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OFFICIAL DOCUMENTS

LOAN NUMBER 8276 - BR

Loan Agreement

(Rio Grande do Norte Regional Development and Governance Project – *Projeto Integrado de Desenvolvimento Sustentável do Rio Grande do Norte – RN Sustentável)*

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF RIO GRANDE DO NORTE

Dated October 4 **, 2013**

LOAN AGREEMENT

Agreement dated October 4, 2013, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"), and the STATE OF RIO GRANDE DO NORTE ("Borrower"). The Bank and the Borrower 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 and sixty million Dollars ($360,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. The Borrower's Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Borrower's Secretary of Planning and Finance.

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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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

2.05. The Payment Dates are June 15 and December 15 in each year.

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

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prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan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

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

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

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project, through SEPLAN and its PMU, with the assistance of:

(a) SAPE, SETHAS, SEDEC, SETUR and DER with respect to Part 1 of the Project;

(b) SESAP with respect to Part 2(a) of the Project;

(c) SEEC with respect to Part 2(b) of the Project;

(d) SESED with respect to Part 2(c) of the Project; and

(e) SEARH with respect to Part 3(c) of the Project.

all in accordance with the provisions of Article V of the General Conditions.

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

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

4.02. 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 on December 25, 2014.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Governor.

5.02. The Borrower's Address is:

Secretariat of Planning and Finance – *Secretaria de Estado do Planejamento e das Finanças*
Centro Administrativo do Estado
BR 101 – km 0 - Lagoa Nova
59090-964 - Natal - RN
Brazil

Facsimile: (55-84) 3232-1911

With copy to:

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

Facsimile: (55-61) 2020-5006

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:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	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 _____

Authorized Representative

STATE OF RIO GRANDE DO NORTE

By _____

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the Borrower's efforts to: (i) increase food security and access to productive infrastructure and markets for family agriculture; (ii) improve the quality of, and access to, health, education and public security services; and (iii) improve systems for public expenditures, human resources and physical asset management in the context of a results-based management approach.

The Project consists of the following parts:

Part 1: Sustainable Regional Development

(a) Strengthening of the Borrower's capacity to implement its Sustainable Regional Development Strategy through: (i) the provision of support to SAPE, SETHAS, SETUR, SEDEC and DER for the carrying out of strategic studies and diagnostics to identify environmental and socio-economic viability of potential Subproject investments; (ii) the provision of support to SAPE and SETHAS for the preparation, implementation and supervision of Business Plans; and (iii) based on the results of the diagnostics and feasibility studies carried out under (i) above, the provision of support to SAPE, SETHAS, SETUR, SEDEC and DER for strategic investments in the expansion, improvement and integration of regional productive infrastructures, including, *inter alia:* APL innovation, technology and trade centers, aquaculture stations, phyto-sanitary inspection units, physical facilities and equipment for production of seedlings and breeding animals, road upgrading and rehabilitation, and tourism infrastructure.

(b) Provision of support to POs, SOs and NSOs for the carrying out of: (i) Productive Subprojects; (ii) Socio-Economic Infrastructures Subprojects; and (iii) Social and Environmental Subprojects.

Part 2: Improving Public Services

(a) Provision of support to SESAP in the implementation of strategic priorities in the health sector, including:

(i) the reduction of maternal and infant mortality rates, through: (A) the refurbishing and provision of the necessary equipment for selected maternity hospitals; (B) the preparation and implementation of a continuous training program for primary care professionals (doctors and nurses) in prenatal care with emphasis on risk classification, primary health care access and

postpartum/newborn care; (C) the construction of an infant and maternal hospital in *Mossoró*; (D) the establishment of a system of human milk banks; and (E) the implementation of a risk classification system to monitor high risk infants from birth to 12 months of age.

(ii) The increased availability of early detection and quality treatment for breast and cervical cancer patients, through: (A) the refurbishing and provision of the necessary equipment for the referral center for diagnosis on cancer diseases; (B) the preparation and implementation of continuous educational programs for health professionals and managers; (C) the development of telemedicine programs for disease diagnosis; (D) the construction of new and renovation of existing, laboratories for cancer testing and diagnosis, as well as the provision of the necessary equipment; and (E) the preparation and implementation of continuous professional training programs focused on cancer diseases.

(iii) The establishment of a regionalized emergency health service network in the Borrower's territory, through: (A) the improvement of selected emergency medical facilities and services; and (B) the implementation of evidence-based clinical protocols and pathways for emergency health services.

(b) Promotion of basic education quality improvement and regional development for the education sector in the Borrower's territory, through:

(i) The provision of support to SEEC for: (A) the development of instruments and action plans to support regional development activities, including, *inter alia*, the construction, refurbishing and equipment of selected rural and urban schools, the provision of literacy and technical-vocational training programs for youth and adults and the provision of training and didactic materials for accessing the PNAE; and (B) the development of new curricula and programs for each level of education in the Borrower's public schools; (C) the development of new pedagogical materials and training programs for teachers to support the implementation of the new curricula referred in (B) above; (D) the establishment of a basic education observatory (*Observatório da Vida do Estudante da Educação Básica*) to monitor school quality, together with an education evaluation system to asses students and school's performance; (E) the preparation and implementation of a manual of minimum operational standards

for all the Borrower's public schools; and (F) the preparation and implementation of training and monitoring systems to support improvements in the educational system; and

(ii) The provision of support to School Associations for: (A) the design and implementation of Schools Development Plans; and (B) the implementation of School Subprojects.

(c) Provision of support to SESED for the integration of its management processes, the enhancing of its capacity to provide citizen security and programs focused on violence prevention and education, as well as the strengthening of public security information systems, through, *inter alia*: (i) the investment in technology to strengthen SESED's public security management capacity; (ii) the investment in technologies to improve CIOSP's capacity; and (iii) investment in educational materials, equipment and technical assistance on strategic communications to support specific ongoing drug and violence prevention efforts, and the coordination mechanism that support victims of violence against women, the elderly and minorities.

Part 3: Public Sector Management

(a) Provision of support to SEPLAN for, *inter alia*: (i) the preparation and implementation of a result-oriented management proposal, comprising staff training; (ii) the design and implementation of a web-based dashboard hall and a bureau of projects to monitor the management of the Borrower's strategic programs and projects; (iii) the development of the Project management, monitoring and evaluation system and related mechanisms; (iv) the development and implementation of ICT technology; and (v) the development of a monitoring and information system and mechanisms for the Borrower's social protection programs.

(b) Provision of support to SEPLAN for, *inter alia*: (i) the identification and revision of procedures for SEEC, SESAP and SESED; (ii) the carrying out of a diagnosis of the Borrower's secretariats and public agencies to identify possible dysfunctional activities and proposing corrective measures; and (iii) the preparation of a non-Project package of sectoral investments aimed at improving key infrastructure and management systems and mechanisms.

(c) Provision of support to SEARH for the strengthening of the Borrower's workforce by focusing on attracting and retaining professional personnel, through: (i) the implementation of management and payroll auditing modules, including the planning of human resources and the design of a result-oriented management model; (ii) implementation of an integrated

assets management system; (iii) modernization of the Borrower's archives; (iv) improvement of the Borrower's ICT INFOVIAS to address deficiencies in territorial connectivity; and (v) the provision of training for public servants, consultants and project managers directly involved in targeting strategic project implementation, including project management, financial management, procurement, IT, and monitoring and evaluation methodology and systems.

SCHEDULE 2

Project Execution

Section I. **Implementation Arrangements**

A. Institutional Arrangements

1. No later than thirty days after the Effective Date, the Borrower shall establish, and thereafter operate and maintain during the implementation of the Project, a Project Management Committee chaired by SEPLAN's secretary, and composed by representatives from key secretariats and organizations, as defined in the Operational Manual, responsible for providing general oversight and guidance on the strategic and multisectoral aspects of the Project.

2. The Borrower shall:

   (a) operate and maintain, until the completion of the Project, a unit within SEPLAN (the PMU), responsible for the overall management, coordination, supervision, monitoring and evaluation of the Project;

   (b) operate and maintain, until the completion of the Project, sectoral units (the UES) within SAPE, SETHAS, SESAP, SESED, SEDEC, SEEC, SEARH, SETUR and DER responsible for the management, and implementation, supervision, monitoring and evaluation of Project activities within their respective sectors; and

   (c) cause the PMU and each of the UES to maintain, until completion of the Project, a structure, responsibilities, and key staff with functions, experience, responsibilities and qualifications acceptable to the Bank as described in the Operational Manual.

3. The Borrower shall: (a) prepare and furnish to the Bank annual operating plans, satisfactory to the Bank, detailing the Project activities to be carried out during the year following the date of presentation of each such plan, together with the respective sources of funding, by December 5 of each year during Project implementation; (b) furnish to the Bank the approved annual operating plans (including the respective sources of funding) referred to in paragraph (a) of this Section for each year in question, not later than 30 days after the publication of the Borrower's annual budget by its Legislative Assembly (*Assembléia Legislativa*); and (c) thereafter, implement each of said plans in a manner acceptable to the Bank.

4. The Borrower shall, and shall cause the respective POs, SOs and NSOs to, carry out the Project in accordance with a manual (the Operational Manual), satisfactory to the Bank, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the relevant Parts of the Project, including, *inter alia*, the following: (a) the detailed description of Project implementation activities and the detailed institutional arrangements of the Project; (b) criteria and methods for the selection of POs, SOs and NSOs; (c) detailed social, economic, financial, technical and environmental criteria for the evaluation and ranking for selecting Subprojects, including a negative list of environmentally sensitive investments ineligible for financing under a Subproject: (d) guidelines for the adoption of an integrated pest management approach in all applicable activities to be developed under the Project; (e) guidelines to follow in case of unexpected findings of objects with possible cultural or archeological value; (f) a model form of a Subproject Agreement; (g) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (h) the monitoring indicators for the Project; and (i) the ESMF, RPF, and IPPF. In the event that any provision of the Operational Manual shall conflict with this Agreement, the terms of this Agreement shall prevail.

B. Anti-Corruption

The Borrower shall, and shall cause POs, SOs and NSOs to, ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Subprojects

For the purposes of carrying out Parts 1(b) and 2(b)(ii) of the Project, the Borrower shall:

(a) after having selected a Subproject in accordance with the guidelines and procedures set forth in the Operational Manual, enter into an agreement with the Eligible Implementer, ("Subproject Agreement"), under terms and conditions approved by the Bank and included in the Operational Manual, for the provision of Matching Grants for the implementation of said Subproject;

(b) ensure that each Subproject Agreement is prepared based on the model form approved by the Bank and included in the Operational Manual, in which the Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (i) suspend or terminate the right of the Eligible Implementer to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the Eligible Implementer's failure to

perform any of its obligations under the Subproject Agreement; and (ii) require each Eligible Implementer to: (A) carry out its pertinent Subproject with due diligence and efficiency and in accordance with sound technical, economic, environmental, educational and social standards and practices satisfactory to the Bank (as the case may be), including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, the ESMF, the RPF and the IPPF; (B) provide, promptly as needed, the resources required for the carrying out of the Subproject; (C) (1) procure the goods, works, non-consulting services and consultants' services to be financed out of the Matching Grant in accordance with the provisions of this Agreement; and (2) have the procurement of those goods, works, non-consulting services and consultants' services audited by independent auditors acceptable to the Bank, in accordance with terms of reference acceptable to the Bank, and furnish the resulting audit report to the Bank not later than six months after the end of each one fiscal year of the Borrower; (D) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the pertinent Subproject and the achievement of its objectives; (E) (1) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the Bank for community driven initiatives, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (2) at the Bank's or the Borrower's request, have the resulting financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (F) enable PMU and the Bank to inspect the pertinent Subproject, its operation and any relevant records and documents; and (G) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing; and

(c) exercise its rights and carry out its obligations under the Subproject Agreements 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 Subproject Agreement or any provisions thereof.

D. Safeguards

1. Environmental and Social Management Framework (ESMF)

The Borrower shall: (a) implement the Project in accordance with the ESMF (including provisions for natural habitats, forests, medical waste management and pest management); (b) adopt the procedures detailed in said ESMF for environmental screening, evaluation, implementation and monitoring of Subprojects, including the procedures for the preparation of environmental management plans, if applicable; and (c) implement and/or cause to be implemented, the pertinent environmental management plan, in accordance with its terms and in a manner acceptable to the Bank.

2. Indigenous Peoples Planning Framework (IPPF)

The Borrower shall: (a) implement the Project in accordance with the IPPF; (b) adopt the procedures detailed in said IPPF for screening, evaluation, implementation, and monitoring of Subprojects; (c) implement and/or cause to be implemented, the pertinent Indigenous Peoples development plan, in accordance with its terms and in a manner acceptable to the Bank.

3. Resettlement Policy Framework (RPF)

The Borrower shall: (a) implement the Project in accordance with the Resettlement Policy Framework; (b) adopt the procedures detailed in said Resettlement Framework for screening, evaluation, implementation and monitoring of Subprojects; and (c) implement and/or cause to be implemented, the pertinent resettlement action plan or abbreviated plan (for cases where 200 or less persons are affected, or where they are not physically relocated or would lose 10% or less of productive assets), as the case may be, all in accordance with its terms and in a manner acceptable to the Bank.

4. The Borrower shall ensure that the terms of reference for any consultancies related to the technical assistance provided under the Project, shall be satisfactory to the Bank and, to that end, such terms of reference shall duly incorporate the requirements of the bank's Safeguard Policies then in force, as applied to the advice conveyed through such consultancies and technical assistance.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General

Conditions and on the basis of the performance indicators acceptable to the Bank and 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 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

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

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than 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 shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

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

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

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

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

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and Non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

(a) National Competitive Bidding (including the method known as "*pregão eletrônico*", as provided in the Guarantor's Law No. 10520, of July 17, 2002 under any e-procurement system acceptable to the Bank), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank
(b) Shopping (including the method known as "*pregão eletrônico*", as provided in the Guarantor's Law No. 10520, of July 17, 2002 under any e-procurement system acceptable to the Bank)
(c) Framework Agreements
(d) Direct Contracting
(e) Community Participation in Procurement procedures, as set forth in the Operational Manual

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 Consultant's Qualifications
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Procedures set forth in Paragraphs 5.1 to 5.5 of the Consultants Guidelines for the Selection of Individual Consultants
(e) Single Source Selection
(f) Fixed- Cost Selection
(g) Sole Source Procedures for the selection of Individual Consultants set forth in paragraph 5.6 of the Consultant Guidelines

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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of taxes)
(1) Goods, works, Non-consulting Services, and consultants' services required for Subprojects	91,076,000	Up to 100% of the amount disbursed under a Matching Grant
(2) Goods, works, consultants' services, non-consulting services, Operating Costs and Training	268,024,000	100%
(3) Front-end Fee	900,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07(c) of this Agreement
TOTAL AMOUNT	360,000,000	

For the purposes of this Section:

(a) the term "Operating Costs" means the reasonable incremental recurrent costs (which would not have been incurred absent the Project), related to Project technical and administrative management monitoring and supervision required under the Project, including *inter alia*, administrative and operational support staff, office materials, supplies, travel costs (including accommodations, transportation costs and *per diem*), printing services, communication costs, utilities, maintenance of office equipment and facilities, vehicle operation and maintenance costs, costs associated with the deployment of, updates and upgrades to the financial management system, and logistics services; and

(b) the term "Training" means expenditures (other than those for consultants' services) incurred by the Borrower in connection with the carrying out of training, seminars, and workshops, including the reasonable travel costs (e.g. accommodations, transportation costs and *per diem*) of trainees and trainers (if applicable), catering, rental of

training facilities and equipment, training enrollment fees, logistics and printing services, as well as training materials needed under the Project.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $72,000,000 equivalent may be made for payments made prior to this date but on or after March 7, 2012, for Eligible Expenditures under Categories (1) and (2), but in no case more than one year prior to the date of this Agreement.

2. The Closing Date is May 31, 2019. 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.

Principal Payment Date	**Installment Share (Expressed as a Percentage)**
On each June 15 and December 15 Beginning December 15, 2018 through June 15, 2043	2%

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. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and revised in January 2011.

2. "APL" means *Arranjos Produtivos Locais*, local productive value chains located in the Borrower's territory.

3. "Bank Safeguards Policies" means the Bank's operational policies and procedures set forth in the Bank's Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.WorldBank.org/opmanual.

4. "Business Plan" means a long-term, voluntary, commercial relationship between any given PO and SAPE, aimed at meeting market demands, and based on arrangements to carry out jointly market-oriented productive investments, which plans meets the criteria set forth in the Operational Manual.

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

6. "CIOSP" means *Centro Integrado de Operações de Segurança Pública*, the Borrower's Centre for Public Security Integrated Operations.

7. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.

8. "DER" means *Departamento de Estradas de Rodagem do Estado do Rio Grande do Norte*, the Borrower's Department of Roads.

9. "Eligible Implementers" means: (i) for Productive Subprojects: POs; (ii) for Social and Environmental Subprojects: POs, SOs and/or NSOs; (iii) for Socioeconomic Infrastructure Subprojects: SOs and NSOs; and (iv) for School Subprojects: School Associations.

10. "Environmental and Social Management Framework or ESMF" means the Borrower's framework dated February 8, 2013, acceptable to the Bank, as published and available to the public on the website www.seplan.rn.gov.br on February 21, 2013, which contains the environmental protection measures in respect of the Project, including: (i) measures for chance findings of cultural property; (ii) protection of natural habitats, pest management and medical waste

management; (iii) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project (including Subprojects); (iv) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (v) the recommendation of mitigation measures for each negative impact identified; and (vi) measures for enhancing each identified positive impact, as said framework may be amended from time to time with the Bank's prior approval.

11. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012.

12. "ICT" means Information and Communication Technology.

13. "ICT INFOVIAS" means the Borrower's information and communication technology connectivity systems and networks.

14. "Indigenous Peoples" means the indigenous peoples recognized as such by the Guarantor's *Fundação Nacional do Índio*, the National Indian Foundation established and operating pursuant to the provisions of the Borrower's Decree No. 4645, dated March 25, 2003, as eligible to benefit from the constitutional and other legal protection as indigenous peoples.

15. "Indigenous Peoples' Planning Framework or IPPF" means the Borrower's framework dated February 8, 2013, acceptable to the Bank, published and available to the public on the website www.seplan.rn.gov.br on February 14, 2013, satisfactory to the Bank, detailing measures to mitigate any adverse impact on Indigenous Peoples as a result of any activity carried out under the Project (including Subprojects) and to ensure that they benefit from the Project, including procedures for the preparation and implementation of the pertinent Indigenous Peoples development plans, as said framework may be amended from time to time with the Bank's prior approval.

16. "Matching Grants" means a grant made out of the proceeds of the Loan from the Borrower to an Eligible Implementer for the partial financing of an eligible Subproject, subject to the specific terms and conditions set forth in the Operational Manual and in the relevant Subproject Agreement.

17. "Non-consulting Services" means the costs of services which are of non-intellectual nature and that can be procured on the basis of performance of measurable physical outputs, including unskilled-labor communications campaigns, production of videos, and installation of equipment.

18. "NSO" means a network of social organizations, or a group of SOs organized into a legally established association which, upon meeting the criteria set forth in

the Operational Manual, is eligible to receive a Matching Grant for carrying out Socioeconomic Infrastructure Subprojects or Social and Environmental Subprojects.

19. "Operational Manual" means the Borrower's manual dated May 10, 2013, for the operation of the Project referred to in Section I.A.4 of Schedule 2 to this Agreement.

20. "PMU" means *Unidade de Gerenciamento do Projeto*, the Borrower's technical unit within SEPLAN, created through Decree No. 22.539 of December 30, 2011, and referred to in Section I.A.2(a) of Schedule 2 to this Agreement.

21. "PNAE" means *Programa Nacional de Alimentação Escolar*, the Guarantor's National School Meals Program created pursuant the Guarantor's Law No. 11.947 dated June 16, 2009.

22. "PO" means a rural producer-based organization vested with legal personality and/or a group of rural citizens organized into a legally established private association, all of which, upon meeting the criteria set forth in the Operational Manual, is eligible to receive a Matching Grant on behalf of its members, for the carrying out of a Productive Subproject or a Social and Environmental Subproject.

23. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.

24. "Procurement Plan" means the Borrower's procurement plan for the Project, dated May 10, 2013, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

25. "Productive Subproject" means any eligible productive and market-oriented investment, identified and prioritized in a Business Plan as approved by the Borrower in accordance with relevant provisions of the Operational Manual, and to be partly financed with a Matching Grant under the pertinent Subproject Agreement for the activities set forth in Part 1(b) of the Project and to be carried out by a PO.

26. "Project Management Committee" means the committee referred to in Section I.A.1 of Schedule 2 to this Agreement.

27. "Resettlement Policy Framework or RPF" means the document prepared by the Borrower dated February 8, 2013, published and available to the public on the website www.seplan.rn.gov.br on February 14, 2013, outlining general

implementation procedures, mitigation measures and monitoring procedures for involuntary resettlement under the Project, including the procedures for the preparation and implementation of resettlement plans, as said framework may be amended from time to time with the Bank's prior approval.

28. "SAPE" means *Secretaria de Estado da Agricultura, da Pecuária e da Pesca*, the Borrower's Secretariat of Agriculture, Livestock and Fisheries, and any successor thereof.

29. "Schools Associations" means *Caixa Escolar*, non-profit organizations established at school and municipal level for the purposes of administering school finances, including the acquisition and contracting of services previously included in each of the school's annual plan, for the improvement and maintenance of its facilities.

30. "School Development Plan" means the action plan that establishes priority programs and services to be implemented at the school level.

31. "School Subproject" means any eligible investment aimed at increasing school efficiency and accountability, identified and prioritized in a School Development Plan, as approved by the Borrower in accordance with relevant provisions of the Operational Manual and to be financed by the pertinent Subproject Agreement for the activities set forth in Part 2(b)(ii)(B) of the Project and to be carried out by an School Association.

32. "SEARH" means *Secretaria de Estado da Administração e dos Recursos Humanos*, the Borrower's Secretariat of Administration and Human Resources, and any successor thereof.

33. "SEDEC" means *Secretaria de Estado do Desenvolvimento Econômico*, the Borrower's State Secretariat of Economic Development, and any successor thereof.

34. "SEEC" means *Secretaria de Estado da Educação e da Cultura*, the Borrower's Education Secretariat, and any successor thereof.

35. "SEPLAN" means *Secretaria de Estado do Planejamento e das Finanças*, the Borrower's Secretariat of Planning, and any successor thereof.

36. "SESAP" means *Secretaria de Estado da Saúde Pública*, the Borrower's State Secretariat of Health, and any successor thereof.

37. "SESED" means *Secretaria de Estado da Segurança Pública e da Defesa Social*, the Borrower's Secretariat of Security and Social Defense, and any successor thereof.

38. "SETHAS" means *Secretaria de Estado do Trabalho, da Habitação e da Assistência Social*, the Borrower's Secretariat of Labor, Housing and Social Assistance, and any successor thereof.

39. "SETUR" means *Secretaria do Estado do Turismo*, the Borrower's Secretariat of Tourism, and any successor thereof.

40. "SO" means a social organization formed by members of a community representing poor and vulnerable communities (i.e. female-headed households, indigenous and *quilombola* communities), duly established in the Borrower's territory in accordance with the Guarantor's laws, that upon meeting the criteria set forth in the Operational Manual, is eligible to receive a Matching Grant for carrying out a Productive Subproject, a Socioeconomic Infrastructure Subprojects and/or a Social and Environmental Subprojects.

41. "Social and Environmental Subproject" means any eligible productive investment aimed at enhancing climate resilience and environmental sustainability of productive activities, supporting the recovery of environmental degraded areas, including grey water reuse and capacitation of local recycling systems, and/or enhancing food security, as approved by the Borrower in accordance with relevant provisions of the Operational Manual and to be partly financed with a Matching Grant under the pertinent Subproject Agreement for the activities set forth in Part 1(b)(iii) of the Project and to be carried out by an PO, SO or NSO.

42. "Socioeconomic Infrastructure Subproject" means any eligible productive investment in basic socioeconomic infrastructure improvements, including water and sanitation, local access roads and energy, identified and prioritized in the Borrower's Strategy for Extreme Poverty Elimination, as approved by the Borrower in accordance with relevant provisions of the Operational Manual and to be partly financed with a Matching Grant under the pertinent Subproject Agreement for the activities set forth in Part 1(b) of the Project and to be carried out by an SO or NSO.

43. "Strategy for Extreme Poverty Elimination" means *Plano Rio Grande do Norte Sem Miséria/Programa Rio Grande do Norte Mais Justo*, the Borrower's Poverty Reduction and Social Inclusion Strategy for 2012-2015, launched in March 5, 2012.

44. "Subproject" means any Productive Subproject, Socioeconomic Infrastructure Subproject, Social and Environmental Subproject and/or School Subproject.

45. "Subproject Agreement" means each agreement to be entered into between the Borrower and an Eligible Implementer as specified in Section I, Part C of Schedule 2 to this Agreement.

46. "Sustainable Regional Development Strategy" means the Borrower's integrated management initiative aimed at prioritizing and monitoring strategic projects and activities for social and economic development, taking into consideration the region's challenges and potential as an attractive or restrictive area, public infrastructure investments and services delivering, as well as to provide guidance for private investments, proposing solutions to avoid or mitigate environmental and social impacts.

47. "UES" means any of the units mentioned on Section I.A.2(c) of Schedule 2 to this Agreement.

AGENCIA