Loan Agreement

(Pará Integrated Rural Development Project – Pará Rural)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF PARÁ

Dated November 7, 2007
LOAN AGREEMENT

Agreement dated November 7, 2007, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the STATE OF PARÁ ("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 sixty million Dollars ($60,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

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

2.07. (a) The Borrower may at any time, with the prior non-objection of the Guarantor, through the Secretariat of 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prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

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

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III—PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall:

(a) through the PMU: (i) cause Producer Associations to carry out Parts 1.A and 1.B (1) of the Project, with the participation of BANPÁRÁ as a financial agent for the purposes of financing the implementation of Part 1.B (1) of the Project; and (ii) carry out Parts 3 and 4 of the Project, with the assistance of SEPOF with respect to Part 3 of the Project;

(b) through SEOP, SETRAN and COSANPA, as the case may be, carry out Part 1.B (2) of the Project;
(c) through SEMA, carry out Part 2.A of the Project; and

(d) cause ITERPA to carry out Part 2.B of the Project, with the assistance of EMATER, and, whenever necessary, other specialized entities, under terms and conditions acceptable to the Bank.

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—EFFECTIVENESS

4.01. The Additional Condition of Effectiveness consists of the following, namely, that the BANPARÁ Agreement and the ITERPA Agreement have been executed on behalf of the Borrower and the respective parties thereto.

4.02. The Additional Legal Matter consists of the following, namely, that the Loan has been duly registered with the Central Bank of Brazil.

4.03. Without prejudice to the provisions of the General Conditions, the Effective 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 June 12, 2008.

ARTICLE V—REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is its Governor.

5.02. The Borrower’s Address is:

Gabinete do Governador do Estado do Pará
Rodovia Augusto Montenegro, Km 9, Palácio dos Despachos
66823-010 Belém, Pará
Brazil

Facsimile: (55-91) 3248-1575
With copy to:

Secretaria de Estado de Projetos Estratégicos
Av. Nazaré, 871
66035-170 Belém, Pará
Brazil

Facsimile: (55-91) 3201-3683

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

Facsimile: (55-61) 3225-4022

5.03. The Bank’s Address is:

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

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: (1-202) 477-6391
AGREED at Brasília, Federative Republic of Brazil, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ John Briscoe
Authorized Representative

STATE OF PARÁ

By /s/ Ana Júlia de Vasconcelos Carepa
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the living conditions of rural poor communities of the Borrower through the building of institutional capacity and the strengthening of the Borrower’s environmental and land administration systems, while securing a sustainable and safe environment.

The Project constitutes the first phase of the Program, and consists of the following parts:

Part 1: Productive Investments

A. Preparation, through the provision of technical assistance, of PIPs.

B. Carrying out of: (1) Income Generation Subprojects; and (2) Complementary Infrastructure Subprojects.

Part 2: Territorial Development

A. Promotion of the efficient and sustainable use of natural resources and the conservation of biodiversity in the Borrower’s territory, through:

(1) the development of a legal and regulatory framework for ecological and environmental zoning and land management;

(2) the detailing of the zoning plan, at a scale of 1:250,000 or greater, for the land area designated for consolidation or recuperation, as described in the Operational Manual, in accordance with the Macro Zoning Law and the Guarantor’s regulations on the subject;

(3) the carrying out of studies to, inter alia: (i) identify economic and legal instruments suitable for the implementation and enforcement of the Macro Zoning Law and the detailed zoning plans referred to in Part 2.A (2) above; and (ii) carry out the reorganization and strengthening of SEMA, including the provision of training, equipment and new information systems; and

(4) the regulation of a protected area system in the Borrower’s territory.

B. Provision of support for the institutional reorganization of ITERPA and the implementation of a new model of land administration in the Borrower’s territory, through:
the carrying out of activities aimed at the modernization of ITERPA’s infrastructure and technical base, including: (i) improvements and/or construction of ITERPA’s physical headquarters; (ii) the acquisition and development of information technology, systems and equipment; (iii) the provision of training for staff and contractors; and (iv) the technical integration of the Borrower’s land registry with the Guarantor’s rural land registry;

(2) the development of a sound system of land administration, through the registration of land parcels and the issuing of titles for additional land parcels using the Guarantor’s standards;

(3) the implementation of a Borrower’s land cadastre in selected areas of the Borrower’s territory, based on cadastral surveying in accordance with the Guarantor’s standards and regulations on the subject;

(4) technical cooperation with land registries (cartórios) for the purpose of improving the quality of information maintained by such registries;

(5) titling of selected small rural producers’ lands; and

(6) the creation of an ombudsman office (ouvidoria) as a mechanism for hearing public complaints on land management issues.

Part 3: Policy Development
A. Carrying out of studies to monitor income and asset levels to facilitate the development of plans for poverty alleviation in the Borrower’s territory.

B. Carrying out of a strategic environmental assessment of the Borrower, focusing on key sectors including, inter alia: water resources, tourism, forestry, cattle ranching, mining and metallurgy.

Part 4: Project Management, Monitoring and Communication
A. Operation of the PMU.

B. Creation of a communications unit within the PMU responsible for the collection and dissemination of information concerning the Project.

C. Monitoring of the Project pursuant to agreed performance indicators.

D. Design and maintenance of the MIS and generation of periodic reports on the progress of the Project.
SCHEDULE 2

Project Execution

Section I. Subsidiary Financing; Institutional and Other Arrangements and Anti-Corruption

A. Subsidiary Agreements

1. For purposes of the carrying out of Part 1.A of the Project, the Borrower shall enter into agreements with Producer Associations, under terms and conditions acceptable to the Bank (the PIP Preparation Agreements), providing for: (i) the transfer from the Borrower to the Producer Associations of the funds required to finance the preparation of their respective PIPs; and (ii) the obligation of the Producer Associations to prepare the PIPs as provided in the Operational Manual.

2. (a) For purposes of the carrying out of Part 1.B (1) of the Project, the Borrower shall: (i) transfer a portion of the proceeds of the Loan to BANPARÁ under a subsidiary agreement (the BANPARÁ Agreement) to be entered into between the Borrower and BANPARÁ, under terms and conditions acceptable to the Bank, setting forth their respective roles and responsibilities regarding the implementation of such Part of the Project and establishing that BANPARÁ shall serve as the financial agent of the Borrower for the purposes of financing the carrying out of Income Generation Subprojects; and (ii) after having approved a PIP, cause BANPARÁ to enter into an agreement (the PIP Agreement) with the relevant Producer Association providing for a loan and/or grant, as the case may be, to such Producer Association to finance the carrying out of the Income Generation Subprojects included in such PIP, such PIP Agreement to be based in the model agreement set forth in the Operational Manual; and

(b) the Borrower shall exercise its rights under the PIP Preparation Agreements, the BANPARÁ Agreement and the PIP Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, shall not assign, amend, terminate, waive or fail to enforce any PIP Preparation Agreement, the BANPARÁ Agreement, any PIP Agreement, or any provision thereof.

3. For purposes of carrying out Part 2.B of the Project, the Borrower shall transfer a portion of the proceeds of the Loan to ITERPA under a subsidiary agreement (the ITERPA Agreement) to be entered into between the Borrower and ITERPA, under terms and conditions acceptable to the Bank, setting forth their respective roles and responsibilities regarding the implementation of Part 2.B of the Project.

4. In carrying out Part 2.A (2) of the Project, the Borrower, through SEMA, may be assisted by Zoning Partners, by entering into arrangements with such Zoning Partners (collectively the Zoning Arrangements), under terms and conditions satisfactory to the
Bank, for the purposes of coordinating the activities assigned to such Zoning Partners in the implementation of Part 2.A (2) of the Project.

5. The Borrower shall exercise its rights under the ITERPA Agreement and Zoning Arrangements 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, waive or fail to enforce the ITERPA Agreement and the Zoning Arrangements, or any of their provisions.

B. Institutional and Other Arrangements

1. The Borrower shall:

   (a) maintain, until completion of the Project, the unit within SEPE (the PMU), created by the Borrower’s Law No. 6797, of November 16, 2005, with staff, structure and functions satisfactory to the Bank, responsible for the management, coordination, supervision, monitoring and evaluation of the Project, including, without limitation, approval of PIPs, carrying out of feasibility studies, environmental screening, procurement oversight, disbursement and accounting procedures;

   (b) create and maintain, until completion of the Project, a Steering Committee (Comitê Gestor) with structure and functions satisfactory to the Bank, presided over by the Borrower’s Secretary of SEPE and composed of other Borrower government representatives and representatives of civil society, for the supervision and decision making regarding Part 1 of the Project, all in accordance with the provisions of the Operational Manual;

   (c) not later than 30 days after the Effective Date, establish, and thereafter maintain until completion of the Project, a procurement unit within the PMU with staff, structure and functions satisfactory to the Bank; and

   (d) ensure that appropriate mechanisms are in place for the provision of procurement support to the PMU for the carrying out of the Project during the period prior to the establishment of the procurement unit referred to in (c) above, including the ability to provide training to the staff of said procurement unit in anticipation of the establishment referred to in (c) above.

2. The Borrower shall carry out the Project in accordance with the provisions of: (a) the Environmental Impact Assessment; (b) the Resettlement Framework; (c) the Indigenous Peoples and Quilombolas Framework; (d) the Forestry and Natural Habitats Framework; and (e) the manual, dated June 22, 2006 (the Operational Manual), which contains the policies and procedures for the carrying out, monitoring and evaluation of the Project, including, inter alia: (i) the organizational structure of the Project; (ii) the Project procurement and financial management requirements and procedures; (iii) the indicators to be used for Project monitoring and evaluation; (iv) the criteria and
procedures for the preparation and approval of PIPs and the procedures for the carrying out of the Subprojects; and (v) the model forms of the PIP Preparation Agreements, PIP Agreements and Zoning Arrangements. In case of any inconsistency between any provision of the Operational Manual and this Agreement, the provision of this Agreement will prevail.

3. The Borrower shall not carry out any Complementary Infrastructure Subproject, or permit any Income Generation Subproject to be carried out, under a PIP without the Bank’s prior approval of such PIP, until the Bank has approved fourteen (14) PIPs.

4. Prior to initiating any activity under the Project which will benefit or affect an indigenous community, the Borrower shall obtain from Fundação Nacional do Índio - FUNAI, the Guarantor’s foundation which deals with indigenous peoples in Brazil: (a) an agreement to the carrying out of any such activity; and (b) a commitment to collaborate with the Borrower and such indigenous community in the carrying out of any such activity.

5. Whenever contracts signed under Subprojects have reached the number of one hundred fifty (150) or a multiple thereof, the Borrower shall: (a) have the procurement procedures and related contract execution performance in respect of a sample of contracts under Part 1 of the Project audited by procurement auditors acceptable to the Bank, in accordance with terms of reference satisfactory to the Bank; (b) furnish to the Bank as soon as available, but in any case not later than six (6) months after the occurrence of each such event, the report of such procurement audit by said auditors; and (c) furnish to the Bank such other information concerning said procurement audit as the Bank may reasonably request.

C. Anti-Corruption

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

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank and included 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.
2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months before the Closing Date.

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 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower, through the PMU, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consultant Services. All goods, works and non-consultant services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

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

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consultant Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods, Works and Non-consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) NCB, subject to the following additional provisions:</td>
</tr>
<tr>
<td>(i) Contracts shall be awarded to the bidder whose bid has been determined to be the lowest evaluated bid, such evaluation to be based on price and, whenever appropriate, to also take into account factors similar to those referred to in paragraph 2.52 of the Procurement Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.</td>
</tr>
<tr>
<td>(ii) Whenever required by the Bank, the invitation to bid shall be advertised for at least three consecutive days in a newspaper of wide circulation in Brazil.</td>
</tr>
<tr>
<td>(iii) The arrangements, under the invitation to bid, for a joint-venture (consórcio) of Brazilian and foreign firms shall be approved in advance by the Bank in each case.</td>
</tr>
<tr>
<td>(iv) The invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices.</td>
</tr>
<tr>
<td>(v) 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.</td>
</tr>
<tr>
<td>(b) Shopping.</td>
</tr>
<tr>
<td>(c) Procurement in accordance with the provisions of the Guarantor’s Law No. 8666/1993, as amended (for procurement of works, estimated to cost less than $350,000, under Complementary Infrastructure Subprojects).</td>
</tr>
<tr>
<td>(d) Procurement in accordance with the method known as “pregão eletrônico”, as provided in the Guarantor’s Law No. 10520, of July 17, 2002, under “COMPRASNET”, the Guarantor’s procurement portal, for purchases not exceeding $500,000.</td>
</tr>
<tr>
<td>(e) Community Participation as such method is described in the Operational Manual.</td>
</tr>
<tr>
<td>(f) 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) Single Source Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Quality-Based Selection</td>
</tr>
<tr>
<td>(e) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(f) Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank shall specify by notice to the Borrower 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>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>4,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works and non-consultant services</td>
<td>6,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services and training (including the audits referred to in Section II, paragraph B.3 of Schedule 2, and Section I, paragraph 4(a) of Schedule 2 to this Agreement)</td>
<td>10,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Income Generation Subprojects</td>
<td>29,000,000</td>
<td>100% of the cost of the Subprojects financed</td>
</tr>
<tr>
<td>(5) Administrative Costs:</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) under Part 2.A (2) of the Project</td>
<td>2,350,000</td>
<td></td>
</tr>
<tr>
<td>(b) other than under Part 2.A (2) of the Project and Income Generation Subprojects</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td>(6) Front-end Fee</td>
<td>150,000</td>
<td>Amount due under Section 2.03 of this Agreement</td>
</tr>
<tr>
<td>(7) Premia for Interest Rate Caps and Collars</td>
<td>0</td>
<td>Amount due under Section 2.07 (c) of this Agreement</td>
</tr>
<tr>
<td>(8) Unallocated</td>
<td>6,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>60,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
3. The term “Administrative Costs” means the reasonable operational costs under the Project (which would not have been incurred absent the Project), such as: (a) travel and per diem costs; (b) consumable items; (c) utilities and supplies; and (iv) operation and maintenance of vehicles, repairs, fuel and spare parts.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for:

   (a) payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $6,000,000 equivalent may be made for payments made within twelve months prior to the date of this Agreement for Eligible Expenditures; and

   (b) expenditures under Category 5 (a) related to Administrative Costs of a Zoning Partner, unless the Bank has received evidence that the respective Zoning Arrangement satisfactory to the Bank has been entered into by the respective parties thereto, as provided in Section 1.A (4) of Schedule 2 to this Agreement.

2. The Closing Date is June 30, 2013. The Bank will only grant an extension of the Closing Date after the Guarantor’s Ministry of Finance has informed the Bank that it agrees with such extension.
SCHEDULE 3

Amortization Schedule

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

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15</td>
<td></td>
</tr>
<tr>
<td>Beginning May 15, 2012 through May 15, 2023</td>
<td>4.17%</td>
</tr>
<tr>
<td>On November 15, 2023</td>
<td>4.09%</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 - DEFINITIONS


2. “BANPARÁ” means Banco do Estado do Pará, the Borrower’s Bank, established pursuant to the Borrower’s Law No. 1819, of November 30, 1959.

3. “BANPARÁ Agreement” means the agreement to be entered into between the Borrower and BANPARÁ and referred to in paragraph A.2 (a) (i) of Section I of Schedule 2 of this Agreement.

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

5. “Complementary Infrastructure Subproject” means any Subproject included in a PIP which consists of investments in minor infrastructure works required for a successful implementation of the Income Generation Subprojects included in such PIP.


6. “COSANPA” means Companhia de Saneamento do Estado do Pará, the Borrower’s sanitation company, established by the Borrower’s Law No. 4337, of December 21, 1970.

7. “EMATER” means Empresa de Assistência Técnica e Extensão Rural do Estado do Pará, the Borrower’s Agricultural Extension Agency, established by the Borrower’s Law 4669, of November 9, 1976.

8. “Environmental Impact Assessment” means the assessment prepared by the Borrower, dated October 7, 2005, which sets out the environmental protection measures in respect of the Project, including those related to pest management.

9. “Forestry and Natural Habitats Framework” means the framework prepared by the Borrower, dated October 7, 2005, which sets out protection measures to forest and natural habitats in respect of the Project.


12. “Indigenous Peoples and Quilombolas Framework” means the framework prepared by the Borrower, dated October 7, 2005, which sets out the measures to be taken to ensure that indigenous peoples and Quilombolas will not be harmed by the Project and to ensure their participation and involvement in the implementation and monitoring of the Project as it affects them.

13. “ITERPA” means Instituto de Terras do Pará, the Borrower’s Land Management Institute, an autonomous entity under the supervision of SAGRI, established by the Borrower’s Law No. 4584, of October 8, 1975, as amended through the Borrower’s Law No. 7022 dated July 24, 2007.

14. “ITERPA Agreement” means the agreement to be entered into between the Borrower and ITERPA and referred to in paragraph A.3 of Section I of Schedule 2 of this Agreement.


16. “MIS” means the management and information system to be established by the Borrower to record and compile financial and physical data related to the Project, as well as to issue periodic reports as specified in the Operational Manual.

17. “Operational Manual” means the manual referred to in paragraph B.2 (e) of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.

18. “PIP” means a productive investment plan to be prepared by a Producer Association that includes Subprojects to be financed under the Project; such plan could include a mixture of both Income Generation Subprojects and Complementary Infrastructure Subprojects.

19. “PIP Agreement” means any of the agreements referred to in paragraph A.2 (a) (ii) of Section I of Schedule 2 to this Agreement.

20. “PIP Preparation Agreement” means any of the agreements referred to in paragraph A.1 of Section I of Schedule 2 to this Agreement.

21. “PMU” means the Project management unit within SEPE referred to in paragraph B.1 (a) of Section I of Schedule 2 to this Agreement.
“Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004, as revised in October 2006.

“Procurement Plan” means the Borrower’s procurement plan for the Project, dated June 22, 2006, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

“Producer Association” means a group formed by either agricultural and non-agricultural producers, organized in associations, cooperatives, unions or any other form of incorporation with a legal personality (pessoa jurídica), duly established in the Borrower’s territory in accordance with the applicable Brazilian laws.

“Program” means the program designed to implement mechanisms aimed at increasing the income of rural poor population of the Borrower in a sustainable and secure environment, as set forth or referred to in the letter dated January 27, 2006, from the Borrower to the Bank.

“Quilombolas” means the groups of Brazilians of African descent living in homogeneous village groups mainly in rural areas in the Borrower’s territory.

“Resettlement Framework” means the policy framework for population resettlement, dated October 7, 2005, prepared by the Borrower, which sets out the policies and procedures that shall apply to the preparation and carrying out of any population resettlement action plan that may be required under the Project.

“SAGRI” means Secretaria de Estado de Agricultura, the Borrower’s Secretariat of Agriculture, established by the Borrower’s Law No. 699, of November 6, 1963, as amended through Borrower’s Law No. 6674 of August 2, 2004.

“SEMA” means Secretaria de Estado de Meio Ambiente, the Borrower’s Secretariat of Environment, established by the Borrower’s Law No. 7026, of July 30, 2007.

“SEOP” means Secretaria Executiva de Estado de Obras Públicas, the Borrower’s Secretariat of Public Works, established by the Borrower’s Law No. 400, of August 30, 1951.

“SEPE” means Secretaria de Estado de Projetos Estratégicos, the Borrower’s Strategic Project’s Secretariat, established by the Borrower’s Law No. 7022 of July 24, 2007.
32. “SEPOF” means Secretaria Executiva de Estado de Planejamento, Orçamento e Finanças, the Borrower’s Secretariat of Planning, Budget and Finance, established by the Borrower’s Law No. 6565, of August 1, 2003.

33. “SETRAN” means Secretaria Executiva de Estado de Transportes, the Borrower’s Secretariat of Transportation, established by the Borrower’s Law No. 5509 of December 20, 1988.

34. “Subproject” means an Income Generation Subproject or a Complementary Infrastructure Subproject.

35. “Zoning Arrangement” means any of the arrangements referred to in paragraph A.4 of Section I of Schedule 2 to this Agreement.

36. “Zoning Partner” means any federal, state and/or municipal public institution with capacity for preparation and/or implementation of zoning activities.