</td>
<td>1.67%</td>
</tr>
<tr>
<td>March 15, 2018</td>
<td>1.67%</td>
</tr>
<tr>
<td>September 15, 2018</td>
<td>1.66%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan shall not 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 as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.
(b) Any withdrawal made 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 shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts 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) Withdrawals made 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 subparagraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph 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 principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said 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 principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits”, published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines), and the following provisions of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The invitation to bid for each contract estimated to cost $10,000,000 equivalent or more, to be awarded in accordance with the provisions of paragraph 1 above, shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods and works estimated to cost less than $500,000 and $10,000,000 equivalent per contract, respectively, up to an aggregate amount of $1,100,000 equivalent in the case of goods and $37,400,000 in the case of works, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines. In the procurement of goods and works under this Part C.1, bidding documents in a standardized form for the Project shall be used.

Without limitation to any other provisions set forth in this Schedule or the Guidelines, the following shall apply to the procurement of goods and/or works to be undertaken pursuant to this Part C.1:
(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 2.51 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid;

(b) whenever required by the Bank, the invitation to bid shall be advertised in at least one newspaper of national circulation in Brazil;

(c) 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;

(d) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices; and

(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.

2. International or National Shopping

Goods estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount of $500,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures, at the option of the Borrower, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than $500,000 equivalent per contract, up to an aggregate amount of $24,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to
the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Such plan shall be updated every twelve months during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Procurement of all goods and works shall be undertaken in accordance with such procurement plan (as updated) as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to: (i) each contract for goods or works to be awarded under Part B of this Section; and (ii) the first three contracts for goods and the first two contracts for works to be awarded under Part C.1 of this Section.

(b) The following procedures shall apply to the first three contracts for goods and the first two contracts for works to be awarded under Parts C.2 and C.3 of this Section, respectively:

(i) prior to the selection of any supplier or any contractor, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received. The Bank shall, if it determines that the intended award would be inconsistent with the Loan Agreement, promptly inform the Borrower and state the reasons for such determination;

(ii) prior to the execution of any contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.
3. **Post Review**

The procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply with respect to each contract not governed by paragraph 2 of this Part.

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**Section II. Employment of Consultants**

**Part A: General**

Consultants’ services shall be procured in accordance with the provisions of the Introduction and Section IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers”, published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of this Section II.

**Part B: Quality- and Cost-based Selection**

Except as otherwise provided in Part C of this Section, consultants’ services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

**Part C: Other Procedures for the Selection of Consultants**

1. **Quality-based Selection**

   Services for highly specialized assignments, costing in the aggregate not more than $1,000,000 equivalent, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. **Least-cost Selection**

   Services for routine assignments, estimated to cost less than $200,000 equivalent per contract, up to an aggregate amount of $1,100,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. **Selection Based on Consultants’ Qualifications**
Services estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount of $200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

4. Single Source Selection

Services for specialized training that can only be provided by one educational institution, costing not more than $1,400,000 in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

5. Individual Consultants

Services of individual consultants, costing not more than $1,100,000 equivalent in the aggregate, for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every twelve months during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants’ services shall be undertaken in accordance with such selection plan (as updated) as shall have been approved by the Bank.

2. Prior Review

(a) The procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to each contract for the employment of consulting firms estimated to cost the equivalent of $100,000 or more.

(b) With respect to each contract for the employment of an individual consultant, estimated to cost the equivalent of $50,000 or more, the report on the qualifications and experience of all evaluated candidates, and the terms of reference and terms of employment of the consultant shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been
given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contract.

3. **Post Review**

   The procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply to each contract not governed by paragraph 2 of this Part D.