Loan Agreement

(Amapá Sustainable Communities Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF AMAPÁ

Dated June 2, 2006
AGREEMENT, dated June 2, 2006, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the STATE OF AMAPÁ (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 (as amended through May 1, 2004), with the modification of Section 6.03 (c) set forth below (the General Conditions) constitute an integral part of this Agreement:
Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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) “ADAP” means Agência de Desenvolvimento do Amapá, the Borrower’s development agency;

(b) “AFAP” means Agência de Fomento do Amapá, the Borrower’s financial agency;

(c) “AFAP Subproject” means any productive investment which is eligible, pursuant to the Operational Manual or the eligibility criteria to be established under Part B.4 (a) of the Project, to be financed under a Subloan;

(d) “AMASOL” means Programa de Crédito Solidário do Povo do Amapá, AFAP’s micro-credit program, established pursuant to Resolution 001/2000, of AFAP’s Board of Executive Directors;

(e) “Association” means an Urban Community Association, a Rural Community Association or a Rural Producers’ Association;

(f) “Beneficiary” means any individual person or any entity which receives a Subloan;

(g) “Environmental Management Plan” means the Borrower’s plan, dated February 2003 and updated in May 2003, for the environmental management of the Project;

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

(i) “IBAMA” means Instituto Brasileiro do Meio Ambiente, the Guarantor’s environmental protection institute;
(j) “MIS” means any of, or both, management information systems referred to in Section 3.07 (a) of this Agreement;

(k) “Municipal Development Fora” means the legally established “Fóruns de Desenvolvimento Sustentável” that have been created in the Borrower’s municipalities, with the exception of the Municipalities of Macapá and Santana, for the purpose of discussing the feasibility, and proposing the selection, of Rural Subprojects and Urban Subprojects;

(l) “Operational Manual” means the manual referred to in Section 3.03 (d) of this Agreement;

(m) “PC” means the Project Council referred to in Section 3.04 (c) of this Agreement;

(n) “PCU” means the Project coordination unit referred to in Section 3.04 (a) of this Agreement;

(o) “POA” means Plano Operativo Anual, the plan and budget referred to in Section 3.06 (b) of this Agreement;

(p) “Procurement Plan” means the Borrower’s procurement plan, dated October 26, 2004, covering the initial 18 month period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 of this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(q) “Quilombolas” means the groups of African Brazilians living mainly in rural areas in the Borrower’s territory;

(r) “Rural Community Association” means any community association (including any indigenous or Quilombola community) in the Borrower’s rural areas which is eligible to carry out a Rural Subproject under Part C.2 (a) of the Project;

(s) “Rural Producers’ Association” means any producers’ association in the Borrower’s rural areas which is eligible to carry out a Rural Subproject under Part C.2 (b) of the Project;

(t) “Rural Subproject” means any of the projects referred to in Part C.2 (a) or (b) of the Project;
(u) “SEMA” means Secretaria de Estado do Meio Ambiente, the Borrower’s environment secretariat;

(v) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(w) “Special Groups” means the persons living in the Borrower’s territory who belong to one of the following groups: indigenous peoples, Quilombolas, poor women and adolescents;

(x) “Special Groups Inclusion Strategy” means the Borrower’s strategy, dated October 25, 2003, for inclusion of Special Groups as beneficiaries of Urban Subprojects or Rural Subprojects;

(y) “Subloan” means any loan to be made by AFAP under Part B.3 or Part B.4 (b) of the Project to finance an AFAP Subproject;

(z) “Subproject” means an Urban Subproject, an AFAP Subproject or a Rural Subproject;

(aa) “Urban Community Association” means any community association (including any Quilombola community) in the Borrower’s municipalities of Macapá, Santana and Laranjal do Jari which is eligible to carry out an Urban Subproject; and

(bb) “Urban Subproject” means any of the projects referred to in Part A.3 (a) 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 four million eight hundred thousand Dollars ($4,800,000), 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. (a) 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 and services required for the Project and to be financed out of the proceeds of the Loan, as well as in respect of the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2009, or such later date as the Bank shall establish, after having received evidence that the Guarantor 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 the Guarantor.

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, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. 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 May 15 and November 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.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. 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: (a) through ADAP, carry out Parts A.1, A.2, A.3 (a), A.4, B.5, C.1, C.2, C.4, C.5 and D of the
Project; (b) through AFAP, carry out Parts B.1, B.2, B.3 and B.4 of the Project; (c) through ADAP, cause Urban Community Associations to carry out Part A.3 (b) of the Project; and (d) through ADAP, cause Rural Community Associations and Rural Producers’ Associations to carry out Part C.3 of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, social and sustainable urban and rural development practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank’s approval.

(c) The Borrower shall: (i) through an independent consultant, under terms of reference satisfactory to the Bank, carry out, at the end of the first year of execution of Subprojects, and every twelve-month period thereafter, a review of the compliance with the provisions of this Agreement of a sample of cases of procurement of goods and works carried out under the Subprojects (including a review of the relevant documentation) in the twelve-month period preceding the date of each such review; and (ii) promptly thereafter, furnish to the Bank the report of such review.

(d) The Borrower shall: (i) submit to the Bank, for its prior review and approval, all proposed terms of reference for consultants’ services to be financed out of the proceeds of the Loan; and (ii) in the employment of consultants’ services, use the terms of reference approved by the Bank.

Section 3.03. Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall carry out, and shall cause to be carried out, the Project in accordance with the provisions and/or recommendations of:

(a) the relevant POA;

(b) the Special Groups Inclusion Strategy;

(c) the Environmental Management Plan; and
(d) a manual, satisfactory to the Bank (the Operational Manual), which shall contain the policies and procedures for the carrying out of the Project, including, inter alia, the procedures for preparation, prioritization and approval of Subprojects, the criteria for eligibility of Associations to participate in the Project, the arrangements for collaboration among ADAP, the Associations and Municipal Development Fora in the carrying out of the Project, the model agreements to be entered into between ADAP and any Association governing such collaboration, the carrying out of Urban Subprojects and Rural Subprojects and the transfer of funds from ADAP to the Associations for the financing of such Subprojects, the procurement procedures to be followed under the Project (including model documents), the Project’s financial management arrangements, the roles and responsibilities of the PC, PCU and Municipal Development Fora under the Project, the composition of the PC, the environment-related provisions applicable to Project activities, the procedures, terms and conditions for the financing of AFAP Subprojects under the AMASOL, the criteria for selection of Beneficiaries of Subloans under the AMASOL, the arrangements between AFAP and ADAP for the collaboration between such agencies in the carrying out of the Project, and the indicators to be used for Project monitoring and evaluation. In case of any inconsistency between a provision of the Operational Manual and this Agreement, the provision of this Agreement will prevail.

Section 3.04. (a) The Borrower, through ADAP, shall maintain during the execution of the Project a unit within ADAP for purposes of coordinating and managing the carrying out of the Project (the PCU), such unit to have a structure and functions satisfactory to the Bank, and qualified staff in adequate numbers as required to carry out its responsibilities under the Project.

(b) The Borrower, through ADAP, shall employ, as provided in Section II of Schedule 4 to this Agreement, a consulting firm to assist and train the PCU in carrying out its functions (especially in the areas of procurement and financial management and in the operation of the MIS), such firm to be employed until such time as the PCU shall be able, in the opinion of the Bank and the Borrower, to carry out its functions without any assistance.

(c) The Borrower shall maintain, during the execution of the Project, a Project Council (the PC) to be responsible for: (i) approving Urban Subprojects and Rural Subprojects; (ii) facilitating inter-institutional relations under the Project; (iii) approving the POAs; and (iv) providing strategic guidance for Project implementation.

Section 3.05. (a) The Borrower shall ensure that at least 10% of the funds allocated to finance Rural Subprojects shall be used for the benefit of Special Groups.

(b) Prior to initiating any activity under the Project which will benefit an indigenous community, the Borrower, through ADAP, shall obtain from Fundação Nacional do Índio, the Guarantor’s foundation which deals with indigenous peoples in
Brazil: (i) permission for ADAP to carry out any such activity; and (ii) a commitment to collaborate with ADAP in the carrying out of any such activity, and with the indigenous communities in the carrying out of Rural Subprojects.

Section 3.06. The Borrower shall:

(a) by September 30 of each year during Project implementation, prepare and furnish to the Bank a draft operating plan and budget, satisfactory to the Bank, detailing the Project activities proposed to be carried out during the next succeeding year and the respective sources of funding therefor; and

(b) not later than 30 days after the approval of the Borrower’s annual budget by its Assembléia Legislativa (Legislative Assembly), furnish to the Bank the final operating plan and budget for the Project’s activities for each year in question approved on the basis of the relevant Borrower’s annual budget (the POA).

Section 3.07. The Borrower shall:

(a) establish and maintain Project monitoring and information systems (the MIS), satisfactory to the Bank, one in ADAP and another in AFAP, to enable the monitoring and evaluation on an on-going basis, in accordance with the indicators set forth in the Operational Manual, of the carrying out of the Project and the achievement of the objective thereof; and

(b) review with the Bank, on or about the 24th month after the Effective Date, or such later date as the Bank shall request, the progress achieved in the carrying out of the Project during the period preceding the date of such review, based on the monitoring and evaluation activities referred to in paragraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of said review.

Section 3.08. The Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, 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 Borrower and the Bank, a plan 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 ADAP and AFAP, as part of their respective MIS, a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect, as the case may be: (i) the operations, resources and expenditures related to Parts A, C, B.5 and D of the Project, in the case of ADAP; and (ii) the operations, resources and expenditures related to Parts B.1, B.2, B.3 and B.4 of the Project, in the case of AFAP.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Bank), as so audited, as well as balance sheets, statements of income and expenses and related statements of AFAP for the same period, as audited by AFAP’s independent auditors, and (B) an opinion on such financial statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, 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 made on the basis of statements of expenditure, the Borrower shall:

(i) retain, until at least one year after the Bank has received the audit report for, or covering, 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;

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

(iii) ensure that the relevant statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

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; and

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

(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 events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Operational Manual has been issued by the Borrower;

(b) two procurement specialists and an accountant have been employed by the Borrower to work with the PCU, under terms of reference and having qualifications and experience satisfactory to the Bank;

(c) the consulting firm referred to in Section 3.04 (b) of this Agreement has been employed as provided therein; and

(d) the MIS in ADAP and AFAP (including the financial management systems referred to in Section 4.01 (a) of this Agreement) have become fully operational to the satisfaction of the Bank.

Section 5.02. 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 5.03. The date September 1, 2006 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 Planning, Budget and Treasury of the Borrower 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:

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

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

For the Borrower:

Secretaria de Planejamento, Orçamento e Tesouro
Av. FAB s/n, Centro Cívico
68906-000 Macapá, Amapá
Brazil

Facsimile: (96) 212-4104

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
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, Federal District, Brazil, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ John Briscoe
Authorized Representative

STATE OF AMAPÁ

By /s/ Antônio Waldez Góes da Silva
Authorized Representative
## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

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) Goods, works and services under:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Rural Subprojects and Urban Subprojects</td>
<td>1,862,000</td>
<td>68%</td>
</tr>
<tr>
<td>(b) AFAP Subprojects</td>
<td>228,000</td>
<td></td>
</tr>
<tr>
<td>(2) Goods (other than under Subprojects)</td>
<td>914,000</td>
<td>83%</td>
</tr>
<tr>
<td>(3) Consultants’ services and training (other than under Subprojects)</td>
<td>890,000</td>
<td>74%</td>
</tr>
<tr>
<td>(4) Operational Costs</td>
<td>882,000</td>
<td>76%</td>
</tr>
<tr>
<td>(5) Front-end fee</td>
<td>24,000</td>
<td>Amount due under Section 2.04 of this Agreement</td>
</tr>
<tr>
<td>(6) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount due under Section 2.09 (c) of this Agreement</td>
</tr>
</tbody>
</table>

| TOTAL                                                     | 4,800,000                                           |                                  |

2. For the purposes of this Schedule, the term:
(a) “training” includes training-related expenditures other than consultants’ services, such as rental of equipment and facilities, printing services, travel costs and per-diems of trainees; and

(b) “operational costs” means the costs (which would not have been incurred absent the Project) incurred for the daily operation of the Project, such as rental of equipment and facilities, payment of utilities, office supplies, and communication services.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding $480,000, may be made on account of payments made within one year before the date of this Agreement;

(b) under Category (1) (a) of the table in paragraph 1 above, unless a law has been enacted by the Borrower to enable the Borrower to transfer funds to private entities; and

(c) under Category (1) (b) of the table in paragraph 1 above, unless: (i) a business plan for AFAP, satisfactory to the Bank, has been prepared and its results incorporated in the Operational Manual; and (ii) in the case of Subloans under Part B.4 (b) of the Project, Part B.4 (a) of the Project has been completed in a manner satisfactory to the Bank.

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 $100,000 equivalent per contract; (b) works; (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 and operational costs, all under such terms and conditions as the Bank shall specify by notice to the Borrower.
SCHEDULE 2

Description of the Project

The objective of the Project is to learn lessons about Amazon-specific approaches to reduce urban and rural poverty through measures that are environmentally sustainable, economically efficient and socially equitable. Specific objectives include generating knowledge about how to: (a) reduce rural poverty through better access to social services, basic infrastructure, environmentally-sound productive activities, and credit; (b) reduce urban poverty by focusing on economic and social development in low-income neighborhoods; (c) integrate socioeconomic development and environmental conservation at the local level through Municipal Development Fora; (d) create social capital through strengthened community organizations, capacity-building, and stakeholder participation in decision-making and responsibility for managing public resources; and (e) develop citizenship through training, participation of minority groups, local empowerment, and environmentally-sensitive decision-making.

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: Urban Subprojects

1. Preparation, in a participatory manner with the assistance of Urban Community Associations, of community development plans which will establish priority areas for the implementation of Urban Subprojects.

2. (a) Carrying out, with the assistance of Instituto de Pesquisas do Amapá (the Borrower’s Research Institute), of demarcation and participatory zoning of wetlands (ressacas) in the Borrower’s municipalities of Macapá and Santana.

(b) Provision of environmental education to the residents of communities located near the wetlands referred to in (a) above.

3. (a) Preparation, in a participatory manner with the assistance of Urban Community Associations, of community development projects in the poorest neighborhoods in the Borrower’s municipalities of Macapá, Santana and Laranjal do Jari (Urban Subprojects), to address problems related to low levels of community organization, lack of skills and educational opportunities, absence of community planning, occupation of environmentally sensitive lands, poor sanitary conditions, and inadequate access to infrastructure and services. Urban Subprojects will consist, inter alia, of: (i) construction of infrastructure for community services, such as health and day-
care centers; (ii) construction of public areas, such as public markets and parks; (iii) construction of transportation infrastructure, such as paved roads, sidewalks, bus stops and local terminals; (iv) capacity-building activities, such as equipping and strengthening neighborhood associations, professional training and provision of language courses; (v) construction of environmental infrastructure, such as small-scale works for sanitation, water supply, drainage and solid waste management; and (vi) land regularization activities.

(b) Carrying out of Urban Subprojects.

4. Provision of technical assistance for the establishment and strengthening of Urban Community Associations.

Part B: Institutional Strengthening for Poverty Reduction

1. Preparation of a development strategy and business plan to demonstrate how AFAP and the AMASOL can achieve their goals, expand the AMASOL and overcome existing financial and operational constraints and problems.

2. Carrying out of a program to strengthen and expand AFAP’s operational capacity by: (a) training new credit agents; (b) increasing AFAP’s capacity to provide technical assistance and manage loans; (c) improving AFAP’s monitoring and evaluation system to ensure that resources are effectively used to create employment and increase family income; and (d) decentralizing AFAP’s micro-credit system.

3. Carrying out of micro-credit operations under the AMASOL, by making a limited number of Subloans.

4. (a) Design of a special credit line to finance rural investments, including development of: (i) a registration system, (ii) an approach for providing technical assistance, (iii) a proposal for the loan guarantee mechanism, (iv) criteria for establishing the eligibility of rural investment proposals, and (v) the financial terms and conditions of loans.

(b) Financing, on a pilot basis, of rural investments under the credit line referred to in (a) above in a pilot area, including monitoring and evaluation of the operation of such credit line.

5. Provision of technical assistance for the development of a modernization strategy for the Borrower’s administration, within the development objective of the Project, consisting of a diagnostic study and an action plan.
Part C: Rural Subprojects

1. Preparation, with the assistance of indigenous or Quilombola communities, as the case may be, of sustainable development plans which will define the priority areas for the implementation of Rural Subprojects to be carried out by such communities.

2. Preparation, in a participatory manner with the assistance of Rural Community Associations and Rural Producers’ Associations, of rural community projects in rural areas of the Borrower’s territory (Rural Subprojects), consisting of: (a) environmental and social infrastructure investments, such as for drinking water supply, primary health care posts, maintenance and clearance of rural paths and lanes, clearing of igarapé waterways, community centers, day-care centers, family schools, libraries, sport and recreation centers, rural electricity generation and distribution, rural telecommunications systems, and construction of small bridges; and (b) environmentally-sustainable productive investments, such as for agroforestry systems, sustainable forest management, agricultural equipment, improvement of soil quality, community-based manioc flour processing units, small-scale grain silos, processing facilities for fruit pulp, seedling nurseries, beekeeping, sustainable fisheries practices, fish meal production, ice-making (for artisanal fisheries), aquaculture, textile production, studies to design community natural resource management systems, training for producers and entrepreneurs, and improved local transportation and marketing systems.

3. Carrying out of Rural Subprojects.

4. Carrying out of a capacity-building program to: (a) assist in the establishment and strengthening of Rural Community Associations and Rural Producers’ Associations; (b) assist the Amapá Institute for Rural Development in the provision of technical assistance to communities and the sharing of knowledge and experience between Municipal Development Fora; and (c) strengthen the capacity of Municipal Development Fora to undertake local sustainable development planning, and to monitor and evaluate Subproject implementation and results.

5. Carrying out of a study on the regularization of Quilombola lands in the Borrower’s territory.
Part D: Capacity Building for Participatory Management and Technical Assistance

Carrying out of a capacity-building program, including human resource development, acquisition of goods and services, and creation of operational units for Project implementation, to: (a) reinforce ADAP’s operational capacity to coordinate Project implementation; (b) develop ADAP’s MIS; (c) maintain a monitoring and evaluation system for the Project, including close collaboration with SEMA and IBAMA; (d) undertake information and promotional campaigns for public awareness of the Project and its objective; and (e) provide environmental management training to the staff of AFAP, PC, PCU, Municipal Development Fora and Associations.

* * *

The Project is expected to be completed by December 31, 2008.
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>On each May 15 and November 15 beginning May 15, 2012 through November 15, 2019</td>
<td>6.25%</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: (a) 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 (b) 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. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. National Competitive Bidding

Except as otherwise provided in Part B of this Section, goods (other than those referred to in Part B.2 of this Section) shall be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions, using bidding documents, satisfactory to the Bank, in a standardized form for the Project:

(a) contracts shall be awarded to the bidder whose bid has been determined to be the lowest evaluated bid, such evaluation to be based on price and, whenever appropriate, to also take into account factors similar to those referred to in paragraph 2.52 of the 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.

B. Other Procurement Procedures

1. Shopping or Pregão Eletrônico

Goods (other than those referred to in Part B.2 of this Section) estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded on the basis of either: (a) Shopping procedures, and a standard request for quotations acceptable to the Bank; or (b) the procedures known as "pregão eletrônico," set forth in the Guarantor’s Law No. 10.520 of July 17, 2002.

2. Community Participation

Goods and works under Subprojects shall be procured in accordance with the procedures set forth in the Operational Manual.

Section III. Particular Methods of Procurement of Consultants’ Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $500,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Based on Consultants’ Qualifications. Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

2. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in
accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. 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.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

   (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

   (c) the term “Authorized Allocation” means the amount of $400,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, 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 do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

   (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

      (ii) 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 paragraph 4 of this Schedule 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. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. 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.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

   (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

   (b) 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 the records and accounts for the Special Account;

   (c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

   (d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, 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, withdrawals from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories 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.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) 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 or the portion thereof not so eligible or justified. 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 shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, 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 paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.