Loan Agreement

(Mato Grosso do Sul State Road Transport Project - 
Programa de Transportes e de Desenvolvimento Sustentável do Estado de Mato 
Grosso do Sul (PDE/MS))

between

STATE OF MATO GROSSO DO SUL

and

INTERNATIONAL BANK FOR RECONSTRUCTION 
AND DEVELOPMENT

Dated September 16, 2010
LOAN AGREEMENT

Agreement dated September 16, 2010, between STATE OF MATO GROSSO DO SUL (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of $300,000,000 (three hundred million dollars), 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 Public Works and Transportation Secretary.

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 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower...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 (d) of the General Conditions.

2.05. The Payment Dates are March 15 and September 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time, in each case with the prior no-objection of the Guarantor, 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 withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

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

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

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall, in accordance with the provisions of Article V of the General Conditions:
(a) carry out Part 2.A of the Project through SEMAC, Part 2.C of the Project through SEOP and cause Part 2.B of the Project to be carried out by IMASUL, all under the coordination of AGESUL; and

(b) cause Parts 1 and 2.D of the Project to be carried out by AGESUL.

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 Events of Suspension consist of the following:

(a) AGESUL shall have failed to perform any of its obligations under the Subsidiary Agreement to an extent that, in the opinion of the Bank, would materially and adversely affect the achievement of the Project objective;

(b) AGESUL and/or IMASUL shall have failed to perform any of their obligations under the Technical Cooperation Agreement to an extent that, in the opinion of the Bank, would materially and adversely affect the achievement of the Project objective, and the Borrower has not assumed such obligations.

4.02. The Additional Event of Acceleration consists of the following, namely that an event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 90 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement has been signed on behalf of the Borrower and AGESUL.

5.02. The Additional Legal Matters consist of the following:
(a) The Subsidiary Agreement has been duly authorized or ratified by the Borrower and AGESUL and is legally binding upon the Borrower and AGESUL in accordance with its terms.

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

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on November 4, 2011.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Borrower’s Representative is its Governor.

6.02. The Borrower’s Address is:

State of Mato Grosso do Sul  
Gabinete do Governador  
Avenida do Poeta, Parque dos Poderes - Bloco VIII  
79031-902 - Campo Grande - MS

Facsimile: (55-67) 3318-1000

With copies to:

Agência Estadual de Gestão de Empreendimentos (AGESUL)  
Avenida Desembargador José Nunes da Cunha  
Parque dos Poderes - Bloco XIV  
79031-310 - Campo Grande - MS

Facsimile: (55-67) 3318-5386

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

STATE OF MATO GROSSO DO SUL

By /s/ André Puccinelli

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Makhtar Diop

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency of the Borrower’s road network in the Project area.

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

Part 1: State Roads Rehabilitation and Surfacing

Carrying out of rehabilitation works for about 750 km of the Borrower’s paved roads and the surfacing of about 450 km of the Borrower’s existing unpaved roads and the introduction of results based contracts for rehabilitation and/or maintenance under a pilot (CREMA), to be located in the same areas, which include, inter alia:

(a) for rehabilitation: (i) pavement rehabilitation works on sections which have already reached or exceeded their lifetime, through appropriate techniques ranging from local repairs, eventual reshaping and overlay with surface treatment or asphalt concrete, to complete reconstruction; (ii) resurfacing of sections which would otherwise soon reach a level of deterioration requiring extensive rehabilitation, through appropriate slurry seal, surface treatment or asphalt concrete overlay techniques, depending upon traffic levels and material availability; (iii) bridges rehabilitation; (iv) rehabilitation and/or surfacing of shoulders to protect the shoulders’ surface from erosion and improve the driving conditions; and (v) upgrading of drainage systems, signalization, and dangerous crossroads and accesses;

(b) for surfacing: (i) localized earthworks and curve realignments, strengthening of base course and surfacing, using surface treatment or asphalt mix, depending on traffic; (ii) bridges replacement, strengthening and/or widening as necessary; (iii) upgrading or implantation of drainage and signalization systems; and (iv) road safety improvements, including critical spots elimination or roads intersections improvements; and

(c) carrying out of pilot output-performance rehabilitation and maintenance contracts (CREMA) for rehabilitation works as detailed in (a) above, as well as for routine and periodic maintenance, including: (i) pavement maintenance and repairs such as crack sealing, pothole patching, edge break repairing; (ii) drainage cleaning; (iii) vegetation clearing; and (iv) signalization maintenance.
Part 2: Institutional Strengthening

A. Strengthening of SEMAC’s institutional capacity to support improved efficient management of public resources, through the provision of technical assistance, training and goods for, *inter alia*: (i) the structuring and operation of a monitoring and evaluation system of the Borrower’s investments programs; (ii) the introduction of results based practices in the Borrower’s administration; and (iii) development of the Borrower’s capacity to leverage private participation in the financing and operation of infrastructure and services.

B. Strengthening of IMASUL’s institutional capacity for environmental management, through the provision of technical assistance, training and goods for improving and consolidating the Borrower’s capacity to evaluate, monitor and mitigate environmental impacts of activities and investments, primarily in the road sector.

C. Strengthening of SEOP’s institutional and planning capacity to support the Borrower’s transport sector, through the provision of technical assistance, training and goods for, *inter alia*: (i) the definition of methodologies and systems to systematically and objectively evaluate and mitigate socio-economic impacts of transport infrastructure; (ii) the carrying out of an evaluation of the potential for public-private partnership in the transport sector; (iii) the modernization of SEOP’s information management systems; and (iv) the carrying out of a reform of the existing road management structure.

D. Strengthening of AGESUL’s institutional capacity to support the Borrower’s road sector, through the provision of technical assistance, training and goods to, *inter alia*: (i) strengthen AGESUL’s planning and monitoring capacity to undertake, notably, routine and organized data collection (traffic, road condition), and structure a pavement and bridge management system integrated with the Agency’s other management systems; (ii) increase AGESUL’s capacity in the areas of procurement, contract management, engineering designs review and works supervision; (iii) implement a modernized information management system; (iv) improve efficiency in the use of public resources through the introduction of results-based contracting and practices in the sector, including, but not limited to the structuring of a results-based long-term road rehabilitation and maintenance pilot contract (CREMA); (v) improve the supervision of social and environmental aspects of road works and operations; and (vi) improve road safety.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Borrower shall, at all times during the execution and until completion of the Project, cause AGESUL to maintain a unit to be responsible for: (i) the coordination and monitoring of Parts 2.A, 2.B and 2.C of the Project; (ii) the implementation and coordination of Parts 1 and 2.D of the Project (the “AGESUL CE”); and (iii) the carrying out of all procurement, fiduciary, administrative and reporting responsibilities for all activities under the Project. The AGESUL CE shall have a structure, functions and staff acceptable to the Bank, as defined in the Operation Manual, and shall be headed at all times by a coordinator with qualifications, experience, functions and responsibilities satisfactory to the Bank.

B. Subsidiary Agreement and Technical Cooperation Agreement

1. To facilitate the carrying out of Part 1 and the overall implementation and coordination of the Project, the Borrower shall enter into a subsidiary agreement with AGESUL, under terms and conditions acceptable to the Bank (the “Subsidiary Agreement”), which shall include, *inter alia*, the obligation of the Borrower to make the proceeds of the Loan available to AGESUL and AGESUL’s obligation to: (i) carry out its responsibilities under the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, procurement, auditing, environmental and social standards and practices; and (ii) carry out the Project in accordance with the Anti-Corruption Guidelines.

2. The Borrower shall exercise its rights 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, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

3. To facilitate the carrying out of Part 2 of the Project, the Borrower, through SEMAC and SEOP, shall enter into an agreement with IMASUL and AGESUL, under terms and conditions acceptable to the Bank (the “Technical Cooperation Agreement”), which shall include, *inter alia*, IMASUL’s and AGESUL’S obligation to carry out their respective responsibilities under Parts 2.B and 2.D of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, procurement, auditing, environmental and social standards and practices and in accordance with the Anti-Corruption Guidelines.
4. The Borrower, through SEMAC and SEOP, shall exercise its rights under the Technical 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 not assign, amend, abrogate, waive or fail to enforce the Technical Cooperation Agreement or any of its provisions.

C. Operational Manual

Without limitation to the provisions of Section 5.01 of the General Conditions, the Borrower shall cause the Project to be carried out in accordance with the provisions of a manual, satisfactory to the Bank (the “Operational Manual”), which shall detail the procedures and guidelines for the execution, monitoring and evaluation of the Project, including, inter alia:

(a) the procedures for the carrying out, monitoring and evaluation of the Project (including the technical, procurement, disbursement, financial management, social and environmental requirements thereof);

(b) the eligibility criteria for civil works under Part 1 of the Project;

(c) the Indicators to be used for Project monitoring and evaluation;

(d) the functions, responsibilities, structure and key staff composition of the AGESUL CE; and

(e) the safeguards policies documents, including the Environmental Assessment and the Involuntary Resettlement Framework.

The Operational Manual may be amended by the Borrower from time to time with the prior approval of the Bank. In case of any conflict or inconsistency between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

D. Anti-Corruption

The Borrower shall carry out, and shall cause the Project to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

E. Environmental and Social Provisions

1. Without limitation to the provisions of Section 5.01 (b) of the General Conditions, the Borrower shall carry out and shall cause AGESUL to carry out the Project in accordance with the provisions and recommendations of the
Environmental Assessment (including provisions regarding chance finding and protection of cultural property), and the Involuntary Resettlement Framework, when applicable.

2. Prior to carrying out any civil works under Part 1 of the Project, the Borrower shall cause AGESUL to submit to the Bank evidence that environmental and social impacts have been identified and planned mitigation measures defined, in accordance with the provisions of the Environmental Assessment and the Involuntary Resettlement Framework, as applicable.

3. The Borrower shall cause AGESUL to ensure that any contractors that will carry out civil works under Part 1 of the Project shall perform their work in accordance with the technical and environmental practices for the Project, as set forth in the Environmental Assessment.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall cause AGESUL, with the assistance of SEOP, IMASUL, and SEMAC for their respective Parts of the Project, to 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 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. Additionally, each Project Report will also include a plan of the subsequent 12 months rehabilitation and surfacing investments planned by the Borrower under the Project.

2. The Borrower shall cause AGESUL to, at the earliest of: (a) March 30, 2013; or (b) the point when fifty percent (50%) of the Loan amount has been disbursed, carry out a review with the Bank on the overall progress in the execution of the Project, and set out the measures and take any remedial action as a result of such review, as agreed with the Bank.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall cause AGESUL to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall cause AGESUL to prepare and furnish to the Bank, not later than 60 (sixty) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall cause AGESUL to have the Project’s 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.

4. The Borrower shall, through SEOP and SEMAC, for their respective Parts of the Project, provide (and, in the case of Part 2.B of the Project, cause IMASUL to provide) AGESUL with all such information as AGESUL shall request for the purposes of complying with paragraphs 1 to 3 of Section II.B above.

Section III. Procurement

A. General

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

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

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

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

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding.

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 and works and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.
### Procurement Method

| (a) National Competitive Bidding, including in respect of goods, works and non-consultant services, *concorrência* (set forth in the Guarantor’s Law Nº 8,666 of June 21, 1993), including, in respect of goods and non-consultant services, *pregão eletrônico* (set forth in the Guarantor’s Law Nº 10,520 of July 17, 2002), under “COMPRASNET”, the procurement portal of the Guarantor, or any other e-procurement system approved by the Bank), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank. |
| (b) Shopping, in respect of goods, works and non-consultant services (including, in respect of goods and non-consultant services, *convite, registro de preços, pregão eletrônico* (set forth in the Guarantor’s Law Nº 10,520, of July 17, 2002) subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank. |

### C. Particular Methods of Procurement of Consultants’ Services

1. **Quality and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

#### Procurement Method

| (a) Selection Based on the Consultants’ Qualifications (CQS) |
| (b) Least-Cost Selection (LCS) |
| (c) Procedures set forth in Paragraphs 5.2. - 5.4 of the Consultant Guidelines for the Selection of Individual Consultants |
| (d) Single-Source Selection (SSS) |

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

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for works estimated to cost the equivalent of USD 15,000,000 or more; (b) each contract for goods and non-consultant services estimated to cost the equivalent of USD 3,000,000 or more; and (c) each contract for consultants’ services provided by a firm estimated to cost the equivalent of USD 200,000 or more. All International Competitive Bidding and single-source of consultants, as well as direct contracting for goods, consulting services
and works, shall be prior reviewed by the Bank regardless of the amount involved. 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: (a) Article II of the General Conditions; (b) this Section; and (c) such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works, Non-consultant services and consultant services for Part 1 of the Project</td>
<td>272,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Non-consultant services, Training and consultant services for Part 2 of the Project</td>
<td>10,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Unallocated</td>
<td>16,500,000</td>
<td></td>
</tr>
<tr>
<td>(4) 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 USD)</td>
<td>Percentage of Expenditures to be financed (inclusive of taxes)</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------------------</td>
</tr>
<tr>
<td>(5) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.07 (c) of the this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this table, the terms:

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

(b) “Non-consultant services” means reasonable expenditures incurred by the Borrower for services under the Project related, *inter alia*, to project management and data collection services.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $60,000,000 equivalent may be made for payments made within one year prior to this date but in no case before December 20, 2009, for Eligible Expenditures.

2. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for expenditures under category (2) unless the Technical Cooperation Agreement has been signed by the parties thereto.

3. The Closing Date is June 30, 2015.

**Section V. Other Undertakings**

A. Without limitation to Section 5.03 of the General Conditions, the Borrower shall ensure that counterpart funds in an amount of at least $75,000,000 shall be provided as required to accomplish the Project’s objective.
B. Within six months after the Effective Date, the Borrower shall cause AGESUL to sign a contract, satisfactory to the Bank, for the provision of the external financial audit referred to in Section II.B.3 of Schedule 2 to this Agreement.
SCHEDULE 3

Amortization Schedule

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

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15</td>
<td></td>
</tr>
<tr>
<td>Beginning September 15, 2020 through September 15, 2023 and</td>
<td>3.57%</td>
</tr>
<tr>
<td>from March 15, 2025 through September 15, 2034</td>
<td></td>
</tr>
<tr>
<td>On March 15, 2035</td>
<td>3.61%</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

1. “AGESUL” means Agência Estadual de Gestão de Empreendimentos, the Borrower’s road administration department responsible for managing the Borrower’s road network, regulated by the Borrower’s Law Nº 2,152, of October 26, 2000, and published in the Borrower’s Official Gazette Nº 5,376, as amended to the date of this Agreement, or its successor or successors thereto.

2. “AGESUL CE” means Coordenação Executiva PDE/MS, the unit referred to in Section I.A of Schedule 2 of this Agreement, established pursuant to the Borrower’s Decree Nº 12,549, dated November 18, 2009, and published in the Borrower’s Official Gazette Nº 7,586 as amended to the date of this Agreement.


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


6. “CREMA” means Contrato de Reabilitação e Manutenção, which refers to output performance maintenance and rehabilitation contracts.

7. “Environmental Assessment” means the Borrower’s assessment, dated December 22nd 2009, of the Project environmental impacts, published in the AGESUL’s website (www.agesul.ms.gov.br), which identifies the existing environmental conditions and the potential direct and indirect environmental impacts from the carrying out of the Project, and recommends mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.

8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.

9. “IMASUL” means Instituto de Meio Ambiente do Mato Grosso do Sul, the Borrower’s environmental institute responsible for implementing and coordinating environmental management in the Borrower’s territory, created through the Borrower’s Decrees Nº. 12,230 and 12,231 of 2007, published in the
Borrower’s Official Gazette Nº 6,882, as amended to the date of this Agreement, or its successor or successors thereto.

10. “Indicators” means the indicators to be used in the monitoring and evaluation of the Project, agreed with the Bank and set forth in the Operational Manual.

11. “Involuntary Resettlement Framework” means the Borrower’s document dated December 22, 2009, published in the AGESUL’s website (www.agesul.ms.gov.br), 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 action plans for the resettlement of population under the Project.

12. “Operational Manual” means the manual referred to in Section I.C of Schedule 2 to this Agreement, dated March 8, 2010, as the same may be amended from time to time with the agreement of the Bank.


14. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated January 28, 2010, 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.

15. “SEMAC” means Secretaria de Estado do Meio Ambiente, do Planejamento, da Ciência e Tecnologia, the Borrower’s Environment, Planning, Science and Technology Secretariat.

16. “SEOP” means Secretaria de Estado de Obras Públicas e de Transportes, the Borrower’s Public Works and Transportation Secretariat.

17. “Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement, pursuant to which the Borrower shall make the proceeds of the Loan available to AGESUL.

18. “Technical Cooperation Agreement” means the agreement referred to in Section I.B.3 of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:
“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (‘‘Preparation Advance’’), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. Suspension by the Bank ...
... (l) Ineligibility. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The term ‘‘Project Preparation Advance’’ is modified to read ‘‘Preparation Advance’’ and its definition is modified to read as follows:

‘‘Preparation Advance’’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

(b) The definition of the term ‘‘Conversion Date’’ is modified to read as follows:

‘‘Conversion Date’’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”