Loan Agreement

(Tocantins Integrated Sustainable Regional Development Project)
(Projeto de Desenvolvimento Regional Integrado e Sustentável no Estado do Tocantins-PDRIS)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF TOCANTINS

Dated December 6, 2012
LOAN AGREEMENT

Agreement dated December 6, 2012, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"), and the STATE OF TOCANTINS ("Borrower"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

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

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of three hundred million Dollars ($300,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

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

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are May 15 and November 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 non-objection of the Guarantor, through the Secretariat of the National Treasury of the Guarantor's Ministry of Finance, request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa, or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

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

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 1.05 (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

5.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower, through SEPLAN, shall carry out the Project with the assistance of: (a) SEINFRA for Part 1 of the Project; (b) SEAGRO, SEMADES
and Ruraltins for Part 2.2 of the Project; (c) SEMADES and Naturatins for Part 2.3 of the Project; and (d) SEDUC for Part 2.4 of the Project, all in accordance with the provisions of Article V of the General Conditions.

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

ARTICLE V — REMEDIES OF THE BANK

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

(a) Any Participating Entity shall have failed to perform any of its obligations under each Cooperation Agreement to an extent that, in the opinion of the Bank, would materially and adversely affect the carrying out of the Project.

(b) A situation shall have arisen, and has continued for a period of 120 days after notice of the event has been given by the Bank to the Borrower, which may materially and adversely affect, in the opinion of the Bank, the ability of any Participating Entity to carry out its obligations under the respective Cooperation Agreement.

(c) Notwithstanding the rights contained in Section 7.02 of the General Conditions, it is understood that if any of the events specified in paragraphs (a) and (c) of this Section shall have occurred, the Bank may, by notice to the Borrower, suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account for expenditures in respect of the concerned Participating Entity.

4.02. The Additional Event of Acceleration consists of the following:

Any of the events specified in paragraphs (a) or (b) of Section 4.01 of this Agreement occurs and is continuing for a period of 120 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Legal Matter consists of the following, namely, that the Loan has been duly registered with the Guarantor's Central Bank.

- 3 -
5.02. 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 January 24, 2014.

ARTICLE VI -- REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Secretary of Planning and Public Management Modernization.

6.02. The Borrower’s Address is:

Secretaria do Planejamento e da Modernização da Gestão Pública
Praça dos Girassóis, s/n CEP 77001-002
Palmas
Tocantins
Brazil

Facsimile: (55-63) 3212 4403

With copies to:

SEAIN - Secretaria de Asuntos Internacionales do Ministério de Planejamento, Orçamento e Gestão
Esplanada dos Ministérios - Bloco K - 5º andar
70040-906 Brasília, DF
Brazil

Facsimile: (55-61) 220-5006

6.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 2043:
United States of America

Cable address: INTBAFRA
Telex: 248-23(MCI) or 1-202-477-6391
Facsimile: 64145(MCI)
AGREED at Brasília, Federative Republic of Brazil as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

STATE OF TOCANTINS

By

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to foster improved effectiveness of road transport and enhanced efficiency of selected public services, in support of the Borrower's integrated and territorially balanced development agenda.

The Project consists of the following parts:

Part 1 – Improving effectiveness of rural transport

Provision of support to improve accessibility of the Borrower's remote populations and, at the same time, foster regional economic integration and support the Borrower's competitiveness and social inclusion agendas, through the carrying out of the following activities:

1.1. Improving transport conditions on the municipal roads

Improvement of accessibility of rural populations to employment opportunities, services and resources and markets by the elimination of about 2,600 critical spots on selected municipal feeder roads through, *inter alia*: the design, construction and supervision of concrete hydraulic structures (bridges and culverts) of municipal feeder roads, all to ensure year round traffic (the Municipal Road Subprojects).

1.2. Rehabilitating the Borrower's paved network through performance based contracts

Improvement of transport conditions on the Borrower's paved roads through the carrying out of: (a) a set of performance based CREMA Contracts on about 1,500 kilometres of identified Borrower-managed paved roads (the State Road Rehabilitation Subprojects I); and (b) if applicable performance-based CREMA Contracts in selected Borrower-managed paved roads in accordance with criteria acceptable to the Bank (the State Road Rehabilitation Subprojects II).

1.3. Improving road and transport safety conditions on Borrower's unpaved roads

Improvement of connectivity and transport safety conditions on the Borrower's unpaved roads, through, *inter alia*: (i) the elimination of about 20 critical spots on unpaved feeder roads through the design, replacement and supervision of concrete hydraulic structures of selected deficient infrastructures; and (ii) design, surfacing and supervision of approximately 5 km of unpaved road sections to close the network and facilitate access to the national trunk network (the State Road Improvement Subprojects).
1.4. **Transport management capacity institutional strengthening**

Improvement of the Borrower’s capacity in transport planning and management, logistics and road safety (all under terms of reference acceptable to the Bank) through the provision of goods, consultants’ services, non-consulting services and training for institutional strengthening of SEINFRA in the following areas: (i) transportation planning and logistics management; (ii) road safety; and (iii) social and environmental management.

**Part 2 – Enhanced efficiency of public services**

Provision of support for institutional strengthening, through the provision of goods, works, training, non-consulting and consultants’ services, through the carrying out of the following activities:

2.1. **Modernization of the Borrower’s administration**

Provision of support to the SEPLAN to improve public services efficiency (all under terms of reference acceptable to the Bank) through, *inter alia*: (i) the introduction of a results-based management methodology; (ii) a de-concentration of Borrower’s administrative services to its regions, for purposes of strengthening the municipalities’ management capacities; (iii) the improvement of environmentally and socially sustainable land use planning processes and natural resource management policies; and (iv) the improvement of service delivery to users as well as work conditions for the Borrower’s civil servants by carrying out rehabilitation and/or construction activities of public premises and/or facilities in accordance with the criteria set forth in the Operational Manual.

2.2. **Fostered local and regional development**

Provision of support, through the carrying out of pilot activities aimed towards the promotion of rural businesses and the creation of opportunities to attract sustainable investments in selected Borrower’s regions (all under terms of reference acceptable to the Bank), which activities consist of, *inter alia*: (i) to SEAGRO and Ruraltins for the promotion of a more efficient agribusiness sector with social and gender inclusiveness, as well as environmental and economic sustainability in the Borrower’s territory, by fostering increased productivity and better access to markets for subsistence production and small and medium producers, and attracting sustainable investments while fostering environment sustainability; (ii) to SEMADES for the preparation of a renewable energy policy for the Borrower; and (iii) to SEPLAN for the development of ecotourism in the Borrower’s territory.
2.3. Improvement of environmental management

Provision of support to SEMADES and Naturatins to improve environmental management (all under terms of reference acceptable to the Bank) through, *inter alia*: (i) the improvement of the Borrower's environmental licensing system and its monitoring and enforcement activities (excluding any enforcement police-type activity), and its water rights registration system; (ii) (A) the carrying out of studies on the evaluation of the need for new public policies for the conservation and sustainable use of natural resources and development of biodiversity, and if applicable as determined by the results of said studies, the development of regulatory mechanisms and technical instruments for the conservation and sustainable use of natural resources and development of biodiversity; and (B) the carrying out of pilot activities in support of areas mentioned in (A) herein to be selected in accordance with criteria acceptable to the Bank; and (iii) (A) the carrying out of studies on the evaluation of the need for new public policies in water management, and if applicable as determined by the results of said studies, the development of regulatory mechanisms and technical instruments for a more sustainable use of water; and (B) the carrying out of pilot activities in support of the area mentioned in (A) herein to be selected in accordance with criteria acceptable to the Bank.

2.4. Improvement of quality, relevance and returns in the education system

Provision of support to SEDUC to improve quality in the Borrower's education system in a pilot set of selected Borrower's municipalities with high vulnerability (all under terms of reference acceptable to the Bank), through, *inter alia*: (i) supporting the selected municipalities in providing quality early child development; (ii) increasing quality of education through dentifying strengths and weaknesses in the quality of teaching and providing targeted training to ameliorate weaknesses; and (iii) improving the relevance and returns to schooling through supplementary courses in upper secondary schools and improved education materials.

Part 3 – Project Management

Provision of support for Project management in connection with the implementation and supervision of the Project.
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, maintain a unit within SEPLAN to be responsible for the coordination and monitoring of the Project (the “PMU”), such unit to have a structure and functions satisfactory to the Bank, as defined in the Operation Manual, as well as staff in adequate numbers and with qualifications and experience acceptable to the Bank.

B. Cooperation Agreement

1. Prior to the carrying out of any Project activity which requires the assistance of any given Participating Entity, the Borrower shall enter into a cooperation agreement with said Participating Entity (the “Cooperation Agreement”), under terms and conditions acceptable to the Bank, which shall include, inter alia, the Participating Entity’s obligation to: (a) assist the Borrower, through SEPLAN, in the carrying out of said Project activity or activities with due diligence and efficiency; and (b) comply with the pertinent obligations under this Agreement, including with the provisions of the Anti-Corruption Guidelines, all as applicable to the corresponding Project activity.

2. The Borrower shall exercise its rights and carry out its obligations under each 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, terminate or fail to enforce any Cooperation Agreement or any of its provisions.

C. Operational Manual

1. Without limitation to the provisions of Section 5.01 of the General Conditions, the Borrower shall carry out the Project, and/or 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 the selection of Municipal Road Subprojects the State Road Improvement Subprojects and State Road Rehabilitation Subprojects II;

(c) the list of State Road Rehabilitation Subprojects I;

(d) the criteria for the selection of the public premises and/or facilities mentioned in Part 2.1 (iv) of the Project;

(e) the indicators to be used for Project monitoring and evaluation;

(f) the functions, responsibilities, structure and key staff composition of the PMU; and

(g) the Environmental and Social Impact Assessment, the Environmental and Social Management Framework (including the Environmental Management Plan), the Resettlement Policy Framework and the Indigenous Peoples Planning Framework.

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

E. Municipal Road Subprojects

Prior to the approval by the Bank of any given Municipal Road Subproject, the Borrower, through SEPLAN, shall furnish to the Bank, an application containing the following information and documentation with respect to such Municipal Road Subproject:

(a) a copy of the relevant municipality’s development agenda, including a description of the participatory mechanisms followed for the preparation of such agenda (such as the minutes of discussions on the development agenda by the relevant municipality, the minutes of discussions on the Borrower’s Regional Development Agenda);
(b) the priority list of the road sections to be included in such Municipal Road Subproject, including the minutes of the public discussions held for its preparation, signed by the participants or their representatives;

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

(d) if applicable, a copy of a cooperation agreement amongst the municipalities that share a common border so as to create an inter-municipal consortium for purposes of undertaking maintenance of municipal roads;

(e) the bidding documents for the pertinent Municipal Road Subproject;

(f) such other information as the Bank shall reasonably request.

F. Environmental and Social Provisions

1. The Borrower shall, through SEPLAN, and with the assistance of the pertinent Participating Entity, implement and/or cause to be implemented Parts 1 (other than Parts 1.2 and 1.4) and 2 of the Project in accordance with the provisions of the Environmental and Social Management Framework, the Indigenous Peoples Planning Framework and the Resettlement Policy Framework (including the Process Framework) and in a manner acceptable to the Bank.

2. The Borrower shall, through SEPLAN and SEINFRA, implement the State Road Rehabilitation Subprojects I listed in the Operational Manual in accordance with the provisions of the Environmental Management Plan, and in a manner acceptable to the Bank.

3. Upon the approval of any given Municipal Road Subproject, State Road Improvement Subproject, or State Road Rehabilitation Subproject I (as provided in Section F.7 of this Schedule), State Road Rehabilitation Subproject II or any works to be carried out under Part 2.1 (iv) of the Project, and prior to the carrying out of any of said Subprojects or works, the Borrower, through SEPLAN and SEINFRA, shall: (a) carry out and/or cause to be carried out an environmental/social assessment of the pertinent works, and based on the results of said assessment as determined by the Bank, approve and/or cause to be approved an environmental/social management plan (including a pest management plan, if applicable) or similar environmental or social safeguards instrument, acceptable to the Bank, for each Subprojects or works (which plan or
similar environmental/social safeguards instrument shall be based on the results of the environmental/social assessment mentioned herein, and the Bank's comments on the results of said assessment, if any), all in accordance with the provisions of the Environmental and Social Management Framework; and (b) immediately after said approval: (i) obtain the environmental license or authorization to carry out the pertinent works under the relevant type of Subproject; and (ii) implement and/or cause to be implemented (as the case may be) the corresponding environmental/social management plan (including a pest management plan, if applicable) or similar environmental/social safeguards instrument, in accordance with its terms, and in a manner acceptable to the Bank.

4. Without limitation to the pertinent provisions of this Agreement in respect of any given Municipal Road Subproject, State Road Improvement Subproject or State Road Rehabilitation Subproject I (as provided in Section F.7 of this Schedule) or State Road Rehabilitation Subproject II in which works are involved, or any works to be carried out under Part 2.1 (iv) of the Project, and if as a result of the definition of the precise sitting alignments it is determined by the Borrower that Resettlement will be involved, the Borrower, through SEPLAN and SEINFRA, shall: (a) prior to the carrying out of any said Subprojects or works, prepare and/or cause to be prepared and furnish to the Bank, a resettlement plan, acceptable to the Bank (which plan shall be consistent with the pertinent provisions of the Resettlement Policy Framework); and (b) thereafter, implement and/or cause to be implemented, said resettlement plan in accordance with its terms and in a manner acceptable to the Bank.

5. With respect to the carrying out of any given Municipal Road Subproject, State Road Improvement Subproject or State Road Rehabilitation Subproject I (as provided in Section F.7 of this Schedule), State Road Rehabilitation Subproject II, or any works to be carried out under Part 2.1 (iv) of the Project, or any pilot activity under Part 2.1 (ii) (B) and/or (iii) (B) of the Project and when so determined by the Borrower as set forth in the IPPF and the Environmental and Social Management Framework, the Borrower, through SEPLAN and SEINFRA, shall: (a) prior to the carrying out of any of said type of Subprojects, works or pilot activities, prepare and/or cause to be prepared and furnish to the Bank, an Indigenous Peoples' Plan, acceptable to the Bank (which plan shall be consistent with the pertinent provisions of the IPPF); and (b) thereafter, adopt and implement (and/or cause to be adopted and implemented) said Indigenous Peoples' Plan in accordance with its terms and in a manner acceptable to the Bank.

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

7. Without limitation to the provisions of Section 3.01 (a) of the Project, and if during Project implementation the Borrower decides to replace one or more of the State Road Rehabilitation Subprojects I listed in the Operational Manual, the Borrower, through SEPLAN and SEINFRA, shall: (a) furnish to the Bank, for its approval, the new State Road Rehabilitation Subprojects I; and (b) immediately after the approval of said new State Road Rehabilitation Subprojects I, carry out said new State Road Rehabilitation Subprojects I in accordance with the pertinent provisions in this Agreement.

8. Without limitation to the pertinent provisions of this Agreement and when so determined by the Bank, the Borrower shall: (a) prior to the carrying out of any pilot activity under Part 2.3 (ii) (B) and/or (iii) (B) of the Project that may cause an adverse impact on the livelihoods of the affected persons as a result of an involuntary restriction of access to natural resources in legally designated parks and protected areas (including reserves) under said Parts of the Project, prepare and furnish to the Bank an action plan consistent with the provisions of the Process Framework; and (b) immediately thereafter, implement each action plan in accordance with its terms and those of the PF, and in a manner acceptable to the Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Borrower, through SEPLAN, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the performance indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management Financial Reports and Audits

1. The Borrower, through SEPLAN, 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, through SEPLAN, shall prepare and furnish to the Bank not later than forty five (45) days after the end of each quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
2. The Borrower, through SEPLAN, 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, commencing with the fiscal year in which the first withdrawal was made under the Project. 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. Works, Goods, and Non-Consulting Services. All works, goods and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

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

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

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

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

2. Other Methods of Procurement of Works, Goods and Non-Consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for works, goods and non-consulting 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-consulting services, *concorrência* (set forth in the Guarantor’s Law no. 8.666 of June 21, 1993), including, in respect of goods and non-consulting services, *pregão eletrônico* (set forth in the Guarantor’s Law No. 10520 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.

(c) Direct contracting.

### 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) Quality Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selector</td>
</tr>
<tr>
<td>(d) Selection based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single-source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in Paragraphs 5.1 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source Procedures for the Selection of Individual Consultants set forth in paragraph 5.6 of the Consultant Guidelines</td>
</tr>
</tbody>
</table>

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

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.
Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants’ services and non-consulting services for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Parts 1.1 and 1.2. of the Project; and</td>
<td>233,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Part 1.e of the Project</td>
<td>7,000,000</td>
<td>80%</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>(2) (a) Goods, consultants’ services and non-consulting services and Training for Parts 2.1 (i) through (iii), 2.2, 2.3 and 2.4 of the Project</td>
<td>44,000,000</td>
<td>80%</td>
</tr>
<tr>
<td>(b) Works, consultants’ services and non-consulting services under Part 2.1 (iv) of the Project</td>
<td>7,250,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, consultants’ services, and non-consulting services, Training and Operating Costs for Part 3 of the Project</td>
<td>8,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>750,000</td>
<td></td>
</tr>
<tr>
<td>(5) Premium for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.07 (c) of this Agreement</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT** 300,000,000

3. For the purposes of this table,

(a) the term “Operating Costs” means reasonable recurrent expenditures incurred by the Borrower in connection with the daily operation of the Project, including, *inter alia*, travel costs and *per diem*, maintenance of equipment, office supplies and materials, costs related to strengthening communication and disseminating results, which expenditures would not have been incurred absent the Project; and
(b) the term "Training" means reasonable expenditures (other than those for consultants' services) incurred by the Borrower in connection with the carrying out of workshops and training preparation and administration under the Project, including, *inter alia*, travel costs, and *per diem* of trainees, course fees, rental of training facilities and purchase of training materials.

B. withdrawal Condition; 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 US$60,000,000 equivalent may be made for payments made prior to this date but on or after February 10, 2012 (but in no case more than one year prior to the date of this Agreement) for Eligible Expenditures.

2. The Closing Date is March 31, 2019. The Bank shall only grant an extension of the Closing Date after the Guarantor's Ministry of Finance has informed the Bank that it agrees with such extension.

Section V. Other Undertakings

1. The Borrower shall maintain, during Project implementation, a procurement specialist for SEINFRA and a procurement specialist for SEPLAN, both under terms of reference satisfactory to the Bank.

2. By October 31, 2015, or when Loan disbursements have reached 50% of the Loan amount, whichever is first, and without limitation to the provisions of Section 5.08 (b) of the General Conditions, the Borrower shall:

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

(b) immediately following such Midterm Review, act promptly and diligently to take any corrective action as shall be agreed between the Borrower and Bank.
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 Beginning November 15, 2017 through May 15, 2036</td>
<td>2.56%</td>
</tr>
<tr>
<td>On November 15, 2036</td>
<td>2.72%</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 the 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 in the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions


3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. "CREMA Contract" means a multi-year contract under Part 1.2 of the Project, entered into by the Borrower through SEINFRA with a private sector contractor, which contract obligates the private sector contractor to undertake all phases of road rehabilitation and maintenance work as a single package, from design and programming of the works, through the execution of such works, with respect to an identified portion of the corresponding Borrower-managed paved road network.

6. "Cooperation Agreement" means any of the agreements referred to in Section I.B.1 of Schedule 2 to this Agreement.

7. "Environmental and Social Management Framework" or "ESMF" means the Borrower's framework, acceptable to the Bank, published and available to the public on the website http://www.seplan.to.gov.br on January 17, 2012, which contains, inter alia, (a) the environmental and social principles and policies that shall apply to the implementation of Parts 1 (other than Parts 1.2 (a)) and 2 of the Project, including provisions for the carrying out of the respective environmental and social assessments; (b) the guidelines and procedures to be followed in connection with natural habitats, forests, pest management, chance finding of cultural property, indigenous peoples, involuntary resettlement and safety of dams in respect of Municipal Road Subproject and State Road Improvement Subprojects; and (c) the Environmental Management Plan.
8. "Environmental Management Plan" means the Borrower's plan, acceptable to the Bank, published and made available to the public on January 17, 2012, and included in the ESMF, which contains the results of the Borrower's environmental assessment of the same date and the mitigation measures to mitigate, prevent and manage environmental and social impacts and risks associated with the carrying out of State Road Rehabilitation Subprojects I under Part 1.2 (a) of the Project.


10. "Indigenous Peoples Planning Framework" or "IPPF" means the Borrower's framework, acceptable to the Bank, published and available to the public on the website http://www.seplan.tocantins.gov.br on January 17, 2012, which sets forth the principles and policies that shall apply to the preparation and carrying out of any indigenous peoples development plan that may be required under the Project (other than under Part 1.2 (a) of the Project).

11. "Municipal Road Subproject" any of the investments referred to in Part 1.1 of the Project.

12. "Naturatins" means instituto Natureza do Tocantins, the Borrower's environmental agency already existing and operating under the Borrower’s Law No 858, dated July 26, 1996 and Decree No. 311, dated August 23, 1996.

13. "Operational Manual" means the manual referred to in Section I.C. of Schedule 2 to this Agreement, dated June 11, 2012, as the same may be amended from time to time with the agreement of the Bank.


15. "PMU" or "Project Management Unit" means Unidade de Gerenciamento do Projeto, the unit referred to in Section I.A. of Schedule 2 to this Agreement established by the Borrower’s Decree No. 4388, dated September 2, 2011.


17. "Procurement Plan" means the Borrower's procurement plan for the Project, dated April 2, 2012, 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.
18. "Process Framework" or "PF" means the Borrower's framework acceptable to the Bank (included in the Resettlement Policy Framework) published and made available to the public on January 17, 2012, which sets forth, inter alia, the specific measures to compensate for the loss of assets and associated income, and puts in place grievance resolution mechanisms in order to resolve the issues that may arise during the implementation of the pilot activities to be carried out under Parts 2.3 (ii) (B) and (iii) (B) of the Project.

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

20. "Resettlement Policy Framework" or "RPF" means the Borrower's document published and available to the public on the website http://www.seplan.to.gov.br on January 17, 2012, specifying the population resettlement policies, planning principles, institutional arrangements, procurement arrangements and design criteria that shall apply to the preparation and carrying out of the resettlement plans for the resettlement of population that may be required under Municipal Road Subprojects, State Road Improvement Subprojects, State Road Rehabilitation Subprojects I (as provided in Section F.7 of this Schedule) and State Road Rehabilitation Subprojects II or under Part 2.1 (iv) of the Project, and including the Process Framework.

21. "Ruraltins" means Instituto de Desenvolvimento Rural do Estado de Tocantins, the Borrower's rural development agency as existing and operating under the Borrower's Law No. 20, dated April 21, 1989.


23. "SEAGRO" means Secretaria de Agricultura, Pecuária e Desenvolvimento Agrícola, the Borrower's agriculture, livestock and agricultural development secretariat or any successor thereto satisfactory to the Bank.

24. "SEDUC" means Secretaria da Educação, the Borrower's education secretariat or any successor thereto satisfactory to the Bank.
25. “SEINFRA” means Secretaria de Infraestrutura, the Borrower’s infrastructure secretariat or any successor thereto satisfactory to the Bank.

26. “SEMADES” means Secretaria do Meio Ambiente e Desenvolvimento Sustentável, the Borrower’s environmental and sustainable development secretariat or any successor thereto satisfactory to the Bank.

27. “SEPLAN” means Secretaria do Planejamento e Modernização da Gestão Pública, the Borrower’s planning and public management modernization secretariat or any successor thereto satisfactory to the Bank.

28. “State Roads Rehabilitation Subproject I” means any of the investments referred to in Part 1.2. (a) of the Project.

29. “State Roads Rehabilitation Subproject II” means any of the investments referred to in Part 1.2. (b) of the Project.

30. “State Roads Improvement Subproject” means any of the investments referred to in Part 1.3. of the Project.

31. “Subproject” means any Municipal Road Subproject, State Road Improvement Subproject, State Roads Rehabilitation Subproject I, or State Roads Rehabilitation Subproject II.