Report of the Committee under Section 4 (iii) of Article III of the Articles of Agreement on the Proposed Loan (Strengthening Fiscal Management and Promoting Better and More Inclusive Service Delivery Development Policy Loan - (Programa de Inclusão e Desenvolvimento Socioeconômico do Estado da Bahia 2ª Etapa – PROINCLUSÃO II)) to the State of Bahia to be guaranteed by the Federative Republic of Brazil.

The undersigned Committee constituted under Section 7 of Article V of the Articles of Agreement of International Bank for Reconstruction and Development (the Bank) hereby submits its report pursuant to Section 4 (iii) of Article III of said Articles in respect of the proposal that the Bank grant to the State of Bahia (the Borrower) a loan in an amount of four hundred million Dollars ($400,000,000), which loan is to be guaranteed by the Federative Republic of Brazil. The purpose of said loan is to support the Borrower’s program aimed at improving the Borrower’s fiscal management and territorial planning, and at tailoring selected public services to the needs of women, afro-descendants and minorities in the Borrower’s territory.

1. The Committee has carefully studied the merits of the proposal to grant such a loan, and of the purpose to which the proceeds of the loan are to be applied.

2. The Committee is of the opinion that the Program toward the financing of which the proceeds of such loan are to be applied comes within the purposes of the Bank as set forth in Article I of said Articles of Agreement, and that said Program is designed to promote the development of the productive facilities and resources of the Federative Republic of Brazil and is in the interest of the Federative Republic of Brazil and of the members of the Bank as a whole.

3. Accordingly, the Committee finds that said Program merits financial assistance from the Bank, and hereby recommends said Program for such assistance.

COMMITTEE

[Signatures and signatures]

Senior Vice President and Group General Counsel

Expert Selected by Governor for Federative Republic of Brazil

Regional Vice President Latin America and the Caribbean

Vice President, World Bank Group Chief Risk Officer

Dated at Washington, D.C.

July 8, 2014