Loan Agreement

(Development Policies for the State of Sergipe Development Policy Loan)
(Políticas de Desenvolvimento no Estado de Sergipe)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF SERGIPE

Dated September 18, 2013
LOAN AGREEMENT

Agreement dated September 10, 2013, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the STATE OF SERGIPE ("Borrower") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS (A) The Bank has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; (b) the Guarantor’s maintenance of an adequate macroeconomic policy framework; and (c) the Borrower’s maintenance of: (i) an appropriate expenditure program; (ii) sustainable debt; and (iii) appropriate fiscal arrangements with the Guarantor.

(B) the Borrower has informed the Bank that, upon deposit by the Bank of the proceeds of the Loan (on the terms set forth in the Section II of Schedule 1 to this Agreement and for purposes of supporting the Program) into an account to be designated by the Borrower, the Borrower’s financial capacity will be strengthened by expanding its fiscal space to finance further public investments in accordance with the Borrower’s budgetary laws.

The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

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

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred fifty million Dollars ($150,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan").

2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement. The Borrower’s
Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Borrower's Secretary of Finance.

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

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

2.05. The Payment Dates are January 15 and July 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

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

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

2.08. Without limitation upon the provisions of paragraph (a) of Section 2.07 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

2.09. Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 3 of Section II of the Appendix to this Agreement and relating to Cooperation and Consultation), the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.08 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on: (i) the Guarantor’s macroeconomic policy framework; (ii) the Borrower’s maintenance of an appropriate expenditure program, sustainable debt, and appropriate fiscal arrangements with the Guarantor; and (iii) the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 to this Agreement;

(b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially: (i) impairing the Borrower’s ability to maintain an appropriate expenditure program, sustainable debt, and/or appropriate fiscal arrangements with the Guarantor; or (ii) reversing the objectives of the Program or any action taken under the
Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

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

(a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

(b) An action has been taken or a policy has been adopted by the Borrower to reverse any action or policy under the Program, including any action listed in Section I of Schedule 1 to this Agreement, in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Guarantor’s macroeconomic policy framework.

(b) The Bank is satisfied with the Borrower’s maintenance of: (i) an appropriate expenditure program; (ii) sustainable debt; and (iii) appropriate fiscal arrangements with the Guarantor.

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

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank’s approval of the Loan which expire on November 21, 2014.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Governor.
6.02. The Borrower’s Address is:

Avenida Tancredo Neves No. 151
Centro Administrativo Augusto Franco
Aracaju, SE 49080-900

Facsimile: (55-79) 3216-7297

6.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

STATE OF SERGIPE

By

Authorized Representative
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

The actions taken by the Borrower under the Program, aimed at: (a) consolidating fiscal management and public sector innovations; (b) increasing access to better quality public services in health and education; and (c) promoting socioeconomic development and inclusive growth in the interior of the Borrower’s territory, include the following:

1. Consolidating Fiscal Management and Public Sector Innovations:
   (a) The Borrower, through SEPLAG, has improved the quality of government-citizen services, standardizing and simplifying service patterns for public services, as evidenced by: (i) the issuance of Borrower’s Decree No. 28837 of October 18, 2012, and published in the Borrower’s Diário Oficial on October 22, 2012, regulating a “one-stop shop” model (Guichê Único); and (ii) the issuance of Borrower’s Portaria No. 3242 of October 29, 2012, published in the Borrower’s Diário Oficial on October 31, 2012, establishing the charter of services.
   (b) The Borrower, through SEFAZ, has modernized key planning, budgetary, financial execution, public accounting, and control processes, as evidenced by the issuance of Borrower’s Decree No. 28830 of October 16, 2012, and published in the Borrower’s Diário Oficial on October 18, 2012, making compulsory within the Borrower’s executive branch the use of a new integrated financial management information system (i-Gesp).
   (c) The Borrower, through SEFAZ, has increased revenues combating fiscal avoidance through the expansion and improvement of tools for tax arrears collection combating fiscal avoidance, as evidenced by the issuance of Borrower’s Decree No. 28843 of October 19, 2012, and published in the Borrower’s Diário Oficial on October 23, 2012.

2. Increasing Access to Better Quality Public Services:
   (a) The Borrower, through SES, has improved the quality of maternal and newborn health services for high-risks pregnancies, through its adhesion to the Rede Cegonha Program and the organization of the Borrower’s health system into regional networks, as evidenced by:
      (i) The signature, by SES, on April 13, 2012, of an amendment to the Public Action Contract to formalize SES’s adhesion to the
SUS and related programs, including the Rede Cegonha Program and the publication of its excerpt in the Diário Oficial on April 25, 2012.


(b) The Borrower, through SEED, has improved school management in the Borrower’s public schools network, through the establishment of meritocratic process for the selection of school directors and the design and use of result-based management strategies, as evidenced by the issuance of Borrower’s Decree No. 29120 of March 6, 2013, published in the Diário Oficial on March 8, 2013, ordering the implementation of said management model and strategies in the Borrower’s public schools network.

(c) The Borrower, through SEED, has improved learning results in municipal elementary schools, through the implementation of the PNAIC in the Borrower’s territory, as evidenced by the issuance of Portaria No. 6146 of October 4, 2012, published in the Diário Oficial on October 10, 2012, establishing the state-municipal collaboration with respect to the PNAIC.

3. Promoting Socioeconomic Development and Inclusive Growth

(a) The Borrower has enhanced the quality and sanitary conditions of the cattle milk and dairy production in the Borrower’s territory, as evidenced by the issuance of Borrower’s Decree No. 28733 of August 27, 2012, published in the Diário Oficial on August 30, 2012, incorporating family farmers into the Dairy Production Clusters (part of the Intensive Production System), providing sanitary certification of dairy products, and supporting the genetic enhancement of the herd in the irrigated perimeter of the Borrower’s region of Jabiberi.

(b) The Borrower has promoted the sustainable use of environmentally-sustainable practices (green growth) in agriculture through the creation of a program for the promotion of organic production for family farmers, and the establishment of incentives for environmentally sustainable production, as evidenced by the enactment of Borrower’s Law No. 7270
of November 17, 2011, published in the **Diário Oficial** on November 23, 2011, creating incentives for sustainable green production and defining family agriculture.

(c) The Borrower has increased employment and income opportunities for the most vulnerable workers (i.e. seasonal orange and sugar cane production workers) through its inclusion in literacy and technical capacity building programs, as evidenced by a list, certified by SEIDES, containing the names of participants enrolled in the literacy programs (**Sergipe Alfabetizado**) and the capacity improvement courses.

(d) The Borrower has strengthened its social assistance system through the institutionalization of the state-municipality co-financing arrangements supporting the **Busca Aíva** Program in order to guarantee the continuous identification and inclusion of poor families in the Guarantor’s single registry for social programs (**CadÚnico**), as evidenced by the enacting of Borrower’s Law No. 7251 of October 31, 2011, setting forth the detailed resource transfer system to finance social assistance in municipalities.

(e) The Borrower has scaled up state and municipal support to programs aimed at protecting women in situations of violence and vulnerability, as evidenced by the signing of four technical cooperation agreements between the Borrower and: (i) the municipality of **Propríá**, dated October 9, 2012; (ii) the municipality of **Estancia**, dated December 7, 2012; (iii) the municipality of **Itabaiana**, dated October 9, 2012; and (iv) the municipality of **Poço Redondo**, dated October 9, 2012, decentralizing women protection and support programs throughout the Borrower’s territory.

Section II. **Availability of Loan Proceeds**

A. **General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. **Allocation of Loan Amounts.** The Loan (except for amounts required to pay the Front-end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amount of the Loan to this end is set out in the table below:
<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan Allocated (expressed in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>149,625,000</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>375,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>150,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied:

   (a) with the Guarantor’s maintenance of an adequate macroeconomic policy framework;

   (b) with the Borrower’s maintenance of: (i) an appropriate expenditure program; (ii) sustainable debt; and (iii) appropriate fiscal arrangements with the Guarantor; and

   (c) with the progress achieved by the Borrower in carrying out the Program.

D. Deposits of Loan Amounts. Except as the Bank may otherwise agree:

1. all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and

2. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower’s budget management system, in a manner acceptable to the Bank.

E. Excluded Expenditures. The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

F. Closing Date. The Closing Date is December 31, 2014. The Bank will grant an extension of the Closing Date only after the Guarantor’s Ministry of Finance has informed the Bank that it agrees with such an extension.
SCHEDULE 2

Amortization Schedule

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

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15</td>
<td>1.66</td>
</tr>
<tr>
<td>Beginning on July 15, 2018 through January 15, 2028</td>
<td>1.66</td>
</tr>
<tr>
<td>From July 15, 2028 through January 15, 2041</td>
<td>2.46</td>
</tr>
<tr>
<td>On July 15, 2041</td>
<td>2.84</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

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

Section I. Definitions

1. "Busca Ativa Program" means the Guarantor’s program for the identification and inclusion of poor families in the CadÚnico within the Plano Brasil Sem Miséria strategy, established pursuant to the Presidential Decree No. 7492, dated June 2, 2011, and published in the Guarantor’s Diário Oficial on June 3, 2011, as amended to the date of this Agreement.

2. "CadÚnico" means the Guarantor’s single registry for social programs created pursuant to Presidential Decree No. 6135, dated June 26, 2007, and published on the Guarantor’s Diário Oficial on June 27, 2007, as amended to the date of this Agreement.

3. "Dairy Production Clusters" means the association of dairy producers under the Intensive Production System, created pursuant to the Borrower’s Decree No. 28733, dated August 27, 2012.

4. "Diário Oficial" means the Borrower’s and/or Guarantor’s legal publications newspaper, as the case may be.

5. “Excluded Expenditure” means any expenditure:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
</tbody>
</table>
667 | Pearls, precious and semiprecious stones, unworked or worked
---|---
718 | Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728 | Tobacco processing machinery
897 | Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971 | Gold, non-monetary (excluding gold ores and concentrates)

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.


7. “Guichê Único” means the borrower’s citizen service attention system created pursuant to the Borrowers’ Decree No. 28837, dated October 18, 2012, and published on October 22, 2012.

8. “i-Gesp” means integrated financial management information system of compulsory use for the Borrower’s executive branch, pursuant to the Borrower’s Decree No. 28830, dated October 16, 2012, and published on October 18, 2012.

9. “Intensive Production System” means the Borrower’s federal government technology transfer and quality assurance program to strengthen dairy production.
pursuant to the Borrower’s Decree No. 28733, dated August 27, 2012, and published on October 30, 2012.

10. “PNAIC” means Programa Nacional de Alfabetização na Idade Certa, the Borrower’s federal government Literacy at the Right Age Program, pursuant to the Borrower’s federal education minister Portaria No. 867, dated July 4, 2012.

11. “Program” means the program of actions, objectives and policies designed to strengthen the Borrower’s public sector reforms, budget management and sectoral policy management in the areas of social inclusion and environmental management in order to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated October 3, 2012, from the Borrower to the Bank, declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.

12. “Rede Cegonha” means the Borrower’s federal government maternal and child health program, pursuant to the borrower’s federal health minister Portaria No. 1459, dated June 24, 2011.

13. “SEED” means Secretaria de Estado da Educação, the Borrower’s State Secretariat of Education.

14. “SEFAZ” means Secretaria da Fazenda, the Borrower’s State Secretariat of Finance.

15. “SEPLAG” means Secretaria de Estado de Planejamento, Orçamento e Gestão, the Borrower’s State Secretariat of Planning, Budget and Management.

16. “Sergipe Alfabetizado” means the literacy program in which in accordance with the Termo de Adesão dated October 18, 2012, the Borrower adheres to the Guarantor’s literacy program created pursuant to the Guarantor’s Resolution/CD/FNDE No. 44, dated September 5, 2012.

17. “SES” means Secretaria de Estado da Saúde, the Borrower’s State Secretariat of Health.

18. “SEIDES” means Secretaria de Estado da Inclusão, Assistência e Desenvolvimento Social, the Borrower’s State Secretariat of Inclusion, Protection and Social Development.

19. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 5.01 (Project Execution Generally), and 5.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.

4. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 5.06. Plans; Documents; Records

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank's representatives to examine such records."

6. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

Section 5.07. Program Monitoring and Evaluation

"... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan."

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:
(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

(b) The term “Financial Statements” and its definition are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows (and all references to “Project” throughout these General Conditions are deemed to be references to “Program”):

“‘Program’ means the program referred to in the Loan Agreement in support of which the Loan is made.”