

**REQUEST FOR PROPOSALS**

**TECHNICAL ASSISTANCE FOR THE PROAERO SMALL AIRPORTS NETWORK  
PROGRAM EXPANSION PLAN PROJECT**

Submission Deadline: **5:00 pm LOCAL TIME**  
**MONDAY, MAY 4, 2009**

Submission Place: **Contact:** Warlei Agnelo de Oliveira - Gerente Adjunto do ProAcesso  
Subsecretaria de Transportes, Secretaria de Estado de Transportes  
e Obras Públicas, Governo do Estado de Minas Gerais  
Rua Manaus, No. 467 – Santa Efigênia  
Belo Horizonte, MG CEP 30150-350 Brazil  
**Phone:** (55-31) 3239 0835

SEALED PROPOSALS SHALL BE CLEARLY MARKED AND RECEIVED PRIOR TO THE  
TIME AND DATE SPECIFIED ABOVE. PROPOSALS RECEIVED AFTER SAID TIME  
AND DATE WILL NOT BE ACCEPTED OR CONSIDERED.

## REQUEST FOR PROPOSALS

SECTION 1:	INTRODUCTION.....	4
1.1	BACKGROUND SUMMARY.....	4
1.2	OBJECTIVE.....	4
1.3	PROPOSALS TO BE SUBMITTED.....	5
1.4	CONTRACT FUNDED BY USTDA.....	5
SECTION 2:	INSTRUCTIONS TO PROPOSERS.....	6
2.1	PROJECT TITLE.....	6
2.2	DEFINITIONS.....	6
2.3	DEFINITIONAL MISSION REPORT.....	6
2.4	EXAMINATION OF DOCUMENTS.....	6
2.5	PROJECT FUNDING SOURCE.....	6
2.6	RESPONSIBILITY FOR COSTS.....	7
2.7	TAXES.....	7
2.8	CONFIDENTIALITY.....	7
2.9	ECONOMY OF PROPOSALS.....	7
2.10	SUBSTANTIVE PROPOSALS.....	7
2.11	CONDITIONS REQUIRED FOR PARTICIPATION.....	7
2.12	LANGUAGE OF PROPOSAL.....	8
2.13	PROPOSAL SUBMISSION REQUIREMENTS.....	8
2.14	PACKAGING.....	8
2.15	AUTHORIZED SIGNATURE.....	8
2.16	EFFECTIVE PERIOD OF PROPOSAL.....	9
2.17	EXCEPTIONS.....	9
2.18	OFFEROR QUALIFICATIONS.....	9
2.19	RIGHT TO REJECT PROPOSALS.....	9
2.20	PRIME CONTRACTOR RESPONSIBILITY.....	9
2.21	AWARD.....	9
2.22	COMPLETE SERVICES.....	10
2.23	INVOICING AND PAYMENT.....	10
SECTION 3:	PROPOSAL FORMAT AND CONTENT.....	11
3.1	SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY.....	11
3.2	SECTION 2: COMPANY INFORMATION.....	12
3.2.1	COMPANY PROFILE.....	12
3.2.2	OFFEROR'S AUTHORIZED NEGOTIATOR.....	12
3.2.3	NEGOTIATION PREREQUISITES.....	12
3.3	SECTION 3: ORGANIZATIONAL STRUCTURE, MANAGEMENT, AND KEY PERSONNEL.....	12
3.4	SECTION 4: TECHNICAL APPROACH AND WORK PLAN.....	13
3.5	SECTION 5: EXPERIENCE AND QUALIFICATIONS.....	13
SECTION 4:	AWARD CRITERIA.....	14

- ANNEX 1 FEDBIZOPPS ANNOUNCEMENT
- ANNEX 2 BACKGROUND DEFINITIONAL MISSION REPORT
- ANNEX 3 USTDA NATIONALITY REQUIREMENTS
- ANNEX 4 USTDA GRANT AGREEMENT, INCLUDING MANDATORY CONTRACT CLAUSES
- ANNEX 5 TERMS OF REFERENCE (FROM USTDA GRANT AGREEMENT)

## **Section 1: INTRODUCTION**

The U.S. Trade and Development Agency (USTDA) has provided a grant to conduct the PROAERO Small Airports Network Program Expansion Plan Project on behalf of the Minas Gerais Transport and Public Works Secretariat. The grant agreement is attached at Annex 4 for reference. The Grantee is soliciting technical proposals from qualified U.S. firms to provide expert consulting services to carry out the Technical Assistance.

### **1.1 BACKGROUND SUMMARY**

The State of Minas Gerais has a land mass that exceeds that of France and is the third largest economy in Brazil. The State also accounts for 10% of total Brazilian GDP. It has a diversified economy including mining, tourism, automotives, and agriculture. Minas Gerais has a well developed network of roads, railroads and airports, all of which play an integral role in interstate commerce.

In 2003, the Transport and Public Works Secretariat and the Economic Development Secretariat of the State of Minas Gerais instituted an airport program known as Programa Aeroportuário de Minas Gerais (PROAERO). PROAERO's objective is to promote safety standards and economic development through an integrated network of paved and unpaved airports in Minas Gerais. Projects implemented to-date through the PROAERO program have yielded benefits for the tourism, agriculture and health sectors (e.g., increased passenger and perishable cargo service, medevac services, donor organ shipment programs, forest fire safety and the establishment of new regional air carrier services).

In order to carry this program to its next phase, the government of the State of Minas Gerais, under the leadership of Governor Aécio Neves da Cunha, has authorized a budget of \$207 million to expand PROAERO until 2011. Through the expansion, PROAERO anticipates greater intra-state and inter-state civil aviation interconnection. The State government's ultimate goal is for all municipalities to be within 50 miles of an airport. The plan calls for developments and improvements at 162 airports and 24-hour service at approximately 70 of these airports by 2011.

To help meet these objectives, the Transport and Public Works Secretariat has requested USTDA funding for a technical assistance consultancy that will help to implement the next phase of the PROAERO program.

### **1.2 OBJECTIVE**

The objective of the technical assistance is to provide the Secretariat with the basis for future capital expenditures, equipment procurement specifications, financing options, and program implementation. Through participation in the preparation of tender documents (plans and specifications) for the acquisition and installation of certain basic airport facility improvements, the opportunity for U.S. companies to participate in the program will be improved.

The Terms of Reference (TOR) for this Technical Assistance is attached as Annex 5.

### **1.3 PROPOSALS TO BE SUBMITTED**

Technical proposals are solicited from interested and qualified U.S. firms. The administrative and technical requirements as detailed throughout the Request for Proposals (RFP) will apply. Specific proposal format and content requirements are detailed in Section 3.

COST will not be a factor in the evaluation and therefore, cost proposals should not be submitted; upon detailed evaluation of technical proposals, one firm will be selected for contract negotiations. The amount for the negotiated contract has been established by a USTDA grant of U.S. \$241,000 dollars.

### **1.4 CONTRACT FUNDED BY USTDA**

The negotiated contract will be funded by USTDA in accordance with the terms and conditions of its grant to the Grantee. The contract must include certain USTDA mandatory clauses relating to nationality, taxes, payment, reporting, and other matters. The USTDA nationality requirements and the USTDA mandatory clauses are attached at Annexes 3 and 4 for reference.

## **Section 2: INSTRUCTIONS TO PROPOSERS**

### **2.1 PROJECT TITLE**

The project is called the "PROAERO Small Airports Network Program Expansion Plan Project."

### **2.2 DEFINITIONS**

Please note the following definitions of terms as used in this RFP.

The term "Request for Proposals" means this solicitation of a formal technical proposal including qualifications statement.

The term "Offeror" means the U.S. individual, or U.S. firm, including any and all subcontractors, which responds to the RFP and submits a formal proposal and which may or may not be successful in being awarded this procurement.

### **2.3 DEFINITIONAL MISSION REPORT**

USTDA sponsored a Definitional Mission to address technical, financial, sociopolitical, environmental and other aspects of the proposed project. A copy of the Report is attached at Annex 2 for background information only.

### **2.4 EXAMINATION OF DOCUMENTS**

Offerors should carefully examine this RFP. It will be assumed that Offerors have done such inspection and that through examinations, inquiries and investigation they have become familiarized with local conditions and the nature of problems to be solved during the execution of the Technical Assistance.

Offerors shall address all items as specified in this RFP. Failure to adhere to this format may disqualify an Offeror from further consideration.

Submission of a proposal shall constitute evidence that the Offeror has made all the above mentioned examinations and investigations, and is free of any uncertainty with respect to conditions which would affect the execution, and completion of the Technical Assistance.

### **2.5 PROJECT FUNDING SOURCE**

The Technical Assistance will be funded under a grant from USTDA. The total amount of the grant is not to exceed U.S. \$241,000 dollars.

## **2.6 RESPONSIBILITY FOR COSTS**

Offeror shall be fully responsible for all costs incurred in the development and submission of the proposal or any other cost incurred by Offeror prior to issuance of an agreement or contract. Neither USTDA nor the Grantee assumes any contractual obligation as a result of the issuance of this proposal request, the preparation or submission of a proposal by an Offeror, the evaluation of proposals, or final selection.

## **2.7 TAXES**

Offerors should submit proposals which note that in Annex 4, USTDA Mandatory Contract Provisions, USTDA funds are not to be used to pay taxes or duties under the laws of host country.

## **2.8 CONFIDENTIALITY**

The Grantee will use its best efforts to preserve the confidentiality of any business proprietary or confidential information submitted by the Offeror, which is clearly designated as such by the Offeror.

## **2.9 ECONOMY OF PROPOSALS**

Proposal documents should be prepared simply and economically, providing a comprehensive and concise description of the Offeror's capabilities to satisfy the requirements of the RFP. There is no necessity for expensive bindings, colored displays, or other promotional material unless such material is absolutely pertinent to the proposal. Emphasis should be placed on completeness and clarity of content.

## **2.10 SUBSTANTIVE PROPOSALS**

The Offeror shall certify (a) that its proposal is genuine and is not made in the interest of, or on the behalf of, any undisclosed person, firm, or corporation, and is not submitted in conformity with, and agreement of, any undisclosed group, association, organization, or corporation; (b) that it has not directly or indirectly induced or solicited any other Offeror to put in a false proposal; (c) that it has not solicited or induced any other person, firm, or corporation to refrain from submitting a proposal; and (d) that it has not sought by collusion to obtain for himself any advantage over any other Offeror or over the Grantee or USTDA or any employee thereof.

## **2.11 CONDITIONS REQUIRED FOR PARTICIPATION**

Only U.S. firms are eligible to participate in this tender. However, U.S. firms may utilize subcontractors from host country for up to 20 percent of the amount of the USTDA grant. USTDA nationality requirements are detailed in Annex 3.

## **2.12 LANGUAGE OF PROPOSAL**

All proposal documents shall be prepared and submitted in English and Portuguese.

## **2.13 PROPOSAL SUBMISSION REQUIREMENTS**

The **Cover Letter** in the proposal must be addressed to:

Secretaria de Estado de Transportes e Obras Públicas  
Subsecretaria de Transportes  
Governo do Estado de Minas Gerais  
Rua Manaus, No. 467 – Santa Efigenia  
Belo Horizonte, MG CEP 30150-350  
Brazil

Phone: 011 55 31 3239 0835

**An Original in English and Portuguese and one (1) paper copy in each language and one (1) digital copy in CD or DVD-ROM (PDF format) must be received at the above address no later than 5:00 pm (local time), on May 4, 2009.**

Proposals may be either sent by mail, overnight courier, or hand-delivered. Whether the proposal is sent by mail, courier or hand-delivered, the Offeror shall be responsible for actual delivery of the proposal to the above address before the deadline. Any proposal received after the deadline will be returned unopened.

Upon timely receipt, all proposals become the property of the Grantee.

## **2.14 PACKAGING**

Each proposal must be sealed to ensure confidentiality of the information. The proposals should be individually wrapped and sealed, and labeled for content including "original" or "copy number x"; the original in English or Portuguese and one (1) paper copy in each language and one (1) digital copy in CD or DVD-ROM (PDF format) should be collectively wrapped and sealed, and clearly marked for content.

Neither USTDA nor the Grantee will be responsible for premature opening of proposals not properly labeled.

## **2.15 AUTHORIZED SIGNATURE**

The proposal must contain the signature of a duly authorized officer or agent of the Offeror empowered with the right to bind the Offeror.

## **2.16 EFFECTIVE PERIOD OF PROPOSAL**

The proposal shall be binding upon the Offeror for sixty (60) days after the proposal due date, and Offeror may withdraw or modify this proposal at any time prior to the due date upon written request, signed in the same manner and by the same person who signed the original proposal.

## **2.17 EXCEPTIONS**

Firms agree by their response to the RFP announcement to abide by the procedures set forth therein. Material modifications in the TOR or responsibilities of the parties will not be accepted.

Any exceptions in the proposal shall be clearly identified, and shall include the scope of such exception, and its impact, on the procurement. The Grantee shall make final determination as to the responsiveness of such exceptions and their acceptability.

## **2.18 OFFEROR QUALIFICATIONS**

As provided in Section 3, Offerors shall submit evidence that they have relevant past experience and have previously delivered advisory and Technical Assistance services similar to those required in the TOR.

## **2.19 RIGHT TO REJECT PROPOSALS**

The Grantee reserves the right to reject any and all proposals and to accept or reject any or all of the items in the proposal, and to award the contract in whole or in part if it is deemed in the best interest of the Grantee.

## **2.20 PRIME CONTRACTOR RESPONSIBILITY**

Offerors have the option of subcontracting parts of the services they propose. The Offeror's proposal must include a description of any anticipated subcontracting arrangements, including the name, address, and qualifications of consultants and subcontractors. USTDA nationality provisions are set forth in detail in Annex 3. The successful Offeror shall cause appropriate provisions, of its contract, including all mandatory USTDA clauses, to be inserted in all subcontracts ensuing to ensure fulfillment of all contractual provisions by subcontractors.

## **2.21 AWARD**

An award resulting from this RFP shall be made to the best qualified Offeror, taking into consideration the evaluation factors set forth herein; however, the right is reserved to reject any and all proposals received and, in all cases, the Grantee will be the judge as to whether a proposal has or has not satisfactorily met the requirements of this RFP.

## **2.22 COMPLETE SERVICES**

The successful Offeror shall be required to (a) furnish all supplies, supervision, transportation, and other execution accessories, services, and facilities; (b) provide and perform all necessary labor; and (c) in accordance with good technical practice, with due diligence, and in accordance with the requirements, stipulations, provisions and conditions of this RFP and the resultant contract, execute and complete all specified work to the satisfaction of the Grantee.

## **2.23 INVOICING AND PAYMENT**

Deliverables under the contract shall be delivered on a schedule to be agreed upon in a contract with the Grantee. The Contractor may submit invoices to the designated Grantee Project Director in accordance with a schedule to be negotiated and included in the contract. Upon approval of each invoice, the Grantee will forward the invoice to USTDA which will process payment to the Contractor. All payments by USTDA under the Grant Agreement will be made in U.S. currency.

### **Section 3: PROPOSAL FORMAT AND CONTENT**

To expedite proposal review and evaluation, and to assure that each proposal receives the same orderly review, all proposals must follow the format described in this section.

Proposal sections and pages shall be appropriately numbered and the proposal shall include a Table of Contents. Offerors are encouraged to submit concise and clear responses to the RFP. Proposals shall contain all elements of information requested without exception. Instructions regarding the required scope and content are given in this section. The Grantee reserves the right to include any part of the selected proposal in the final contract.

The proposal shall consist of a technical proposal only. No cost proposal is required as the value of the USTDA grant is established at U.S. \$241,000 dollars.

Offerors shall submit one (1) original in English and Portuguese in each language and one (1) paper copy and one (1) digital copy in CD (PDF format) of the proposal. Proposals received by fax or email cannot be accepted.

The following sections and content are required for each proposal:

- Transmittal Letter,
- Cover/Title Page,
- Table of Contents,
- Introduction and Executive Summary,
- Company Information,
- Organizational Structure, Management Plan, and Key Personnel,
- Technical Approach and Work Plan,
- Experience and Qualifications, and
- Miscellaneous.

Detailed requirements and directions for the preparation of each section are presented below.

#### **3.1 SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY**

An Executive Summary should be prepared describing the major facts or features of the proposal, including any conclusions, assumptions, and generalized recommendations the Offeror desires to make. Offerors are requested to make every effort to limit the length of the Executive Summary to no more than five (5) pages.

## **3.2 SECTION 2: COMPANY INFORMATION**

### **3.2.1 Company Profile**

Provide the information listed below relative to the Offeror's firm. If the Offeror is proposing to subcontract some of the proposed work to another firm(s), similar information must be provided for each subcontractor. Offerors are requested to limit the length of the Company Profile Information to one (1) page per firm.

1. Name of firm and business address, including telephone and fax numbers and email address.
2. Year established (include former firm names and year established, if applicable).
3. Type of ownership and parent company, if any.
4. Project Manager's name, address, telephone and fax number and email address, if different from (1).

### **3.2.2 Offeror's Authorized Negotiator**

Provide name, title, address, telephone and fax number and email address of the Offeror's authorized negotiator. The person cited shall be empowered to make binding commitments for the Offeror and its subcontractors, if any.

### **3.2.3 Negotiation Prerequisites**

1. Discuss any impact of any current or anticipated commitments which may impact the ability of the Offeror or its subcontractors to complete the Technical Assistance as proposed and within the project schedule.
2. Identify any specific information which is needed from the Grantee before commencing contract negotiations.

## **3.3 SECTION 3: ORGANIZATIONAL STRUCTURE, MANAGEMENT, AND KEY PERSONNEL**

Describe the Offeror's proposed project organizational structure. Discuss how the project will be managed including the principal and key staff assignments for this Technical Assistance. Identify the Project Manager who will be the individual responsible for this project. The Project Manager must have the responsibility and authority to act on behalf of the Offeror in matters related to the proposed Technical Assistance.

Provide a listing of personnel (including subcontractors and consultants) to be engaged in the project, either U.S. or local with the following information for key staff: position in the project; pertinent experience, curriculum vitae; other relevant information. If subcontractors are to be used, the organizational relationship between the firms must be described.

A manpower schedule and the level of effort for the project period, by activities and tasks, as detailed under the Work Plan shall be submitted. A statement confirming the availability of the proposed project manager and key staff over the duration of the project must be included in the proposal.

### **3.4 SECTION 4: TECHNICAL APPROACH AND WORK PLAN**

Describe in detail the proposed technical approach and work plan. Discuss the project requirements as perceived by the Offeror. Include a brief narrative of tasks within each activity series. Begin with the information gathering phase and continue through delivery and approval of all required reports.

Prepare a detailed schedule of performance that describes all activities and tasks within the Technical Work Plan, including periodic reporting or review points, incremental delivery dates, and other project milestones.

Based on the Technical Work Plan, and previous project experience, explain when and where Offeror will require support from the Grantee. Detail the amount of staff time required by the Grantee or participating agencies and any work space or facilities needed to complete the Technical Assistance.

### **3.5 SECTION 5: EXPERIENCE AND QUALIFICATIONS**

Provide a discussion of the Offeror's experience and qualifications which are relevant to the objectives and TOR for the Technical Assistance. If a subcontractor(s) is being used, similar information must be provided for the prime and each subcontractor firm proposed for the project. Relevant experience and qualifications of key staff proposed shall be provided including letters of commitment from the individuals proposed concerning their availability for contract performance.

As many as possible but not more than six (6) relevant and verifiable project references must be provided, including the following information:

- Project name,
- Name and address of client (indicate if joint venture),
- Client contact person (name/ position/ current phone and fax numbers),
- Period of Contract,
- Description of services provided,
- Dollar amount of Contract, and
- Status and comments.

Offerors are strongly encouraged to include in their experience summary primarily those projects that are similar to or larger in scope than the Technical Assistance as described in this RFP.

#### **Section 4: AWARD CRITERIA**

Individual proposals will be initially evaluated by a Procurement Selection Committee of representatives from the Grantee. The Committee will then conduct a final evaluation and completion of ranking of qualified Offerors, and the Grantee shall promptly negotiate a contract with the best qualified Offeror. If a satisfactory contract cannot be negotiated with the best qualified Offeror, negotiations will be formally terminated. Negotiations shall then be undertaken with the second most qualified Offeror and so forth.

The selection of the Contractor will be based on the following criteria:

##### 1. Technical Experience (50 percent)

The proposals will be evaluated with regard to the experience demonstrated for each of the key technical staff. Staff experience rather than firm experience is the key factor in this evaluation. Assigned technical staff should demonstrate proven experience in:

- a. Aviation system planning.
- b. Airport planning with emphasis on general aviation and non-hub and small hub air carrier airports.
- c. Phasing plans for airport development programs.
- d. Preparation of plans and specifications for issuing tenders to acquire and install visual and instrumental landing aids, automated weather observing systems, and radio communications facilities.
- e. Working knowledge of planning and design best practices and standards issued by International Civil Aviation Organization and the US Federal Aviation Administration.

##### 2. Project Understanding and Methodology and Approach (25 percent)

The evaluation will consider the appropriateness of the technical and management approach and the overall quality and responsiveness to the request for proposal. This includes a demonstrated understanding of the PROAERO Program and clear and succinct descriptions regarding how the Technical Assistance will be executed including interaction with SETOP staff. Suggestions to make the Technical Assistance more effective in order to achieve the project objectives and move toward implementation should be offered. These suggestions should also reflect the experience of the assigned staff as it relates to the transition from the planning and design aspect to the preparation of a phasing program and preparation of bid documents (plans and specifications).

##### 3. Financial experience (10 percent)

Demonstrated experience with understanding costs associated with the principal capital improvements and the availability of funding including government funding and commercial

resources. This includes a demonstrated understanding and use of suppliers credits, EXIM Bank financing programs, and local banking facilities.

4. Language (15 percent)

Portuguese language skills will be a consideration, but not an overriding factor in the selection process.

Proposals which do not include all requested information may be considered non-responsive.

Price will not be a factor in contractor selection.

**ANNEX 1**

Warlei Agnelo de Oliveira - Gerente Adjunto do ProAcesso / Subsecretaria de Transportes, Secretaria de Estado de Transportes e Obras Públicas, Governo do Estado de Minas Gerais Rua Manaus, No. 467 – Santa Efigênia Belo Horizonte, MG CEP 30150-350 Brazil Phone: 011 55 31 3239 0835

B - Brazil: PROAERO Small Airports Network Program Expansion Plan

POC John Kusnierek, USTDA, 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901, Tel: (703) 875-4357, Fax: (703) 875-4009. PROAERO SMALL AIRPORTS NETWORK PROGRAM EXPANSION PLAN. The Grantee invites submission of qualifications and proposal data (collectively referred to as the "Proposal") from interested U.S. firms which are qualified on the basis of experience and capability to develop a technical assistance for the PROAERO Small Airports Network Program Expansion Plan project for the State of Minas Gerais Transport and Public Works Secretariat.

In 2003, the Transport and Public Works Secretariat and the Economic Development Secretariat of the State of Minas Gerais instituted an airport program known as Programa Aeroportuário de Minas Gerais (PROAERO). PROAERO's objective is to promote safety standards and economic development through an integrated network of paved and unpaved airports in Minas Gerais. Projects implemented to-date through the PROAERO program have yielded benefits for the tourism, agriculture and health sectors (e.g., increased passenger and perishable cargo service, medivac services, donor organ shipment programs, forest fire safety and the establishment of new regional air carrier services).

In order to carry this program to its next phase, the government of the State of Minas Gerais, under the leadership of Governor Aécio Neves da Cunha, has authorized a budget of \$207 million to expand PROAERO until 2011. Through the expansion, PROAERO anticipates greater intra-state and inter-state civil aviation interconnection. The State government's ultimate goal is for all municipalities to be within 50 miles of an airport. The plan calls for developments and improvements at 162 airports and 24-hour service at approximately 70 of these airports by 2011.

To help meet these objectives, the Transport and Public Works Secretariat has requested USTDA funding for a technical assistance consultancy that will help to implement the next phase of the PROAERO program. The technical assistance consultancy will provide the Secretariat with the basis for future capital expenditures, equipment procurement specifications, financing options, and program implementation.

The U.S. firm selected will be paid in U.S. dollars from a \$241,000 grant to the Grantee from the U.S. Trade and Development Agency (USTDA).

A detailed Request for Proposals (RFP), which includes requirements for the Proposal, the Terms of Reference, and a background definitional mission report are available from USTDA, at 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901. To request the RFP in PDF format, please go to:

<https://www.ustda.gov/USTDA/FedBizOpps/RFP/rfpform.asp>. Requests for a mailed hardcopy version of the RFP may also be faxed to the IRC, USTDA at 703-875-4009. In the fax, please include your firm's name, contact person, address, and telephone number. Some firms have found that RFP materials sent by U.S. mail do not reach them in time for preparation of an adequate response. Firms that want USTDA to use an overnight delivery service should include the name of the delivery service and your firm's account number in the request for the RFP. Firms that want to send a courier to USTDA to retrieve the RFP should allow one hour after faxing the request to USTDA before scheduling a pick-up. Please note that no telephone requests for the RFP will be honored. Please check your internal fax verification receipt. Because of the large number of RFP requests, USTDA cannot respond to requests for fax verification. Requests for RFPs received before 4:00 PM will be mailed the same day. Requests received after 4:00 PM will be mailed the following day. Please check with your courier and/or mail room before calling USTDA.

Only U.S. firms and individuals may bid on this USTDA financed activity. Interested firms, their subcontractors and employees of all participants must qualify under USTDA's nationality requirements as of the due date for submission of qualifications and proposals and, if selected to carry out the USTDA-financed activity, must continue to meet such requirements throughout the duration of the USTDA-financed activity. All goods and services to be provided by the selected firm shall have their nationality, source and origin in the U.S. or host country. The U.S. firm may use subcontractors from the host country for up to 20 percent of the USTDA grant amount. Details of USTDA's nationality requirements and mandatory contract clauses are also included in the RFP.

Interested U.S. firms should submit their Proposal in English and Portuguese directly to the Grantee by 5:00pm (local time), May 4, 2009 at the above address. Evaluation criteria for the Proposal are included in the RFP. Price will not be a factor in contractor selection, and therefore, cost proposals should NOT be submitted. The Grantee reserves the right to reject any and/or all Proposals. The Grantee also reserves the right to contract with the selected firm for subsequent work related to the project. The Grantee is not bound to pay for any costs associated with the preparation and submission of Proposals.

**ANNEX 2**

# Definitional Mission Study

## BRAZIL – AVIATION SECTOR PROJECT

In accordance with the requirements of:

Contract Number USTDA-CO2008510015

Prepared by:

**QED**

Airport & Aviation Consultants

---

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**November 17, 2008**



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## **The U.S. Trade and Development Agency**

**The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, early investment analysis, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment.**

**USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.**

**Mailing and Delivery Address: 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901  
Phone: 703-875-4357 • Fax: 703-874-4009 • Web site: [www.tda.gov](http://www.tda.gov) • Email: [info@tda.gov](mailto:info@tda.gov)**

## **BRAZIL: AVIATION DEFINITIONAL MISSION**

### **INTRODUCTION**

The United States Trade and Development Agency awarded QED Airport & Aviation Consultants a professional services contract to conduct a Definitional Mission Study USTDA-CO2008510015 (DM) that will seek to identify opportunities and recommend Feasibility Studies and other strategies that could lead to greater U.S. participation in the Brazilian Aviation Sector.

Per the DM Contract, the QED Team of Messrs. Ronald F. Price and Clarence S. Haynes traveled to Brazil and assessed prospective airport projects involving the Brazilian state owned airport company, INFRAERO; the Government of the Federal District (GDF); and the State of Minas Gerais. The QED Team held meetings and discussions with among others, Project Sponsors, Brazilian Government officials, U.S. Embassy and Consulate officials, prospective users, potential U.S. suppliers of goods and services, and members of the Brazilian and international financial community. Prior to their DM trip, the QED Team conferred with U.S. firms that could provide goods and services to the aviation sector and discussions were held with Ex-Im Bank, OPIC, and private sector financial institutions regarding their assessment of the Brazilian economy and their financing posture toward Brazil and the aviation sector. At the end of the DM trip, the QED Team met briefed Ms. Rebecca Armand and Ms. Daniele Andrews at the U.S. Embassy and Mr. Ruy Baptista at the U.S. Commercial Office in Belo Horizonte on our findings and conclusions.

The DM Final Report herein will provide a description of the Brazilian Aviation Sector and will discuss the current and imminent changes that are taking place in the sector. In a broad sense, these changes involve civil aviation administration; ownership and management of airports including the prospect for greater participation by the private sector; and the need to address the movement of the growing level of airfreight and other cargo exported to and from Brazil.

The need to effect change has been largely brought about by the recent favorable growth trend of the Brazilian economy, thereby necessitating action on the part of regulators and key players in the sector to assure effective and safe management of air traffic growth and infrastructure expansion for the world's fourth largest domestic aviation market. As part of its effort to define how these changes take place, the Brazilian Government has mandated BNDES to consider various options including greater private sector participation in the aviation sector through concessions and the possible listing of INFRAERO shares on the BOVESPA and perhaps international exchanges.

Notwithstanding the global economic and financial crisis, the Brazilian Government still maintains infrastructure as a priority albeit at a slower pace. Consequently, it is felt that this could be an opportune time for U.S. business interests to more actively explore U.S. export and investment opportunities in this dynamic sector. These opportunities are further supported by a high level of interest on the part of the private sector and multilateral/bilateral institutions to consider committing significant levels of long term cross border and domestic capital to viable airport and other infrastructure projects.

Taking these factors into account, this DM Final Report will provide the findings, conclusions, and recommendations that include among others:

petroleum and mining, and agricultural sectors. This includes the economy benefiting from growing levels of domestic oil production and from many years of research and investment in ethanol technology and production, thereby reducing its dependency on the import of foreign oil imports.

	Value (US\$ billion)			
	2004	2005	2006	2007 est.
<b>Gross Domestic Product</b>	663.8	882.4	1,072.0	1,314.0
<b>Exports</b>	96.5	118.3	137.5	160.7
<b>Imports</b>	62.8	73.5	91.4	120.6
<b>Net</b>	33.7	44.8	46.1	40.1
<b>Current Account Balance</b>	11.6	14.2	13.5	1.5
<b>Foreign Direct Investment</b>	18.2	15.2	18.8	34.6
<b>International Reserves</b>	52.9	53.8	85.8	180.3

It should be noted that earlier this year, there were concerns regarding inflation that led to a tightened monetary policy by Banco Central do Brasil. Also, import growth began to squeeze the trade balance, which has Brazil moving toward a current account deficit for 2008. Despite this Standard & Poor's recently decided to upgrade the country's credit rating to investment grade. Consequently, institutional money, which is mostly barred from investing in countries with non-investment grade ratings, could now invest in Brazil.

Brazil however, has not escaped the problems plagued by both developed and developing countries. Foreign credit lines utilized to finance trade have been squeezed and in an effort to provide liquidity the U.S. Federal Reserve extended \$30 billion swap lines to each of the central banks of South Korea, Singapore, Brazil and Mexico that will last until April 30, 2009. Moreover, no different from what is occurring in the U.S. there has been a consolidation of banks including the acquisition of UNIBANCO (the third largest private bank) by Banco Itaú (the second largest bank), making the banking group the second largest bank in Brazil behind federally owned Banco do Brasil. The crisis has also dampened the flow of foreign capital into Brazil and this will slow down the level of direct foreign investment in infrastructure, but that void in part, could be picked up by multilateral and bilateral institutions. Notwithstanding, the long term view is that airports and other infrastructure projects will continue to be a priority of the Brazilian Government.

## **BRAZILIAN AVIATION SECTOR**

**General Overview:** The Brazilian Aviation Sector is a well developed and dynamic sector that has played a significant role in the growth and expansion of the Brazilian economy.

The **National Civil Aviation Agency of Brazil (ANAC)** has become the civil aviation authority in Brazil. ANAC mandate is to: (i) regulate, inspect and supervise services rendered by airlines operating in Brazil, (ii) grant concessions, permits and authorizations for air transport operations and airport infrastructure services, (iii) represent the Brazilian government before international civil aviation organizations, (iv) control, register and inspect civil aircraft, and (v) ensure that air transportation services are provided under free market principles.

Key components of the Aviation Sector comprise the following:

- 1. Airport Infrastructure:** The design, construction and operation of major landside and airside airport operations and air traffic management are currently the domain of.

INFRAERO. There also exist numerous state, municipal, and privately owned airports both paved and unpaved. To support this sector, there are a number of Brazilian and foreign firms engaged in providing equipment and other services. Note however, Brazilian engineering firms are extremely capable in the design and construction aspects of airports. These firms are now becoming more involved in providing financing as they are mobilizing funds in anticipation of privatization of airport and other infrastructure intensive sectors.

2. **Passenger Airline Service:** Brazil is the fourth largest domestic aviation market in the world. Brazilian owned and operated domestic and international commercial airline service dominated by two major carriers-TAM and GOL. At December 31, 2006, TAM's share of the domestic market was 49.1% in terms of RPK, while that of GOL was 37.1%<sup>2</sup>. Also, JetBlue Airways Inc. founder David Neeleman on recently announced plans to start a discount airline in Brazil. Neeleman has ordered US\$1.4 billion worth of E-195 jets from Brazil's Embraer but still must receive approval from the government for an operating permit. Internationally, Brazil is served by major international carriers and U.S. carriers include American, Continental Delta, and United, essentially serving São Paulo and Rio de Janeiro. Note that the U.S./Brazilian Bilateral allowed for bids for new routes in which the awards are imminent.
3. **Air Cargo Service**<sup>3</sup> is the fastest growing segment of the aviation market, registering more than 50 percent growth rates between 2001 and 2005. In particular, there has been strong growth in MERCOSUL and Brazilian commercial transactions with the Northern Hemisphere. In these transactions, goods shipped as air cargo are usually of high value and/or are time sensitive. Electronic, aircraft parts and automobile components and parts have contributed significantly to the growth of the air cargo market in Brazil. Flowers and fruits, while not high value, are time sensitive have also contributed to sector development. The most significant of INFRAERO's cargo operation is Viracopos International Airport in Campinas, São Paulo, which as a result of the São Paulo's significant economic activity operates as a huge wholesale airport with the capacity to move an extremely large volume of air cargo. Other airports with significant activity include Guarulhos International Airport in Sao Paulo, Manaus, and Galeão in Rio de Janeiro in that order. As the Brazilian economy expands, there is the potential for increased cargo activity at these airports, but going forward, other airports including Confins, Salvador, Curitiba, and Fortaleza could experience greater activity. Domestic air cargo operations are dominated by TAM, GOL, and VarigLog International passenger air service is provided by the Brazilian carriers and major international carriers including U.S. Carriers (American Airlines, United Airline, Delta Airlines, and Continental Airlines), European, Asian, and African carriers. International cargo is transported by these carriers (underbelly) and by FedEx, UPS, DHL, and Lufthansa.
4. **Ground services:** Ground services are primarily provided by TAM, GOL, and Swissport.
5. **Aircraft Manufacturing:** Manufacture of civil and military aircraft and spare parts dominated by Embraer, which is the third largest manufacturer of aircraft behind Boeing and Airbus/
6. **Aircraft and engine maintenance:** The market has developed as a result of the significant number of aircraft operating in Brazil as well as those manufactured by Embraer. All major engine manufacturers have a local presence in Brazil, and employ a domestic workforce

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<sup>2</sup> Source: National Civil Aviation Agency of Brazil

<sup>3</sup> Department of Commerce Market Research Air Cargo Transportation Market January 2005

which has the requisite skill sets for maintenance. Both GOL and TAM have aircraft maintenance facilities that not only maintain their respective fleets, but also the fleets of other Brazilian and South American carriers. GOL has plans to expand its maintenance facility at Confins in Minas Gerais.

## **PROJECT: PROAERO SMALL AIRPORT NETWORK**

### **Executive Summary**

USTDA contracted QED Airport Consultants to conduct a Definitional Mission Study, USTDA-CO2008510015 (DM) that will seek to identify opportunities and recommend Feasibility Studies and other strategies that could lead to greater U.S. participation in the Brazilian Aviation Sector. This included assessing whether or not USTDA should support the State of Minas Gerais with its PROAERO Small Airport Network Program (PROAERO), which is the development of an integrated network of airports throughout the State and whose goal is to foster economic development and public safety.

The QED Team traveled to Belo Horizonte in the State of Minas Gerais to meet with government officials from the Transport and Public Works Secretariat (SETOP) and the Economic Development Secretariat (SEDE). We were accompanied by Mr. Ruy Baptista, Trade Specialist with the U.S. Commercial Service, Belo Horizonte, Brazil.

During our meeting with SETOP, we discussed in depth the PROAERO Program and SETOP's need for technical assistance to aid the State of Minas Gerais in defining a system plan for an integrated air transportation network serving all of Minas Gerais and Brazil. The QED Team discussed the overall Program plan; Program completion to date; future capital expenditures and timeline; procurement requirements, including U.S. export potential; and financing options.

PROAERO has to date demonstrated the ability to support economic growth in certain markets including the example of Aeroporto de São João del Rey, which has enhanced tourism activity levels at one of Minas Gerais' historical cities. Future expenditures tie in with parts of Minas Gerais that are targets for economic growth including the northeastern portion of the State where the government has invested in irrigation systems for agro development of exportable produce. In this case, the intent is to ship this time-sensitive produce to Tancredo Neves International Airport near Belo Horizonte for transshipment to international destinations. PROAERO future capital expenditures call for increasing the number of paved runways, installing runway edge lighting and visual landing aids, automated weather observation systems, and communications systems.

When reviewing the requirements, the QED Team noted that some of the equipment included in the procurement plan was outdated and more expensive than alternative and more current technology. This and a discussion of their planning process led us to conclude that USTDA support in the form of technical assistance is warranted and would be well received.

Accordingly, the QED Team is recommending that USTDA provide grant support in the amount of US\$240,900. The Consultant providing the technical assistance will aid the State of Minas Gerais in defining a system plan to enhance access to the air transportation network within the State and linkages to neighboring Brazilian states. The planned PROAERO capital expenditure program includes goods and services that can be provided by US suppliers. Through participation in the preparation of tender documents (plans and specifications) for the acquisition and installation of certain basic airport facility improvements, the opportunity for U.S. companies to participate in the program will be improved.

It is estimated that the equivalent to US\$ 14 million of the requisite goods and services can be provided by U.S. suppliers and would include the following:

- Visual landing aids (precision approach path systems [PAPI] and runway end identifier systems [REILS])
- Radio communications
- Automated weather observing systems (AWOS)
- Satellite navigation based aircraft avionics (GPS receivers)

The duration of the technical assistance would be 12 months.

## **Project Description**

The State of Minas Gerais has instituted PROAERO, which is an acronym for “Programa Aeroportuario de Minas Gerais”. Created in 1990 by the State Transport Secretariat in close coordination with the Economic Development Secretariat (SEDE) and other government units, PROAERO’s goal is to better assure public safety and economic development through an integrated network of 162 paved and unpaved airports throughout the State. Further, it is the goal of the State of Minas Gerais to operate 69 of these airports on a 24-hour basis through the implementation of runway edge lighting by 2011. The current PROAERO program was prepared in 2000 and is now scheduled for update to reflect new conditions and needs of the system of airports in the State.

With the implementation of PROAERO, the State of Minas Gerais has begun to derive economic benefits to key sectors including tourism and agriculture, thereby creating the basis for favorably affecting employment and income and improving the State’s overall economic competitiveness. Moreover, the network is facilitating the State’s capability to address health and public safety issues including flight movements including Medevac, donor organ shipment programs, and forest fire safety.

To expand this program, SETOP projects that capital costs between 2007 and 2011 will total Real 327.7 million (equivalent to US\$ 207.41 million<sup>5</sup>). Of this total, the QED Team estimates that U.S. export potential totals approximately US\$ 14.1 million in goods and services to be procured between 2008 and 2011. This includes 43 precision approach path systems (PAPI) and 15 automated weather observing systems (AWOS) systems. The QED Team also estimates that new or improved radio communications will be required at 25 percent of the 162 airports in the State of Minas Gerais. In addition, there will be the need for runway edge lighting in 47 of the airports. Finally, the number of aircraft based at airports within the State is not known, but as a byproduct, the shift toward satellite-based air navigation will generate a market for global positioning system (GPS) receivers.

## **Project Sponsors Capabilities and Commitments**

The plan calls for 162 airports (up from 151 in 2006) in the State of Minas Gerais, many of which have been developed and maintained under the direction of the SETOP. Working in conjunction with SEDE and other government units, SETOP created the PROAERO Network in 1990 and there has been traffic growth in targeted regions. For example, enhancements have been made to the airport in the tourism center, São João del Rey, which has had a favorable impact on tourism growth. As a result, a local carrier instituted regional air service including service to Rio de Janeiro. The Government of the State of Minas Gerais’ authorized budget of Real 327.7 million for

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<sup>5</sup> Exchange rate \$1 = Real 1.578

PROAERO expansion between 2006 and 2011 will assist PROAERO with its goal to have 100 percent of all municipalities being within 80 kilometers of an airport, with the change airport types set forth in the table below.

<b>Airport Type</b>	<b>2006</b>	<b>2011</b>
Paved Airports with Daytime Visual Landing	45	37
Paved Airports with Nighttime Instrumentation	25	69
Unpaved with Daytime Visual Landing	81	56
<b>Total</b>	<b>151</b>	<b>162</b>

Based on discussions with SETOP, PROAERO is for the most part on track to achieve its expansion goals and this includes upgrades to airports in São João del Rey, Diamantina, and Curvelo. Given the projects completed to date and the level of commitment evidenced by the approved budget, the State of Minas Gerais has done an effective job implementing this project to achieve among others economic and safety goals.

### **Implementation Financing**

The PROAERO Program whose overall cost is estimated to be the equivalent to US\$207 million has to date, been financed directly by the State of Minas Gerais and future expenditures likewise. The State is able to achieve this as a result of a favorable fiscal position and multilateral support including the Inter American Development Bank (IDB), which has enabled the State to maintain acceptable liquidity levels.

While it is felt that much of the work associated with this project can be done by Brazilian firms, an estimated \$14.1 million in prospective U.S. export items was identified by the QED Team. Ex-Im Bank is a likely source of financing, which will consider sub-sovereign (i.e. State) risk. Also given the nature of the equipment, Ex-Im Bank financing would be medium-term in nature (7 years). In addition to providing U.S. dollar denominated financing, Ex-Im Bank can provide Brazilian Real denominated financing, thereby providing the State of Minas Gerais with foreign exchange exposure risk protection. As these items would be shipped over a three-year period, another feature that might facilitate U.S. sales is the Ex-Im Bank Working Capital Facility. This is a useful tool to U.S. exporters by giving these companies the benefit of liquidity as the goods are manufactured for delivery to Brazil. Finally, other financing options would include local and dollar denominated financing from domestic and foreign controlled Brazilian banks. Note however, Brazilian interest rates have been relatively high, but institutions including BNDES, Caixa Economica, Banco do Brasil, Unibanco, Itau and others would consider financing in local currency thereby eliminating foreign currency exposure. Finally, note that many of these banks also maintain Ex-Im Bank Guarantee Facilities and borrowings under these facilities could be a source of funding for these projects.

### **U.S. Export Potential**

PROAERO equipment needs create the opportunity for the export of U.S. goods and services through participation in the preparation of tender documents (plans and specifications) for the acquisition and installation of certain basic airport facility improvements.

Equipment that could be procured by the State of Minas Gerais for PROAERO is as follows:

- Visual landing aids (precision approach path systems [PAPI] and runway end identifier systems [REILS])
- Radio communications
- Automated weather observing systems (AWOS)
- Satellite navigation based aircraft avionics (GPS receivers)

The current system identified a need for 43 PAPI and 15 AWOS systems. The QED Team estimates that new or improved radio communications will be required at 25 percent of the 162 airports in the State of Minas Gerais. In addition, there is the need for runway edge lighting for 33 new airports and 15 existing airports. The number of aircraft based at airports within the State is not known, but the shift toward satellite-based air navigation will generate a market for global positioning system (GPS) receivers. The table below provides type exportable items that PROAERO might procure from the U.S.

<b>PROAERO Export Items</b>	<b>US\$ (Thousand)</b>
PAPI and REIL systems	4,300
Weather observation systems	1,500
VHF radios	500
GPS avionics	1,000
Runway edge lighting	6,800
<b>Total</b>	<b>14,100</b>

Potential U.S. suppliers of this equipment include the following companies, some of whom were contacted by the QED Team to confirm their interest in responding to tender requests and indicated that they had provided equipment at Brazilian airports in the past.

#### Visual Landing Aids

- DME Corporation, Fort Lauderdale, Florida 954-975-22271 [www.dmecorp.com](http://www.dmecorp.com)
- DeVore Aviation, Albuquerque, New México 505-345-8713 [www.devoreaviation.com](http://www.devoreaviation.com)
- Quad-J, Inc. Avon, Indiana 46123 USA. 1-317-718-1430. [www.quad-j.com](http://www.quad-j.com)

#### Automated Weather Observing Systems

- All Weather, Inc. Sacramento, California 95834 USA. 1-916-928-1000. [www.allweatherinc.com](http://www.allweatherinc.com)
- Belfort Instrument Company. Baltimore, Maryland 21231 USA. 1-410-342-2626. [www.belfortinstrument.com](http://www.belfortinstrument.com)
- Vaisala, Inc. Woburn, Massachusetts 01801 USA. 1-781-933-4500. [www.vaisala.com](http://www.vaisala.com)

#### VHF Radio Communications Systems

- Alcatel-Lucent, Murray Hill, New Jersey 07974 USA. 1-908-508-8080 [www.alcatel.com](http://www.alcatel.com)
- ARINC, Annapolis, Maryland 21401 USA. 1-410-266-4000. [www.arinc.com](http://www.arinc.com)

- Mentor Radio Company, Cleveland, Ohio 44135 USA. 1-216-265-2315  
[www.mentorradio.com](http://www.mentorradio.com)

### Satellite Navigation Receivers

- Garmin International, Inc. Olathe, Kansas 66062 USA. 1-913-397-8200. [www.garmin.com](http://www.garmin.com)
- Honeywell Aerospace. Phoenix, Arizona 85034 USA. 1-602-365-3099.  
[www.honeywell.com](http://www.honeywell.com)

### **Foreign Competition and Market Entry Issues**

The extent of competition between U.S. firms and non-U.S. companies to provide the required range of facilities, equipment and systems is keen, but involves fewer potential participants. U.S. firms may have an advantage in some of these technologies. However, the selection of equipment suppliers may be influenced more by warranties, parts supplies, and the terms of the financing; low bid may not be the sole basis for selection. U.S. firms also have significant advantages in the upgrade or sale of aircraft avionics and flight management systems. Foreign competitors would include suppliers from Germany, the UK, France, Japan, Italy, and China, the latter has made giant strides as a competitor in infrastructure projects. Finally, the opportunity to meet the significant needs of aviation sector projects in all of Brazil, given the current dollar exchange rate (versus the Real, Euro, Sterling, and Yen), the export of the requisite equipment and facilities by U.S. companies could make U.S. products more competitive.

### **Developmental Impact**

The development of the PROAERO Network will enhance the overall transport infrastructure that the State of Minas Gerais has developed to make it competitive with other economies in Brazil and the region. Not only will the projects be a direct source of employment generation and skill set development, but the Network will serve as the basis for growth and development of the Minas economy, thereby creating more employment and income in key sectors including manufacturing, mining, agriculture, and tourism. In addition, the technical upgrade requirements will put Brazil at the forefront of using state-of-the-art technologies in the aviation sector.

The alternative would be the movement of passengers and cargo by road and rail. In some parts of Minas, particularly in the north, road and rail transport is less efficient and could adversely affect the movement of time-sensitive items and public safety.

### **Impact on the Environment**

The Brazilian government has enacted laws and regulations that provide guidance and control in matters related to environmental protection. Under most circumstances, airport improvements and facilities can be designed and constructed to mitigate adverse impacts on the human and natural environments; however, these may escalate the total development cost. Control of surrounding land uses through regulation can restrict adverse public reaction to aircraft noise and air quality impacts.

### **Impact on U.S. Labor**

The construction of airport improvements or new airports and provision of the required equipment and services will not have a negative impact on U.S. labor. If U.S. goods are proposed, the scale of the proposed capital improvement program could support existing jobs in the U.S. and potentially generate short-term on-site installation management staffing needs. Purchases of new equipment and systems could, for the most part, be met by on-the-shelf goods that are ready for shipment and site adaptation.

## **Qualifications**

Staff requirements for is as follows:

- Airport Planner – Aviation system planning; airport planning; low-cost solutions applicable to low activity airport sites; and procurement
- Specifications Specialist – visual landing aids; automated weather observing systems; radio communications; aircraft avionics
- Cost Estimator – visual landing aids; automated weather observing systems; radio communications; aircraft avionics
- Word Processor – preparation of report text, charts and spreadsheets

## **Justification**

The request for technical assistance in the preparation of the update to the PROAERO Program is justified for the following reasons:

1. The technical assistance supports past initiatives to promote trade between U.S. businesses and the Brazilian aviation market as well as trade and investment in the State of Minas Gerais. The preparation of specifications for the equipment and facilities to be procured lends itself to opening larger opportunities to US industry.
2. The technical assistance can offset competing European and Asian interests that have historical and cultural ties to Brazil.
3. The potential return on the technical assistance investment is attractive and enhanced by the potential of U.S. firms to provide follow-on services with respect to future airport improvements in the State of Minas Gerais and in other parts of Brazil.
4. The required financial investment to implement the planned improvements per airport is relatively low and encourages the use of batch purchasing to take advantage of lower unit costs. This should attract more competition as the total value of the potential contract will be significantly higher than if each airport is equipped through individual procurement. Additionally, the State of Minas Gerais has a favorable fiscal position and investment in these facilities has been authorized by the Government of the State of Minas Gerais.

## **Terms of Reference: Technical Assistance - PROAERO Program (Minas Gerais)**

### **Scope of Work:**

building, technology transfer, productivity improvement and market-oriented reform as defined in USTDA guidance documents.

## **Award Criteria**

Proposals submitted for the conduct of the Technical Assistance will be reviewed by a selection committee appointed by SETOP in accordance the evaluation criteria described below. SETOP will promptly negotiate an agreement for professional services with the top-ranked proposal. Should such negotiations fail, SETOP has the option to terminate those negotiations and enter into an agreement with the next ranked proposal. The selected proposal and the agreement are subject to the approval of the USTDA.

## **Evaluation Criteria**

The evaluation criteria address the key factors that are applicable to the successful performance of the Technical Assistance and the overall objectives of the PROAERO project. Each evaluation criterion is assigned a weighting factor as an indication of its relative importance among all criteria.

### **1. Technical Experience (50 percent)**

The proposals will be evaluated with regard to the experience demonstrated for each of the key technical staff. Staff experience rather than firm experience is the key factor in this evaluation. Assigned technical staff should demonstrate proven experience in:

- a. Aviation system planning.
- b. Airport planning with emphasis on general aviation and non-hub and small hub air carrier airports.
- c. Phasing plans for airport development programs.
- d. Preparation of plans and specifications for issuing tenders to acquire and install visual landing aids, automated weather observing systems, and radio communications facilities.
- e. Working knowledge of planning and design best practices and standards issued by International Civil Aviation Organization and the US Federal Aviation Administration.

### **2. Project Understanding and Methodology and Approach (30 percent)**

The evaluation will consider the appropriateness of the technical and management approach to the Study and the overall quality and responsiveness to the request for proposal. This includes a demonstrated understanding of the PROAERO Project and clear and succinct descriptions regarding how the Technical Assistance will be executed including interaction with SETOP staff. Suggestions to make the Technical Assistance more effective in order to achieve the project objectives and move toward implementation should be offered. These suggestions should also reflect the experience of the assigned staff as it relates to the transition from the planning and design aspect to the preparation of a phasing program and preparation of bid documents (plans and specifications).

3. Financial experience (10 percent)

Demonstrated experience with understanding costs associated with the principal capital improvements and the availability of funding including government funding and commercial resources. This includes a demonstrated understanding and use of suppliers credits, EXIM BANK financing programs, and local banking facilities.

4. Language (10 percent)

Assigned staff Portuguese language skills will be a consideration, but not an overriding factor, in the selection process.

**Recommendation**

Based upon a series of meeting and discussions with SETOP and other parts of the Government of Minas Gerais and with Brazilian and international financial institutions, the DM confirmed that there was the need for SETOP to receive technical assistance to review and revise PROAERO Program. It is felt that this project has provided favorable economic results and given the areas where SETOP has targeted for upgrade and construction of airports are areas which are positioned for improved economic activity in sectors such as agriculture and tourism. There are also favorable public safety implications (e.g. firefighting and medical) with the improvement in the PROAERO Program.

According to SETOP, the Government of the State of Minas Gerais has authorized the capital expenditures for PROAERO and its current fiscal position supports its ability to cover these expenditures. Nonetheless, it is felt that there is interest among Brazilian and international financial institutions to consider financing the purchase of equipment and services required for project implementation. The DM estimates that the potential for U.S. exports associated with this initiative to be in the range of the equivalent to US\$14 million. Based on these factors the DM recommends that USTDA grant to fund US\$240,900 Technical Assistance on Reviewing and Updating PROAERO.

**Budget**

**LABOR AND EXPENSE BUDGET  
TECHNICAL ASSISTANCE FOR PROAERO PROGRAM**

LABOR	Task	Person-Days									
		Airport Planner		Specifications Specialist		Cost Estimator		Word Processor		Total	
		in US	in Brazil	in US	in Brazil	in US	in Brazil	in US	in Brazil	in US	in Brazil
	1. Program Review and Assessment	5	5					5		10	5
	2. Technical Consultations	35	30	10		10		10		65	30
	3. Specifications and Procurement	10		10	5	5		10		35	5
	4. U.S. Sources and Supply	5		5		5		5		20	0
	5. Reporting	12						15		27	0
	<b>Total</b>	<b>67</b>	<b>35</b>	<b>25</b>	<b>5</b>	<b>20</b>	<b>0</b>	<b>45</b>	<b>0</b>	<b>157</b>	<b>40</b>
	Daily Rate (US\$/day)	1,400	1,400	960	960	640	640	600	600	3,600	3,600
	Labor Cost (US\$)	93,800	49,000	24,000	4,800	12,800	0	27,000	0	157,600	53,800
	<b>Total Labor Cost (US\$ in US and Brazil)</b>	<b>142,800</b>		<b>28,800</b>		<b>12,800</b>		<b>27,000</b>		<b>211,400</b>	
<b>EXPENSES</b>											
	Travel Documents		200		200						400
	Air Fare		15,000		2,500						17,500
	Per Diem		9,200		1,300						10,500
	Local Transportation		700		100						800
	Communications		200		100						300
	Reproduction							2,000			2,000
	<b>Total Expenses</b>		<b>25,300</b>		<b>4,200</b>		<b>0</b>	<b>2,000</b>			<b>29,500</b>
	<b>GRAND TOTAL</b>										<b>240,900</b>

**Timeline**

**TECHNICAL ASSISTANCE FOR PROAERO PROGRAM  
TIMELINE**

Task	Month											
	1	2	3	4	5	6	7	8	9	10	11	12
1. Program Review and Assessment	■											
2. Technical Consultations		■	■	■	■	■	■	■	■	■	■	■
Task 2 Working Meetings	■		■		■		■		■		■	
3. Specifications and Procurement									■	■	■	■
4. US Sources and Supply									■	■	■	■
6. Reporting										■	■	■

The Technical Assistance is anticipated to occur during a 12-month period, concurrent with the production of the PROAERO Plan as illustrated on the second following page.

Tasks 1 should require one month, during which the Contractor will be on-site for one week. Task 2 is initiated at the conclusion of Task 1 and will involve the complete time schedule of the planning effort as interim reports are generated. The Contractor can conduct these report reviews from the US. Task 3 occurs throughout the 12-month duration of the Technical Assistance and does necessitate the on-site participation of the Contractor for a total of six weeks. Tasks 4 and 5 can be conducted concurrently as details of the facilities and equipment to be purchased are determined. This information should become sufficiently defined during the last four months of the Technical Assistance. The Contractor can then identify potential US suppliers through coordination with the US Commercial Service Office in Belo Horizonte as part of the interim reports prepared in Task 6.

Task 6 activities also include preparation of the final report documents by the Contractor. These reports will likely be generated during the final three months of the Technical Assistance.

### **Contacts**

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**ANNEX 3**



**U.S. TRADE AND DEVELOPMENT AGENCY  
Arlington, VA 22209-2131**

**NATIONALITY, SOURCE, AND ORIGIN REQUIREMENTS**

The purpose of USTDA's nationality, source, and origin requirements is to assure the maximum practicable participation of American contractors, technology, equipment and materials in the prefeasibility, feasibility, and implementation stages of a project.

**USTDA STANDARD RULE (GRANT AGREEMENT STANDARD LANGUAGE):**

Except as USTDA may otherwise agree, each of the following provisions shall apply to the delivery of goods and services funded by USTDA under this Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from host country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for implementation of the Technical Assistance and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to support (e.g., local lodging, food, and transportation) in host country are not subject to the above restrictions. USTDA will make available further details concerning these standards of eligibility upon request.

**NATIONALITY:**

1) Rule

Except as USTDA may otherwise agree, the Contractor for USTDA funded activities must be either a U.S. firm or a U.S. individual. Prime contractors may utilize U.S.

subcontractors without limitation, but the use of host country subcontractors is limited to 20% of the USTDA grant amount.

## 2) Application

Accordingly, only a U.S. firm or U.S. individual may submit proposals on USTDA funded activities. Although those proposals may include subcontracting arrangements with host country firms or individuals for up to 20% of the USTDA grant amount, they may not include subcontracts with third country entities. U.S. firms submitting proposals must ensure that the professional services funded by the USTDA grant, to the extent not subcontracted to host country entities, are supplied by employees of the firm or employees of U.S. subcontractor firms who are U.S. individuals.

Interested U.S. firms and consultants who submit proposals must meet USTDA nationality requirements as of the due date for the submission of proposals and, if selected, must continue to meet such requirements throughout the duration of the USTDA-financed activity. These nationality provisions apply to whatever portion of the Terms of Reference is funded with the USTDA grant.

## 3) Definitions

A "U.S. individual" is (a) a U.S. citizen, or (b) a non-U.S. citizen lawfully admitted for permanent residence in the U.S. (a green card holder).

A "U.S. firm" is a privately owned firm which is incorporated in the U.S., with its principal place of business in the U.S., and which is either (a) more than 50% owned by U.S. individuals, or (b) has been incorporated in the U.S. for more than three (3) years prior to the issuance date of the request for proposals; has performed similar services in the U.S. for that three (3) year period; employs U.S. citizens in more than half of its permanent full-time positions in the U.S.; and has the existing capability in the U.S. to perform the work in question.

A partnership, organized in the U.S. with its principal place of business in the U.S., may also qualify as a "U.S. firm" as would a joint venture organized or incorporated in the United States consisting entirely of U.S. firms and/or U.S. individuals.

A nonprofit organization, such as an educational institution, foundation, or association may also qualify as a "U.S. firm" if it is incorporated in the United States and managed by a governing body, a majority of whose members are U.S. individuals.

## **SOURCE AND ORIGIN:**

### 1) Rule

In addition to the nationality requirement stated above, any goods (e.g., equipment and materials) and services related to their shipment (e.g., international transportation and insurance) funded under the USTDA Grant Agreement must have their source and origin in the United States, unless USTDA otherwise agrees. However, necessary purchases of goods and project support services which are unavailable from a U.S. source (e.g., local food, housing and transportation) are eligible without specific USTDA approval.

### 2) Application

Accordingly, the prime contractor must be able to demonstrate that all goods and services purchased in the host country to carry out the Terms of Reference for a USTDA Grant Agreement that were not of U.S. source and origin were unavailable in the United States.

### 3) Definitions

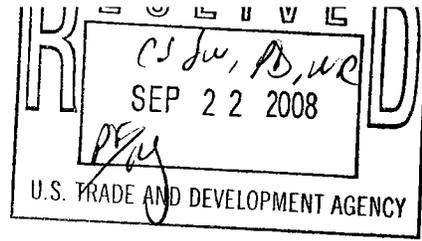
“Source” means the country from which shipment is made.

“Origin” means the place of production, through manufacturing, assembly or otherwise.

*Questions regarding these nationality, source and origin requirements may be addressed to the USTDA Office of General Counsel.*

**ANNEX 4**

USTDA # 08.510193



**GRANT AGREEMENT**

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This Grant Agreement is entered into between the Government of the United States of America, acting through the U.S. Trade and Development Agency ("USTDA") and the State Government of Minas Gerais Transport and Public Works Secretariat ("Grantee"). USTDA agrees to provide the Grantee under the terms of this Agreement US\$241,000 ("USTDA Grant") to fund the cost of goods and services required for technical assistance ("Technical Assistance ") on the proposed State of Minas Gerais PROAERO Small Airports Network Program Expansion Project ("Project") in Brazil ("Host Country").

**1. USTDA Funding**

The funding to be provided under this Grant Agreement shall be used to fund the costs of an Agreement of Understanding to Perform the Technical Assistance ("Agreement of Understanding") between the Grantee and the U.S. firm selected by the Grantee ("U.S. Firm") under which the U.S. Firm will perform the Technical Assistance. Payment to the U.S. Firm will be made directly by USTDA on behalf of the Grantee with the USTDA Grant funds provided under this Grant Agreement.

**2. Terms of Reference**

The Terms of Reference for the Technical Assistance ("Terms of Reference") are attached as Annex I and are hereby made a part of this Grant Agreement. The Technical Assistance will examine the technical, financial, environmental, and other critical aspects of the proposed Project. The Terms of Reference for the Technical Assistance shall also be included in the Agreement of Understanding.

**3. Standards of Conduct**

USTDA and the Grantee recognize the existence of standards of conduct for public officials, and commercial entities, in their respective countries. The parties to this Grant Agreement and the U.S. Firm shall observe these standards, which include not accepting payment of money or anything of value, directly or indirectly, from any person for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the Technical Assistance.

**4. Grantee Responsibilities**

The Grantee shall undertake its best efforts to provide reasonable support for the U.S. Firm, such as local transportation, office space, and secretarial support.

## **5. USTDA as Financier**

### **(A) USTDA Approval of Competitive Selection Procedures**

Selection of the U.S. Firm shall be carried out by the Grantee according to its established procedures for the competitive selection of U.S. Firms with advance notice of the procurement published online through *Federal Business Opportunities* ([www.fedbizopps.gov](http://www.fedbizopps.gov)). Upon request, the Grantee will submit these contracting procedures and related documents to USTDA for information and/or approval.

### **(B) USTDA Approval of U.S. Firm Selection**

The Grantee shall notify USTDA at the address of record set forth in Article 17 below upon selection of the U.S. Firm to perform the Technical Assistance. Upon approval of this selection by USTDA, the Grantee and the U.S. Firm shall then enter into an Agreement of Understanding. The Grantee shall notify in writing the U.S. firms that submitted unsuccessful proposals to perform the Technical Assistance that they were not selected.

### **(C) USTDA Approval of Agreement of Understanding Between Grantee and U.S. Firm**

The Grantee and the U.S. Firm shall enter into an Agreement of Understanding. This Agreement of Understanding, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing. To expedite this approval, the Grantee (or the U.S. Firm on the Grantee's behalf) shall transmit to USTDA, at the address set forth in Article 17 below, a photocopy of an English language version of the signed Agreement of Understanding or a final negotiated draft version of the Agreement of Understanding.

### **(D) USTDA Not a Party to the Agreement of Understanding**

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of the Agreement of Understanding and any amendments thereto, including assignments, the selection of all U.S. Firms, the Terms of Reference, the Final Report, and any and all documents related to any Agreement of Understanding funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of funding the Technical Assistance and shall not be construed as making USTDA a party to the Agreement of Understanding. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the Agreement of Understanding or any sub-agreement, jointly or separately, without thereby incurring

any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not bar the Grantee or USTDA from asserting any right they might have against the U.S. Firm, or relieve the U.S. Firm of any liability which the U.S. Firm might otherwise have to the Grantee or USTDA.

**(E) Grant Agreement Controlling**

Regardless of USTDA approval, the rights and obligations of any party to the Agreement of Understanding or any sub-agreement thereunder must be consistent with this Grant Agreement. In the event of any inconsistency between the Grant Agreement and any agreement or sub-agreement funded by the Grant Agreement, the Grant Agreement shall be controlling.

**6. Disbursement Procedures**

**(A) USTDA Approval of Agreement of Understanding Required**

USTDA will make disbursements of Grant funds directly to the U.S. Firm only after USTDA approves the Grantee's Agreement of Understanding with the U.S. Firm.

**(B) U.S. Firm Invoice Requirements**

The Grantee should request disbursement of funds by USTDA to the U.S. Firm for performance of the Technical Assistance by submitting invoices in accordance with the procedures set forth in the USTDA Mandatory Clauses in Annex II.

**7. Effective Date**

The effective date of this Grant Agreement ("Effective Date") shall be the date of signature by both parties or, if the parties sign on different dates, the date of the last signature.

**8. Technical Assistance Schedule**

**(A) Technical Assistance Completion Date**

The completion date for the Technical Assistance, which is August 31, 2009, is the date by which the parties estimate that the Technical Assistance will have been completed.

## **(B) Time Limitation on Disbursement of USTDA Grant Funds**

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this Grant Agreement for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

## **9. USTDA Mandatory Clauses**

All Agreements of Understanding funded under this Grant Agreement shall include the USTDA mandatory clauses set forth in Annex II to this Grant Agreement. All sub-agreements funded or partially funded with USTDA Grant funds shall include the USTDA mandatory clauses, except for clauses B(1), G, H, I, and J.

## **10. Use of U.S. Carriers**

### **(A) Air**

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

### **(B) Marine**

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

## **11. Nationality, Source and Origin**

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the U.S. Firm must be either a U.S. firm or U.S. individual; (b) the U.S. Firm may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the sub-agreement; (c) employees of the U.S. Firm or U.S. subcontractors responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the Technical Assistance and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Technical Assistance support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

## **12. Taxes**

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Grantee nor the U.S. Firm will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

## **13. Cooperation Between Parties and Follow-Up**

The parties will cooperate to assure that the purposes of the Grant Agreement are accomplished. For five (5) years following receipt by USTDA of the Final Report (as defined in Clause I of Annex II), the Grantee agrees to respond to any reasonable inquiries from USTDA about the status of the Project.

## **14. Implementation Letters**

To assist the Grantee in the implementation of the Technical Assistance, USTDA may, from time to time, issue implementation letters that will provide additional information about matters covered by the Grant Agreement. The parties may also use jointly agreed upon implementation letters to confirm and record their mutual understanding of matters covered by the Grant Agreement.

## **15. Recordkeeping and Audit**

The Grantee agrees to maintain books, records, and other documents relating to the Technical Assistance and the Grant Agreement adequate to demonstrate implementation of its responsibilities under the Grant Agreement, including the selection of U.S. firms, receipt and approval of Agreement of Understanding deliverables, and approval or disapproval of U.S. firm invoices for payment by USTDA. Such books, records, and other documents shall be separately maintained for three (3) years after the date of the final disbursement by USTDA. The Grantee shall afford USTDA or its authorized representatives the opportunity at reasonable times to review books, records, and other documents relating to the Technical Assistance and the Grant Agreement.

## **16. Representation of Parties**

For all purposes relevant to the Grant Agreement, the Government of the United States of America will be represented by the U. S. Ambassador to Host Country or USTDA and Grantee will be represented by the Director. The parties hereto may, by written notice, designate additional representatives for all purposes under the Grant Agreement.

## **17. Addresses of Record for Parties**

Any notice, request, document, or other communication submitted by either party to the other under the Grant Agreement shall be in writing or through a wire or electronic medium which produces a tangible record of the transmission, such as a telegram, cable or facsimile, and will be deemed duly given or sent when delivered to such party at the following:

To: Subsecretario de Transportes  
Secretaria de Estado de Transportes e Obras Publicas  
Governo do Estado de Minas Gerais  
Rua Manaus, No. 467 – Santa Efigenia  
Belo Horizonte, MG CEP 30150-350  
Brazil

Phone: 011 55 31 3239 0835  
Fax: 011 55 31 3239 0838

To: U.S. Trade and Development Agency  
1000 Wilson Boulevard, Suite 1600  
Arlington, Virginia 22209-3901  
USA

Phone: (703) 875-4357  
Fax: (703) 875-4009

All such communications shall be in English, unless the parties otherwise agree in writing. In addition, the Grantee shall provide the Commercial Section of the U.S. Embassy in Host Country with a copy of each communication sent to USTDA.

Any communication relating to this Grant Agreement shall include the following fiscal data:

Appropriation No.: 118/91001  
Activity No.: 2008-51019B  
Reservation No.: 2008510057  
Grant No.: GH2008510018

## **18. Termination Clause**

Either party may terminate the Grant Agreement by giving the other party thirty (30) days advance written notice. The termination of the Grant Agreement will end any obligations of the parties to provide financial or other resources for the Technical Assistance, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the written notice of termination.

## **19. Non-waiver of Rights and Remedies**

No delay in exercising any right or remedy accruing to either party in connection with the Grant Agreement shall be construed as a waiver of such right or remedy.

## **20. U.S. Technology and Equipment**

By funding this Technical Assistance, USTDA seeks to promote the project objectives of the Host Country through the use of U.S. technology, goods, and services. In recognition of this purpose, the Grantee agrees that it will allow U.S. suppliers to compete in the procurement of technology, goods and services needed for Project implementation.

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF, the Government of the United States of America and the State Government of Minas Gerais Transport and Public Works Secretariat, each acting through its duly authorized representative, have caused this Agreement to be signed in the English language in their names and delivered as of the day and year written below. In the event that this Grant Agreement is signed in more than one language, the English language version shall govern.**

**For the Government of the  
United States of America**



**Larry Walther  
Director  
U.S. Trade and Development Agency**

Date: 19/09/08

**For the State Government of Minas Gerais  
Economic Development Secretariat**



**Aécio Neves  
Governor  
State Government of Minas Gerais**

Date: 19/09/08



**Rafael Guimarães Andrade  
Secretary of Development  
State Government of Minas Gerais**

Date: 19/09/08

Witnessed:



**By: Clifford M. Sobel  
Ambassador  
United States Embassy of Brazil**

Witnessed:



**By: Luiz Antônio Athayde  
Under-Secretary for International Affairs  
State Government of Minas Gerais**

**Annex I -- Terms of Reference**

**Annex II -- USTDA Mandatory Clauses**

## Annex I

### Terms of Reference

#### Objective

USTDA received a request from the Transport and Public Works Secretariat of the State of Minas Gerais (SETOP) to fund a Technical Assistance Grant to assist SETOP with the review of the PROAERO Program, a statewide airport integrated network system developed by SETOP and other units within the Minas Government.

The Government of the State of Minas Gerais' authorized budget of Reais 327.7 million (equivalent to approximately US\$ 207 million) for PROAERO expansion between 2006 and 2011 will assist PROAERO with its objective of upgrading and expanding the airport system in the State. In so doing, the benefits that the State of Minas Gerais would derive from PROAERO would include greater mobility, improved public safety, favorable impacts on employment and income, and an improvement in the movement of goods and services throughout the State.

As part of the Technical Assistance, SETOP will provide the U.S. Firm with a series of draft interim reports for the U.S. Firm's review. The U.S. Firm's findings from its review of PROAERO will serve as the basis for making recommendations on revisions to the Program, and will cover such areas as capital expenditures, equipment specifications, procurement, financing options, and Program implementation.

The Technical Assistance U.S. Firm's tasks are as follows:

#### **Task 1 – Program Review and Initial Program Assessment**

SETOP will provide the U.S. Firm with the current PROAERO Program for the U.S. Firm's review and assessment. In addition, SETOP will provide the U.S. Firm with a Summary Report that covers Program implementation activities to date. This Summary Report will cover adherence to the Program's timeline and variance comparing planned cost levels with actual costs.

After reviewing this Summary Report, the U.S. Firm shall travel to Belo Horizonte, Brazil and provide SETOP with a Task Report of its initial assessment of the Program. The U.S. Firm shall also discuss the technical assistance schedule, work methodology, approach and action plan.

#### **Task 2 – Technical Consultations**

The U.S. Firm shall take at least three trips to Brazil, and during each of these trips the U.S. firm shall conduct a technical consultation during which the U.S. Firm will work closely with SETOP in reviewing and developing the necessary revisions to strategies, action plans, and policies of the PROAERO Program. The content of these consultations shall be defined by the U.S. Firm and SETOP during the U.S. Firm's initial trip to Brazil.

The technical consultations shall include but not be limited to evaluation and revisions to:

- Program objectives
- Program Management/Training and Development
- Technical and financial decision criteria for new airport construction
- Technical and financial decision criteria for upgrading existing airports
- Long Term Strategic Plan (2009-2029)
- Current 2009-2011 Implementation Program for new airports and existing airport upgrades
- Framework for developing future expenditure programs

These technical consultations shall take place over a 6-month period. Ten days prior to each working session, the SETOP shall prepare and submit for the U.S. Firm's review and analysis a draft interim report on the pre-agreed interim report content. Said analysis should, among other things, demonstrate whether the content and technical rationale of the interim report are, among other things, technically viable and practical; compliant with federal, state, and local regulations; compliant with federal, state, and local environmental standards; consistent with industry practice and the supply chain of key suppliers; and consistent with the International Civil Aviation Organization (ICAO), Federal Aviation Administration (FAA), and other international standards.

For each interim draft report and in preparation of each technical consultation, the U.S. Firm shall prepare written comments on each interim report, including conclusions and recommendations for strategy and action steps required to address critical factors and issues in the interim report. These written comments shall serve as the basis for discussion with SETOP during the Consultations. Also note that where appropriate and agreed to by SETOP, the U.S. Firm shall organize informal workshops to present ideas and concepts applicable to aviation system and airport planning. These initiatives are intended to serve as technology transfer sessions and serve as educational and instructional programs for the benefit of State of Minas Gerais staff. The discussions on the contents of interim draft report, the workshops, and other initiatives agreed to will culminate in the collective development of the requisite strategies and action plans for the items under the interim report.

**Deliverables:** A Status Report will be due 15 business days after the conclusion of each one of the Technical Consultations. Each Status Report will discuss the U.S. Firm's findings, conclusions, and recommendations resulting from the PROAERO Interim Report and the Technical Consultation.

### **Task 3 – Facilities and Equipment Specifications / Procurement/Financing**

The U.S. Firm shall assist SETOP in preparing the following:

1. Technical specifications for equipment, services, and technologies;

2. Detailed cost analysis of all equipment, services and technology that may be required during the 2008-2011 expenditure cycle; and
3. Procurement strategy and documents for the facilities, equipment, and services that are to be acquired for program implementation.

The specifications and procurement will be compliant with the regulations and policies of the Government of the State of Minas Gerais. The specifications and procurement will also reflect an investment schedule in a manner that is consistent with PROAERO's investment plans and policy. This effort should also strive for commonality in facilities and equipment requirements in order to encourage the use of a batch procurement process.

In developing the procurement strategy and documents, the U.S. Firm shall review the modalities of payments to assure that such arrangements will be amenable to prospective foreign suppliers. In addition, the U.S. Firm shall review with SETOP alternative financing strategies that are to include U.S. Export-Import Bank (Ex-Im Bank) financing, supplier's credits, and bank financing from Brazilian and international financial institutions. This shall include meeting and conferring with key institutions in Brazil and the U.S. regarding their interest in financing and, if those institutions show interest in providing financing, analyzing their financing policies, application process, indicative terms and conditions, and financing costs.

#### **Task 4 - U.S. Sources and Supply**

The U.S. Firm shall identify U.S. businesses that can competitively offer the required equipment, services, and technologies. Regulations related to compliance with SETOP procurement policies and practices which may govern the ability of U.S. suppliers to be accredited suppliers to SETOP and the Government of the State of Minas Gerais shall be analyzed in the Task 4 deliverables referenced below.

#### **Deliverables to SETOP**

1. Specifications/Procurement Strategy that contains all equipment, systems, technologies and their estimated costs necessary to implement the project. This report will also include a prioritized implementation schedule, and procurement guidance for suppliers.
2. Financial Analysis that reflects the expected costs and sources of financing to implement the recommended facilities and equipment at each PROAERO airport. Sources would include internal funding, Ex-Im Bank financing, supplier's credits, and Brazilian and international banking facilities.

3. U.S. Supplier List of U.S. companies (including contact information) that per the specifications are capable of providing the equipment, services, and technologies as required under the capital expenditure program.

#### **Task 5 - Preliminary Environmental Impact Assessment**

The U.S. Firm shall:

- Conduct, in consultation with the Minas Gerais Secretariat of Environmental Protection and municipal authorities, a preliminary review and evaluation of the Project's expected environmental impacts and their compatibility with both local regulations and the requirements of potential lending agencies, especially the World Bank, the IFC, and the IDB
- Discuss how any potentially significant negative impacts can be minimized
- Identify Agency/Department expectations, priorities, opportunities, and trends
- Develop plans for full environmental impact assessment in anticipation of the Project moving forward to the implementation stage.

**Deliverable: Preliminary environmental impact assessment report**

#### **Task 6 - Developmental Impact Analysis**

The U.S. Firm shall identify and assess the developmental outcomes that would be expected if the Project is implemented in accordance with the recommendations of the Technical Assistance. The U.S. Firm shall focus on estimating the Project's potential benefits in any or all of four areas: additions to infrastructure or industrial capacity; nature and effects of any legal/regulatory changes resulting from the Project; expected human capacity building; and technology transfer and its effects. The analysis of potential developmental benefits shall be as concrete and detailed as possible and include at least one specific example of developmental impact for each area that is relevant for the Project. Any significant developmental impacts outside the four areas listed above shall also be included.

**Deliverable: A report setting forth the findings and opinions as specified above.**

#### **Task 7 – Final Report**

The U.S. Firm shall prepare and deliver to the Grantee and USTDA a substantive and comprehensive final report of all work performed under these Terms of Reference (“Final Report”).

The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement.

A draft of the Final Report shall be submitted to SETOP for its review. The U.S. Firm will then travel to Brazil within 30 days of submission to discuss this Report and any amendments requested by SETOP. Upon formal agreement to the contents of this Report, the U.S. Firm shall submit its Final Report to SETOP within 30 days.

**Deliverable: Final Report**

**Notes:**

- 1) **The U.S. Firm is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.**
- 2) **The U.S. Firm and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.**
- 3) **The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.**
- 4) **All Deliverables are to be supplied in the English language.**

## Annex II

### **USTDA Mandatory Agreement of Understanding to Perform the Technical Assistance Clauses**

#### **A. USTDA Mandatory Clauses Controlling**

The parties to this Agreement of Understanding to Perform the Technical Assistance ("Agreement of Understanding") acknowledge that this Agreement of Understanding is funded in whole or in part by the U.S. Trade and Development Agency ("USTDA") under the Grant Agreement between the Government of the United States of America acting through USTDA and the State Government of Minas Gerais Transport and Public Works Secretariat ("Client"), dated \_\_\_\_\_ ("Grant Agreement"). The Client has selected \_\_\_\_\_ ("U.S. Firm") to perform the technical assistance ("Technical Assistance") for the State of Minas Gerais PROAERO Small Airports Network Program Expansion Project ("Project") in Brazil ("Host Country"). Notwithstanding any other provisions of this Agreement of Understanding, the following USTDA mandatory Agreement of Understanding clauses shall govern. All sub-agreements entered into by the U.S. Firm funded or partially funded with USTDA Grant funds shall include these USTDA mandatory Agreement of Understanding clauses, except for clauses B(1), G, H, I, and J. In addition, in the event of any inconsistency between the Grant Agreement and any Agreement of Understanding or sub-agreement thereunder, the Grant Agreement shall be controlling.

#### **B. USTDA as Financier**

##### **(1) USTDA Approval of Agreement of Understanding**

All agreements of understanding funded under the Grant Agreement, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing in order to be effective with respect to the expenditure of USTDA Grant funds. USTDA will not authorize the disbursement of USTDA Grant funds until the Agreement of Understanding has been formally approved by USTDA or until the Agreement of Understanding conforms to modifications required by USTDA during the Agreement of Understanding review process.

##### **(2) USTDA Not a Party to the Agreement of Understanding**

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of this Agreement of Understanding and amendments thereto, including assignments, the selection of all U.S. Firms, the Terms of Reference, the Final Report, and any and all documents related to any Agreement of Understanding funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States

Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of financing the Technical Assistance and shall not be construed as making USTDA a party to the Agreement of Understanding. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the Agreement of Understanding or any sub-agreement, jointly or separately, without thereby incurring any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not bar the Client or USTDA from asserting any right they might have against the U.S. Firm, or relieve the U.S. Firm of any liability which the U.S. Firm might otherwise have to the Client or USTDA.

### **C. Nationality, Source and Origin**

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the U.S. Firm must be either a U.S. firm or U.S. individual; (b) the U.S. Firm may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Firm or U.S. subcontractors responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the Technical Assistance and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Technical Assistance support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

### **D. Recordkeeping and Audit**

The U.S. Firm and subcontractors funded under the Grant Agreement shall maintain, in accordance with generally accepted accounting procedures, books, records, and other documents, sufficient to reflect properly all transactions under or in connection with the Agreement of Understanding. These books, records, and other documents shall clearly identify and track the use and expenditure of USTDA funds, separately from other funding sources. Such books, records, and documents shall be maintained during the Agreement of Understanding term and for a period of three (3) years after final disbursement by USTDA. The U.S. Firm and subcontractors shall afford USTDA, or its authorized representatives, the opportunity at reasonable times for inspection and audit of such books, records, and other documentation.

## **E. U.S. Carriers**

### **(1) Air**

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

### **(2) Marine**

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

## **F. Workman's Compensation Insurance**

The U.S. Firm shall provide adequate Workman's Compensation Insurance coverage for work performed under this Agreement of Understanding.

## **G. Reporting Requirements**

The U.S. Firm shall advise USTDA by letter as to the status of the Project on March 1st annually for a period of two (2) years after completion of the Technical Assistance. In addition, if at any time the U.S. Firm receives follow-on work from the Client, the U.S. Firm shall so notify USTDA and designate the U.S. Firm's contact point including name, telephone, and fax number. Since this information may be made publicly available by USTDA, any information which is confidential shall be designated as such by the U.S. Firm and provided separately to USTDA. USTDA will maintain the confidentiality of such information in accordance with applicable law.

## **H. Disbursement Procedures**

### **(1) USTDA Approval of Agreement of Understanding**

Disbursement of Grant funds will be made only after USTDA approval of this Agreement of Understanding. To make this review in a timely fashion, USTDA must receive from either the Client or the U.S. Firm a photocopy of an English language version of a signed Agreement of Understanding or a final negotiated draft version to the attention of the General Counsel's office at USTDA's address listed in Clause M below.

## **(2) Payment Schedule Requirements**

A payment schedule for disbursement of Grant funds to the U.S. Firm shall be included in this Agreement of Understanding. Such payment schedule must conform to the following USTDA requirements: (1) up to twenty percent (20%) of the total USTDA Grant amount may be used as a mobilization payment; (2) all other payments, with the exception of the final payment, shall be based upon Agreement of Understanding performance milestones; and (3) the final payment may be no less than fifteen percent (15%) of the total USTDA Grant amount, payable upon receipt by USTDA of an approved Final Report in accordance with the specifications and quantities set forth in Clause I below. Invoicing procedures for all payments are described below.

## **(3) U.S. Firm Invoice Requirements**

USTDA will make all disbursements of USTDA Grant funds directly to the U.S. Firm. The U.S. Firm must provide USTDA with an ACH Vendor Enrollment Form (available from USTDA) with the first invoice. The Client shall request disbursement of funds by USTDA to the U.S. Firm for performance of the contract by submitting the following to USTDA:

### **(a) U.S. Firm's Invoice**

The U.S. Firm's invoice shall include reference to an item listed in the Contract payment schedule, the requested payment amount, and an appropriate certification by the U.S. Firm, as follows:

#### **(i) For a mobilization payment (if any):**

"As a condition for this mobilization payment, the U.S. Firm certifies that it will perform all work in accordance with the terms of its Agreement of Understanding with the Client. To the extent that the U.S. Firm does not comply with the terms and conditions of the Agreement of Understanding, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA. "

#### **(ii) For Agreement of Understanding performance milestone payments:**

"The U.S. Firm has performed the work described in this invoice in accordance with the terms of its Agreement of Understanding with the Client and is entitled to payment thereunder. To the extent the U.S. Firm has not complied with the terms and conditions of the Agreement of Understanding, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(iii) For final payment:

"The U.S. Firm has performed the work described in this invoice in accordance with the terms of its Agreement of Understanding with the Client and is entitled to payment thereunder. Specifically, the U.S. Firm has submitted the Final Report to the Client, as required by the Agreement of Understanding, and received the Client's approval of the Final Report. To the extent the U.S. Firm has not complied with the terms and conditions of the Agreement of Understanding, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

**(b) Client's Approval of the U.S. Firm's Invoice**

(i) The invoice for a mobilization payment must be approved in writing by the Client.

(ii) For Agreement of Understanding performance milestone payments, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the U.S. Firm have been performed satisfactorily, in accordance with applicable Agreement of Understanding provisions and the terms and conditions of the USTDA Grant Agreement."

(iii) For final payment, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the U.S. Firm have been performed satisfactorily, in accordance with applicable Agreement of Understanding provisions and terms and conditions of the USTDA Grant Agreement. The Final Report submitted by the U.S. Firm has been reviewed and approved by the Client. "

**(c) USTDA Address for Disbursement Requests**

Requests for disbursement shall be submitted by courier or mail to the attention of the Finance Department at USTDA's address listed in Clause M below.

**(4) Termination**

In the event that the Agreement of Understanding is terminated prior to completion, the U.S. Firm will be eligible, subject to USTDA approval, for reasonable and documented costs which have been incurred in performing the Terms of Reference prior to termination, as well as reasonable wind down expenses. Reimbursement for such costs shall not exceed the total amount of undisbursed Grant funds. Likewise, in

the event of such termination, USTDA is entitled to receive from the U.S. Firm all USTDA Grant funds previously disbursed to the U.S. Firm (including but not limited to mobilization payments) which exceed the reasonable and documented costs incurred in performing the Terms of Reference prior to termination.

## **I. USTDA Final Report**

### **(1) Definition**

"Final Report" shall mean the Final Report described in the attached Annex I Terms of Reference or, if no such "Final Report" is described therein, "Final Report" shall mean a substantive and comprehensive report of work performed in accordance with the attached Annex I Terms of Reference, including any documents delivered to the Client.

### **(2) Final Report Submission Requirements**

The U.S. Firm shall provide the following to USTDA:

**(a)** One (1) complete version of the Final Report for USTDA's records. This version shall have been approved by the Client in writing and must be in the English language. It is the responsibility of the U.S. Firm to ensure that confidential information, if any, contained in this version be clearly marked. USTDA will maintain the confidentiality of such information in accordance with applicable law.

and

**(b)** One (1) copy of the Final Report suitable for public distribution ("Public Version"). The Public Version shall have been approved by the Client in writing and must be in the English language. As this version will be available for public distribution, it must not contain any confidential information. If the report in (a) above contains no confidential information, it may be used as the Public Version. In any event, the Public Version must be informative and contain sufficient Project detail to be useful to prospective equipment and service providers.

and

**(c)** Two (2) CD-ROMs, each containing a complete copy of the Public Version of the Final Report. The electronic files on the CD-ROMs shall be submitted in a commonly accessible read-only format. As these CD-ROMs will be available for public distribution, they must not contain any confidential information. It is the responsibility of the U.S. Firm to ensure that no confidential information is contained on the CD-ROMs.

The U.S. Firm shall also provide one (1) copy of the Public Version of the Final Report to the Foreign Commercial Service Officer or the Economic Section of the U.S. Embassy in Host Country for informational purposes.

### **(3) Final Report Presentation**

All Final Reports submitted to USTDA must be paginated and include the following:

**(a)** The front cover of every Final Report shall contain the name of the Client, the name of the U.S. Firm who prepared the report, a report title, USTDA's logo, USTDA's mailing and delivery addresses. If the complete version of the Final Report contains confidential information, the U.S. Firm shall be responsible for labeling the front cover of that version of the Final Report with the term "Confidential Version." The U.S. Firm shall be responsible for labeling the front cover of the Public Version of the Final Report with the term "Public Version." The front cover of every Final Report shall also contain the following disclaimer:

"This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U. S. Government. The opinions, findings, conclusions or recommendations expressed in this document are those of the author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report."

**(b)** The inside front cover of every Final Report shall contain USTDA's logo, USTDA's mailing and delivery addresses, and USTDA's mission statement. Camera-ready copy of USTDA Final Report specifications will be available from USTDA upon request.

**(c)** The U.S. Firm shall affix to the front of the CD-ROM a label identifying the Host Country, USTDA Activity Number, the name of the Client, the name of the U.S. Firm who prepared the report, a report title, and the following language:

"The U.S. Firm certifies that this CD-ROM contains the Public Version of the Final Report and that all contents are suitable for public distribution."

**(d)** The U.S. Firm and any subcontractors that perform work pursuant to the Grant Agreement must be clearly identified in the Final Report. Business name, point of contact, address, telephone and fax numbers shall be included for U.S. Firm and each subcontractor.

**(e)** The Final Report, while aiming at optimum specifications and characteristics for the Project, shall identify the availability of prospective U.S. sources of supply. Business name, point of contact, address, telephone and fax numbers shall be included for each commercial source.

(f) The Final Report shall be accompanied by a letter or other notation by the Client which states that the Client approves the Final Report. A certification by the Client to this effect provided on or with the invoice for final payment will meet this requirement.

## **J. Modifications**

All changes, modifications, assignments or amendments to this Agreement of Understanding, including the appendices, shall be made only by written agreement by the parties hereto, subject to written USTDA approval.

## **K. Technical Assistance Schedule**

### **(1) Technical Assistance Completion Date**

The completion date for the Technical Assistance, which is August 31, 2009, is the date by which the parties estimate that the Technical Assistance will have been completed.

### **(2) Time Limitation on Disbursement of USTDA Grant Funds**

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this Agreement of Understanding for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

## **L. Business Practices**

The U.S. Firm agrees not to pay, promise to pay, or authorize the payment of any money or anything of value, directly or indirectly, to any person (whether a governmental official or private individual) for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the Technical Assistance. The Client agrees not to receive any such payment. The U.S. Firm and the Client agree that each will require that any agent or representative hired to represent them in connection with the Technical Assistance will comply with this paragraph and all laws which apply to activities and obligations of each party under this Agreement of Understanding, including but not limited to those laws and obligations dealing with improper payments as described above.

## **M. USTDA Address and Fiscal Data**

Any communication with USTDA regarding this Agreement of Understanding shall be sent to the following address and include the fiscal data listed below:

U.S. Trade and Development Agency  
1000 Wilson Boulevard, Suite 1600  
Arlington, Virginia 22209-3901  
USA

Phone: (703) 875-4357  
Fax: (703) 875-4009

Fiscal Data:

Appropriation No.: 118/91001  
Activity No.: 2008-51019B  
Reservation No.: 2008510057  
Grant No.: GH2008510018

**N. Definitions**

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Grant Agreement.

**O. Taxes**

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Client nor the U.S. Firm will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

**ANNEX 5**

## Annex I

### Terms of Reference

#### Objective

USTDA received a request from the Transport and Public Works Secretariat of the State of Minas Gerais (SETOP) to fund a Technical Assistance Grant to assist SETOP with the review of the PROAERO Program, a statewide airport integrated network system developed by SETOP and other units within the Minas Government.

The Government of the State of Minas Gerais' authorized budget of Reais 327.7 million (equivalent to approximately US\$ 207 million) for PROAERO expansion between 2006 and 2011 will assist PROAERO with its objective of upgrading and expanding the airport system in the State. In so doing, the benefits that the State of Minas Gerais would derive from PROAERO would include greater mobility, improved public safety, favorable impacts on employment and income, and an improvement in the movement of goods and services throughout the State.

As part of the Technical Assistance, SETOP will provide the U.S. Firm with a series of draft interim reports for the U.S. Firm's review. The U.S. Firm's findings from its review of PROAERO will serve as the basis for making recommendations on revisions to the Program, and will cover such areas as capital expenditures, equipment specifications, procurement, financing options, and Program implementation.

The Technical Assistance U.S. Firm's tasks are as follows:

#### **Task 1 – Program Review and Initial Program Assessment**

SETOP will provide the U.S. Firm with the current PROAERO Program for the U.S. Firm's review and assessment. In addition, SETOP will provide the U.S. Firm with a Summary Report that covers Program implementation activities to date. This Summary Report will cover adherence to the Program's timeline and variance comparing planned cost levels with actual costs.

After reviewing this Summary Report, the U.S. Firm shall travel to Belo Horizonte, Brazil and provide SETOP with a Task Report of its initial assessment of the Program. The U.S. Firm shall also discuss the technical assistance schedule, work methodology, approach and action plan.

#### **Task 2 – Technical Consultations**

The U.S. Firm shall take at least three trips to Brazil, and during each of these trips the U.S. firm shall conduct a technical consultation during which the U.S. Firm will work closely with SETOP in reviewing and developing the necessary revisions to strategies, action plans, and policies of the PROAERO Program. The content of these consultations shall be defined by the U.S. Firm and SETOP during the U.S. Firm's initial trip to Brazil.

The technical consultations shall include but not be limited to evaluation and revisions to:

- Program objectives
- Program Management/Training and Development
- Technical and financial decision criteria for new airport construction
- Technical and financial decision criteria for upgrading existing airports
- Long Term Strategic Plan (2009-2029)
- Current 2009-2011 Implementation Program for new airports and existing airport upgrades
- Framework for developing future expenditure programs

These technical consultations shall take place over a 6-month period. Ten days prior to each working session, the SETOP shall prepare and submit for the U.S. Firm's review and analysis a draft interim report on the pre-agreed interim report content. Said analysis should, among other things, demonstrate whether the content and technical rationale of the interim report are, among other things, technically viable and practical; compliant with federal, state, and local regulations; compliant with federal, state, and local environmental standards; consistent with industry practice and the supply chain of key suppliers; and consistent with the International Civil Aviation Organization (ICAO), Federal Aviation Administration (FAA), and other international standards.

For each interim draft report and in preparation of each technical consultation, the U.S. Firm shall prepare written comments on each interim report, including conclusions and recommendations for strategy and action steps required to address critical factors and issues in the interim report. These written comments shall serve as the basis for discussion with SETOP during the Consultations. Also note that where appropriate and agreed to by SETOP, the U.S. Firm shall organize informal workshops to present ideas and concepts applicable to aviation system and airport planning. These initiatives are intended to serve as technology transfer sessions and serve as educational and instructional programs for the benefit of State of Minas Gerais staff. The discussions on the contents of interim draft report, the workshops, and other initiatives agreed to will culminate in the collective development of the requisite strategies and action plans for the items under the interim report.

**Deliverables:** A Status Report will be due 15 business days after the conclusion of each one of the Technical Consultations. Each Status Report will discuss the U.S. Firm's findings, conclusions, and recommendations resulting from the PROAERO Interim Report and the Technical Consultation.

### **Task 3 – Facilities and Equipment Specifications / Procurement/Financing**

The U.S. Firm shall assist SETOP in preparing the following:

1. Technical specifications for equipment, services, and technologies;

2. Detailed cost analysis of all equipment, services and technology that may be required during the 2008-2011 expenditure cycle; and
3. Procurement strategy and documents for the facilities, equipment, and services that are to be acquired for program implementation.

The specifications and procurement will be compliant with the regulations and policies of the Government of the State of Minas Gerais. The specifications and procurement will also reflect an investment schedule in a manner that is consistent with PROAERO's investment plans and policy. This effort should also strive for commonality in facilities and equipment requirements in order to encourage the use of a batch procurement process.

In developing the procurement strategy and documents, the U.S. Firm shall review the modalities of payments to assure that such arrangements will be amenable to prospective foreign suppliers. In addition, the U.S. Firm shall review with SETOP alternative financing strategies that are to include U.S. Export-Import Bank (Ex-Im Bank) financing, supplier's credits, and bank financing from Brazilian and international financial institutions. This shall include meeting and conferring with key institutions in Brazil and the U.S. regarding their interest in financing and, if those institutions show interest in providing financing, analyzing their financing policies, application process, indicative terms and conditions, and financing costs.

#### **Task 4 - U.S. Sources and Supply**

The U.S. Firm shall identify U.S. businesses that can competitively offer the required equipment, services, and technologies. Regulations related to compliance with SETOP procurement policies and practices which may govern the ability of U.S. suppliers to be accredited suppliers to SETOP and the Government of the State of Minas Gerais shall be analyzed in the Task 4 deliverables referenced below.

#### **Deliverables to SETOP**

1. Specifications/Procurement Strategy that contains all equipment, systems, technologies and their estimated costs necessary to implement the project. This report will also include a prioritized implementation schedule, and procurement guidance for suppliers.
2. Financial Analysis that reflects the expected costs and sources of financing to implement the recommended facilities and equipment at each PROAERO airport. Sources would include internal funding, Ex-Im Bank financing, supplier's credits, and Brazilian and international banking facilities.

3. U.S. Supplier List of U.S. companies (including contact information) that per the specifications are capable of providing the equipment, services, and technologies as required under the capital expenditure program.

#### **Task 5 - Preliminary Environmental Impact Assessment**

The U.S. Firm shall:

- Conduct, in consultation with the Minas Gerais Secretariat of Environmental Protection and municipal authorities, a preliminary review and evaluation of the Project's expected environmental impacts and their compatibility with both local regulations and the requirements of potential lending agencies, especially the World Bank, the IFC, and the IDB
- Discuss how any potentially significant negative impacts can be minimized
- Identify Agency/Department expectations, priorities, opportunities, and trends
- Develop plans for full environmental impact assessment in anticipation of the Project moving forward to the implementation stage.

**Deliverable: Preliminary environmental impact assessment report**

#### **Task 6 - Developmental Impact Analysis**

The U.S. Firm shall identify and assess the developmental outcomes that would be expected if the Project is implemented in accordance with the recommendations of the Technical Assistance. The U.S. Firm shall focus on estimating the Project's potential benefits in any or all of four areas: additions to infrastructure or industrial capacity; nature and effects of any legal/regulatory changes resulting from the Project; expected human capacity building; and technology transfer and its effects. The analysis of potential developmental benefits shall be as concrete and detailed as possible and include at least one specific example of developmental impact for each area that is relevant for the Project. Any significant developmental impacts outside the four areas listed above shall also be included.

**Deliverable: A report setting forth the findings and opinions as specified above.**

#### **Task 7 – Final Report**

The U.S. Firm shall prepare and deliver to the Grantee and USTDA a substantive and comprehensive final report of all work performed under these Terms of Reference ("Final Report").

The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement.

A draft of the Final Report shall be submitted to SETOP for its review. The U.S. Firm will then travel to Brazil within 30 days of submission to discuss this Report and any amendments requested by SETOP. Upon formal agreement to the contents of this Report, the U.S. Firm shall submit its Final Report to SETOP within 30 days.

**Deliverable: Final Report**

**Notes:**

- 1) **The U.S. Firm is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.**
- 2) **The U.S. Firm and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.**
- 3) **The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.**
- 4) **All Deliverables are to be supplied in the English language.**