Loan Agreement

(São Paulo Sustainable Transport Project - Programa de Transporte, Logística e Meio Ambiente)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF SÃO PAULO

Dated September 30, 2013
LOAN AGREEMENT

Agreement dated September 24, 2013, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and STATE OF SÃO PAULO ("Borrower"). 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 three hundred million Dollars ($300,000,000), 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. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Borrower’s Finance Secretariat.

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 the Reference Rate for the Loan Currency plus the Variable 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 (e) of the General Conditions.
2.05. The Payment Dates are June 15 and December 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 non-objection of the Guarantor through the Secretariat of the 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: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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. To this end, the Borrower shall cause DER-SP to carry out: (i) Part 1.1 of the Project;
and (ii) the other Parts of the Project with the assistance of the following Participating Entities, as described below:

(a) SLT for Part 1.2 of the Project;
(b) SPDR for Part 2.1 (i) of the Project;
(c) SMA for Part 2.1 (ii) and 2.2 (i) of the Project;
(d) CETESB for Part 2.2 (ii) and Part 2.3 of the Project; and
(e) IG for Part 3 of the Project, all in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following:

(a) DER-SP shall have failed to perform any of its obligations under the Subsidiary Agreement, in such a manner so as to affect materially and adversely, in the opinion of the Bank, the carrying out of the Project, and the Borrower shall have failed to take any action to remedy such failure of performance in a manner satisfactory to the Bank;

(b) Any Participating Entity shall have failed to perform any of its obligations under the respective Cooperation Agreement, in such a manner so as to affect materially and adversely, in the opinion of the Bank, the carrying out of the pertinent Part of the Project supported by the respective Participating Entity, and the Borrower shall have failed to take any action to remedy such failure of performance in a manner satisfactory to the Bank, in which case the Bank may suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account for Eligible Expenditures incurred in respect of said Part of the Project.

4.02. The Additional Events of Acceleration consist of the following, namely that the event specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of 120 days after notice of the event has been given by the Bank to the Borrower.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following, namely that the Subsidiary Agreement has been signed by the Borrower and DER-SP.

5.02. The Additional Legal Matters consist of the following:

(a) The Subsidiary Agreement has been duly authorized or ratified by DER-SP and the Borrower and is legally binding upon DER-SP and the Borrower in accordance with its terms.

(b) The Loan has been validly registered by the Guarantor’s Central Bank.

5.03. 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 December 12, 2014.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Governor.

6.02. The Borrower’s Address is:

Palácio dos Bandeirantes
Avenida Morumbi, 4500 – Morumbi
São Paulo – SP, 05650-000
Brazil
Phone: (55-11) 2193-8945/8018
Facsimile: (55-11) 2193-8738

With copies to:

Secretaria da Fazenda/Gabinete do Secretário
Avenida Rangel Pestana, 300 – 5º andar, Centro
São Paulo – SP, 01017-911
Brazil
Phone: (55-11) 3243-4697/3719
Facsimile: (55-11) 3104-5953

Departamento de Estradas de Rodagem (DER/SP)
Unidade de Coordenação de Programas Rodoviários (UCPR)
Avenida do Estado nº 777, sala 2123
São Paulo – SP, 01107-000
Brazil
Facsimile: (55-11) 3311-2286

Ministério do Planejamento, Orçamento e Gestão
Secretaria de Assuntos Internacionais
Esplanada dos Ministérios, Bloco “K” - 5º andar
Brasília – DF, 70040-906,
Brazil
Facsimile: (55-61) 2020-5006

6.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: Telex: Facsimile:
INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By Authorized Representative

STATE OF SÃO PAULO

By Authorized Representative

- 5 -
SCHEDULE 1

Project Description

The objective of the Project is to contribute to the improvement of the Borrower's transport and logistics efficiency and safety while enhancing the Borrower's capacity in environmental and disaster risk management.

The Project consists of the following parts:

Part 1. Improving transport and logistics efficiency and safety

Provision of support to improve the Borrower's transport and logistics efficiency and safety, through the carrying out of the following activities:

1.1 Rehabilitating and upgrading the Borrower's transport networks:

Provision of support to DER-SP to restore and upgrade the Borrower's transport networks to improve connectivity, reduce logistics costs and improve road transport safety, through the rehabilitation and improvement of the existing transport infrastructures, including, inter alia: (a) road rehabilitation, construction of third lanes, duplications, slope protection and improvement of intersections of approximately 280 km of existing paved roads of the Borrower which have been selected based on their potential contribution to intermodality; (b) reconstruction of two bridges with wider clearance on the Tiete and Piracicaba rivers to enhance waterway navigation on the Tiete river; (c) carrying out a pilot of CREMA Contracts on approximately 100 km; and (d) improving road safety through selected pilot works under (a) and (c) above, based on the recommendations of the iRAP Pilot Road Survey.

1.2 Sustainable transport planning and management:

Provision of support to SLT to improve the Borrower's capacity to plan and manage the transport sector through the carrying out of studies and the acquisition of goods, all aimed at: (i) improving transport planning and management with a view to increase multimodality, while embedding disaster risk management as an instrument of public policy in support of the Borrower's land use planning and territorial management agenda; (ii) greening transport in the Borrower's territory through pilot investments notably based on the recommendations of “Green Freight Study”; (iii) enhancing transport impact assessment understanding; and (iv) improving road safety based on the recommendations of the Capacity Assessment in Road Safety.
Part 2: Strengthening sustainable environmental and land use planning and territorial management capacity

Provision of support in the area of land use planning and territorial management and environmental management, through the carrying out of the following activities:

2.1 Supporting sustainable land use planning and territorial management

Improvement of the Borrower’s capacity to plan and manage sustainable land use and territorial development in an integrated fashion through the carrying out of studies and the acquisition of goods, all aimed at, *inter alia*: (i) supporting the SPDR in the establishment of an integrated land use planning and territorial management, with an aim at articulating sector planning and management policies in transport, environment and disaster risk management; and (ii) supporting the SMA in the carrying out of activities for the development and implementation of the Economic and Ecological Zoning (EEZ) with an aim at providing orientation for public investments and development strategies.

2.2 Improving environmental enforcement and environment quality monitoring

Improvement of the Borrower’s capacity to manage and monitor environment through the carrying out of studies and small works and the acquisition of goods, all aimed at, *inter alia*: (i) improving environmental monitoring and control of SMA with a view to strengthen enforcement, through pilot initiatives focusing on innovation, including the acquisition of equipment (acceptable to the Bank) on a pilot basis; and (ii) strengthening the capacity of CETESB to monitor air and water in the Borrower’s territory.

2.3 Supporting the modernization of the Environmental Licensing System

Provision of support to CETESB to improve its capacity to efficiently process environmental licenses and environmental strategic assessment services through the carrying out of studies and the acquisition of goods, all aimed at, *inter alia*: (i) upgrading and updating the management systems for processing environmental licenses and simulating potential environmental impacts; and (ii) enhancing the capacity of CETESB’s staff.

Part 3: Increasing the Borrower’s resilience to natural disasters

Provision of support to enhance the Borrower’s capacity to plan for, and manage, disasters, through the carrying out the following activities:
3.1 Mainstreaming disaster risk management in the transport sector

Provision of support to the IG to improve the Borrower’s capacity to mainstream disaster risk management in transport planning and program execution through carrying out studies, small works and the acquisition of goods, all aimed at, inter alia: (i) mainstreaming disaster and climate change risk in the Borrower’s transport masterplan (PDLT), including the evaluation of the sector’s vulnerability to natural hazards and potential socio economic impacts, notably resulting from climate events, and developing integrated disaster response plans for the transport sector in selected regions; and (ii) supporting the review of technical specifications for road design and operation to improve resiliency of road infrastructure exposed to mapped risks.

3.2 Enhancing disaster risk management policy and institutional capacity

Strengthening the Borrower’s overall capacity of disaster risk management, through the carrying out of studies, capacity building activities and the acquisition of goods to upgrade and support IG in the implementation of the Borrower’s disaster risk management program (PDN), including inter alia: (i) mainstreaming disaster risk management practices at the planning level, through supporting the design of disaster risk management frameworks and a comprehensive conceptual and practical understanding of hazards, vulnerabilities and risks, assessing economic and social impacts of particular disasters, and supporting the Borrower’s initiatives to established a framework for the resettlement of populations located in immitgable high-risk areas; and (ii) improving policies and procedures to better and more effectively respond to disasters, through the development of monitoring and early warning systems, methodologies and sharing of information and knowledge.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall:

   (a) maintain throughout the implementation of the Project, a Project coordination unit (the PCU) within DER-SP, headed by a Project coordinator, with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*: (i) the responsibility of the overall coordination of the Project; and (ii) the provision of technical cooperation and support to each Participating Entity during the carrying out of the activities under the Project;

   (b) not later than sixty (60) days after Effective Date, hire a management consulting firm, staffed with a core team consisting of, at least, one procurement specialist, one financial management specialist, one road engineer and one structure engineer, under terms of reference acceptable to the Bank, to provide the PCU with technical assistance on financial, procurement and administrative matters with respect to the implementation of the Project.

B. Subsidiary Agreement

1. The Borrower shall enter into an agreement with DER-SP (the Subsidiary Agreement), under terms and conditions approved by the Bank, which shall include, *inter alia*:

   (a) the Borrower’s obligation to: (i) transfer to DER-SP the Loan proceeds necessary to carry out the Project activities; and (ii) comply with the pertinent obligations under this Agreement; and

   (b) DER-SP’s obligation to: (i) procure the works, goods, consultants’ services and Non-consulting services under the Project in accordance with the provisions set forth in Section III of this Schedule; and (ii) carry out the Project activities under their responsibility with due diligence and efficiency and comply with the pertinent obligations under this Agreement, including with the Safeguard Documents and the provisions of the Anti-Corruption Guidelines.
2. The Borrower shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce the Subsidiary Agreement or any provision thereof.

C. Cooperation Agreement

1. The Borrower shall cause DER-SP to, prior to carrying out any Project activity which requires the assistance of a Participating Entity, enter into a cooperation agreement (the Cooperation Agreement), satisfactory to the Bank, with the Participating Entities, setting forth the manner in which said entities will participate in the implementation of the respective Part of the Project and including, inter alia, the relevant entity obligation to collaborate in the implementation of said Part of the Project in accordance with the terms and provisions of this Agreement.

2. The Borrower shall cause DER-SP to exercise its rights and carry out its obligations under the Cooperation 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 cause DER-SP not to amend, assign, terminate, waive or fail to enforce any provision of the Cooperation Agreement. In case of any conflict between the terms of the Cooperation Agreement and those of this Agreement, the terms of this Agreement shall prevail.

D. Operational Manual

1. The Borrower shall carry out the Project, and cause the Project to be carried out, in accordance with the provisions of a manual, satisfactory to the Bank (the Operational Manual), which shall include, inter alia: (a) the Performance Indicators; (b) the procedures for the carrying out of monitoring and evaluation of the Project; (c) the eligibility criteria for civil works selected under Part 1.1 of the Project; (d) the procurement and financial requirements of the Project; (e) the Procurement Plan; (f) the Safeguard Documents; (g) a Project chart of accounts and internal controls, reporting procedures, and the format of the Interim Unaudited Financial Reports, referred to in Section II.B.2 of this Schedule 2; and (h) the functions, responsibilities, structure and key staff composition of the PCU.

2. Except as the Bank shall otherwise agree, the Borrower shall not amend, waive or fail to enforce any provision of the Operational Manual without the Bank’s prior written approval. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.
E. **Anti-Corruption**

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

F. **Safeguards**

1. The Borrower shall cause DER-SP, with the assistance of the pertinent Participating Entity, to implement, in a manner acceptable to the Bank, the Project in accordance with the provisions of the Environmental and Social Impact Assessment, the Environmental Management Plan, the Pest Management Framework, the Resettlement Policy Framework, each Resettlement Action Plan, the Process Framework and the Indigenous Peoples Planning Framework. The Borrower shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated or waived any of the Safeguards documents or provision thereof, without the prior approval of the Bank.

2. Wherever required under the terms of the Indigenous Peoples Planning Framework, the Resettlement Policy Framework or the Process Framework, the Borrower shall, for the purposes of any activity, and prior to the implementation thereof, proceed to have, respectively, an indigenous peoples plan, a resettlement action plan or an action plan:
   
   (i) prepared in form and substance satisfactory to the Bank;

   (ii) except as otherwise agreed with the Bank, submitted to the Bank for review and approval; and,

   (iii) thereafter, adopted and disclosed.

3. The Borrower shall ensure, and/or cause DER-SP and the Participating Entities to ensure, that the terms of reference for any consultancy in respect of any Project activity shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the applicable Bank Safeguards Policies, as applied to the advice conveyed through such technical assistance.

Section II. **Project Monitoring Reporting and 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 performance indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar
semester, and shall be furnished to the Bank not later than two months 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 sixty (60) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, 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-consulting Services. All goods, works and Non-consulting 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services
1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and Non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-Consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and Non-consulting 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 (including in respect of goods, Non-consulting services and works, <em>convite, tomada de preços</em> and <em>concorrência</em> set forth in the Guarantor's Law No. 8.666 of June 21, 1993, as well as procurement in accordance with the method known as “pregão eletrônico”, as provided in the Guarantor’s Law No. 10520, of July 17, 2002, under an e-procurement system approved by the Bank), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

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 Consultant’s Qualifications</td>
</tr>
<tr>
<td>(b) Quality-based Selection</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(e) Procedures set forth in Section V of the Consultants Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(f) Single Source Selection of consulting firms</td>
</tr>
<tr>
<td>(g) Single Source Selection of Individual Consultants set forth in paragraph 5.6 of the Consultant Guidelines</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 Dollars)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants' services, Non-consulting Services and Training for Parts 1, 2 and 3 of the Project</td>
<td>299,250,000</td>
<td>Up to 100% in accordance with the criteria set forth in the Operational Manual</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>750,000</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>Category</td>
<td>Amount of the Loan Allocated (expressed in Dollars)</td>
<td>Percentage of Expenditures to be financed (inclusive of Taxes)</td>
</tr>
<tr>
<td>----------------------------------------------------------------</td>
<td>-----------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>(3) Premium for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.07 (c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For the purposes of this table, the term “Training” means reasonable expenditures (other than those for consultants’ services) incurred by the Borrower in connection with the carrying out of workshops and training preparation and administration under the Project, including, *inter alia*, travel costs, and *per diem* of trainees, course fees, rental of training facilities and purchase of training materials.

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 $60,000,000 (sixty million Dollars) equivalent may be made for payments made prior to this date but on or after February 20, 2013, for Eligible Expenditures under Category 1.

2. The Closing Date is March 31, 2019. The Bank shall 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.

Section V. Other Undertakings

1. By October 31, 2016, or when Loan disbursements have reached 50% of the Loan amount, whichever occurs first, and without limitation to the provisions of Section 5.08 (b) of the General Conditions, the Borrower shall:

   (a) carry out jointly with the Bank, a mid-term review (Midterm Review) on the progress in the implementation of the Project; and

   (b) immediately following such Midterm Review, act promptly and diligently to take any corrective action as shall be agreed between the Borrower and Bank.

- 15 -
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 June 15 and December 15 Beginning June 15, 2018, through December 15, 2042</td>
<td>2%</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


3. “Capacity Assessment in Road Safety” means a study executed by the World Bank in 2012-2013, aimed at assessing the institutional organization and capacity of the Borrower in dealing with road safety.

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

5. “CETESB” means Companhia Ambiental do Estado de São Paulo, the Borrower’s environmental agency, restructured and operating through Law 13.542 dated May 8, 2009 and published in the Borrower’s Official Gazette of May 9, 2009, as amended to the date of this Agreement. Also known as the “Nova CETESB” (new CETESB), which incorporated among its new functions (attributions or responsibilities) environmental licensing.


7. “Cooperation Agreement” means the agreement referred to in Section I.C. of Schedule 2 to this Agreement.

8. “CREMA Contracts” means a multi-year contract under Part 1.1 of the Project, entered into by DER-SP with a private sector contractor, which contract obligates the private sector contractor to undertake all phases of road rehabilitation and maintenance work as a single package, from design and programming of the works, through the execution of such works, with respect to an identified portion of the corresponding Borrower-managed paved road network.

9. “DER-SP” means Departamento de Estradas de Rodagem do Estado de São Paulo, the Borrower’s Road Administration Department vested with legal personality and responsible for managing the Borrower’s road network, regulated
by the Borrower’s Decree No. 26.673 of January 28, 1987, and published in the Borrower’s Official Gazette No 19, as amended to the date of this Agreement.

10. “EEZ” means zoneamento ecológico econômico, an economic and ecological zoning, defined by the Borrower’s Policy on Climate Change (Política Estadual de Mudanças Climáticas) as an instrument for regional development planning, which provides guidelines on land use definition and the identification of ecologically sensitive areas.

11. “Environmental and Social Impact Assessment” or “ESIA” means the Borrower’s integrated environmental and social impact assessment dated January 23, 2013, acceptable to the Bank, published and made available to the public on DER-SP’s website on January 29, 2013, which is comprised of three main parts: (a) Part A: an environmental and social assessment; (b) Part B: an Environmental Management Plan; and (c) Part C: an institutional strengthening program, as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.

12. “Environmental Management Plan” or “EMP” means the Borrower’s plan dated January 23, 2013, acceptable to the Bank, published and made available to the public on January 29, 2013, which contains the results of the Borrower’s environmental assessment of the same date and the mitigation measures to mitigate, prevent and manage environmental and social impacts and risks associated with the Project, as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.


14. “Green Freight Study” means a study executed by the World Bank, in 2011, aimed at advising on means to reducing environmental impact and carbon footprint of road freight in the Guarantor’s territory.

15. “IG” means Instituto Geológico, the Borrower’s Geological Survey Institute, operating through Decree nº 57933, dated April 2, 2012, which is within the administrative jurisdiction of the SMA.

16. “Indigenous Peoples Planning Framework” or “IPPF” means the Borrower’s framework dated January 23, 2013, acceptable to the Bank, published and available to the public on DER-SP’s website on January 29, 2013, which sets forth the principles and policies that shall apply to the preparation and carrying out of any indigenous peoples plans that may be required under Part 2 of the Project, as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.
17. "iRAP" means the International Road Assessment Program formed in 2006 as an umbrella organization for EuroRAP, usRAP and AusRAP and also to facilitate work in middle and low income countries, which aims at reducing the death toll on the road worldwide and foster a world free of high risk roads.

18. "Non-consulting services" means surveys and other services of non-intellectual and non-advisory nature that can be procured on the basis of performance or measurable physical outputs.

19. "Operational Manual" means the Borrower’s manual dated April 12, 2013, and referred to in Section I.D.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.

20. “Participating Entities” means collectively SLT, SPDR, SMA, CETESB and IG.

21. “PCU” or “Project Coordination Unit” means Unidade de Coordenação de Programas Rodoviários, the unit referred to in Section I.A 1 (a) of Schedule 2 to this Agreement established by the Borrower’s Portaria SUP/DER-033, dated May 29, 2012.

22. “PDLT” means Plano Diretor de Logística e Transporte, the Borrower’s transport and logistics master plan which aims at fostering quality service in transport, mobility of people and goods, and improving logistics and competitiveness of regional and national economies, while promoting sustainable development.

23. “PDN” means Programa Estadual de Prevenção de Desastres Naturais e de Redução de Riscos Geológicos, the Borrower’s program for prevention of natural disasters and reduction of geological risks, Decree 57512, dated November 11, 2011.

24. “Pest Management Framework” means the Borrower’s framework dated January 23, 2013, acceptable to the Bank, included in the ESIA, which sets forth, inter alia, the measures to be taken for the safe handling of pesticides/chemical products in the course of Project implementation, as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.

25. “Process Framework” or “PF” means the Borrower’s framework dated January 23, 2013, acceptable to the Bank (included in the Resettlement Policy Framework) published and made available to the public on January 29, 2013, which sets forth, inter alia, the specific measures to compensate for any loss of assets and associated income resulting from potential involuntary restrictions of access to natural resources in legally designated Parts or protected areas (including reserves), and the grievance resolution mechanisms in order to
resolve the issues that may arise during the implementation of the activities to be
carried out under Part 2 of the Project, as the same may be amended,
supplemented or otherwise modified from time to time with the prior written
agreement of the Bank.

and Non-consulting Services under IBRD Loans and IDA Credits and Grants by
World Bank Borrowers" dated January 2011.

27. "Procurement Plan" means the Borrower's procurement plan for the Project,
dated April 12, 2013 and referred to in paragraph 1.18 of the Procurement
Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be
updated from time to time in accordance with the provisions of said paragraphs.

28. "Resettlement" means the impact of: (i) an involuntary taking of land under the
Project, which taking causes affected persons to have their: (a) income source or
means of livelihood adversely affected (whether or not the affected persons must
move to another location); or (b) right, title or interest in any house, land
(including premises, agricultural and grazing land) or any other fixed or movable
asset acquired or possessed, temporarily or permanently; or (c) access to
productive assets adversely affected, temporarily or permanently; or (d) business,
occupation, work or place of residence or habitat adversely affected, temporarily
or permanently; or (ii) an involuntary restriction of access to natural resources in
legally designated parks and protected areas (including reserves) which causes an
adverse impact on the livelihoods of the affected persons.

29. "Resettlement Policy Framework" or "RPF" means the Borrower's framework
dated January 23, 2013, acceptable to the Bank, published and available to the
public on DER-SP's website on January 29, 2013, specifying the population
resettlement policies, planning principles, institutional arrangements,
procurement arrangements and design criteria that shall apply to the preparation
and carrying out of the resettlement plans for the resettlement of population that
may be required under Part 3 of the Project, and including the Process
Framework, as the same may be amended, supplemented or otherwise modified
from time to time with the prior written agreement of the Bank.

30. "Resettlement Action Plan" (RAP) means the Borrower's action plan dated
January 23, 2013, acceptable to the Bank, published and available to the public
on DER-SP's website, and included in the RPF, which sets forth the resettlement
principles and policies, institutional responsibilities, eligibility criteria,
alternative compensations, schedule of implementation, budget, grievance
mechanisms, and monitoring and evaluation actions, associated with the carrying
out of the civil works under Part 1.1 of the Project, as the same may be amended,
supplemented or otherwise modified from time to time with the prior written
agreement of the Bank.
31. "Safeguard Documents" means the ESIA (including the Pest Management Framework), the EMP, the IPPF and the RPF (including the RAP and the PF), as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.

32. "SLT" means Secretaria de Logística e Transportes, the Borrower’s Secretariat of Logistics and Transport, or any successor thereto satisfactory to the Bank.

33. "SMA" means Secretaria do Meio Ambiente, the Borrower’s Environment Secretariat, or any successor thereto satisfactory to the Bank.

34. "SPDR" means Secretaria de Planejamento e Desenvolvimento Regional, the Borrower’s Secretariat of Planning and Regional Development, or any successor thereto satisfactory to the Bank.

35. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement.