Loan Agreement

(Strengthening Public Policies for Improved Service Delivery
Development Policy Loan*-
Programa de Desenvolvimento das Políticas Públicas do Estado do Acre)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF ACRE

Dated December 10, 2013
LOAN AGREEMENT

Agreement dated December 20, 2013 entered into between
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(“Bank”) and the STATE OF ACRE (“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 of,
inter alia: (a) the actions already taken or to be taken, by the Borrower 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.

WHEREAS (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 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 Bank and Borrower 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 two hundred and fifty million
Dollars ($250,000,000), 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 Planning.
2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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

2.05. The Payment Dates are May 15 and November 15 in each year.

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

2.07. (a) The Borrower may at any time, in each case with the prior non-objection of the Guarantor, through the Secretariat of the National Treasury of the Guarantor's Ministry of Finance, request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; and (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.

(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 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 as referred to in WHEREAS Clause (A) of this Agreement; 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 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 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 an appropriate expenditure program, sustainable debt and 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. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank’s approval of the Loan which expire on June 5, 2015.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except for the purposes of Section 2.02 of this Agreement, the Borrower’s Representative is its Governor.

6.02. The Borrower’s Address is:

Avenida Brasil n° 402 — Centro
Rio Branco — AC — 69.900-078

Facsimile: (55 –68) 3224.0190

With copies to:

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

Facsimile: (55-61) 2020-5006
Secretaria de Estado de Fazenda
Rua Benjamin Constant n° 946 - Centro
Rio Branco-AC- 69.900-062
Brazil

Facsimile: (55-68) 3215.2150

Secretaria de Estado de Planejamento
Avenida Getúlio Vargas n° 232 - Centro
Palácio das Secretarias – 4º andar
Rio Branco-AC – 69.900-060

Facsimile: (55 68) 3224-4535

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: Telex: Facsimile:
INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

STATE OF ACRE

By

Authorized Representative
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program for the First Withdrawal Tranche. The actions taken by the Borrower under the Program include the following:

1. Improving Planning, Monitoring and Evaluation to Increase the Results Orientation of Development Programs, and Introducing Transparent Procurement and Asset Management Practices.

   (a) The Borrower, through SAI and SEPLAN, has adopted SIPLAGE, consolidating the Borrower’s planning, monitoring and evaluation processes in a single results-based system, as evidenced by the issuance of the Borrower’s Decree No. 6401/2013 of September 26, 2013, duly published in the Diário Oficial.

   (b) The Borrower, through SAI and SEPLAN, has established rules and procedures for the implementation of SIPLAGE, as evidenced by the issuance of legal instruction (Instrução Normativa) No. 001 of October 30, 2013, regulating Decree No. 6401/2013 of September 26, 2013, duly published in the Diário Oficial.

   (c) The Borrower, through SGA, has adopted standardized procurement (including e-procurement) and asset management practices, through the adoption of GRP, as evidenced by the issuance of the Borrower’s Decree No. 6412/2013 of September 27, 2013, duly published in the Diário Oficial.

   (d) The Borrower, through CGE, has established standardized procedures for expenditure management aimed at increasing the speed, efficiency and public transparency, as well as for the reduction of administration costs, as evidenced by the issuance of legal instruction (Instrução Normativa) CGE/AC No. 002/2013 of May 29, 2013, duly published in the Diário Oficial.

2. Improving Monitoring of Learning Performance of Students in the Borrower’s Public Schools and Aligning the Borrower’s Gender Policy and Institutional Framework with Gender Policy Reforms at the National Level.

   (a) The Borrower, through SEE, has adopted SEAPE for all of the Borrower’s public schools, for the monitoring of learning outcomes in Portuguese language, mathematics and social and natural sciences, as
evidenced by the issuance of the Borrower's Decree No. 6393/2013 of September 23, 2013, duly published in the Diário Oficial.

(b) The Borrower, through SEPMulheres, has established the governance structure for the Borrower's Plan for Policies for Women, underpinning the delivery of a network of specialized services to help women in situations of violence and vulnerability, as prescribed in the Maria da Penha Law, as evidenced by the issuance of: (i) the Borrower's Decree No. 6418/2013 of September 30, 2013 creating the Borrower's committee of policies for women (Comité Gestor do Plano Estadual de Políticas para as Mulheres); and (ii) the Borrower's Portaria 33/2013 of October 16, 2013, appointing the members of the Borrower's committee referred to in (i) above.

B. Actions to be Taken Under the Program for the Second Withdrawal Tranche. The actions to be taken by the Borrower under the Program include the following:

1. Improving Planning, Monitoring and Evaluation to Increase the Results Orientation of Development Programs, and the Introduction of Transparent Procurement and Asset Management Practices.

   (a) The Borrower, through SAI and SEPLAN, has initiated the implementation of SIPLAGE by completing the first evaluation cycle of four development programs, as evidenced by the approval, through SEPLAN, of a report, in form and substance acceptable to the Bank, detailing the evaluation results of the four development programs.

   (b) The Borrower, through SGA, has established processes and distributed responsibilities to support the implementation of the GRP, as evidenced by the issuance of the Borrower's legal instruction (Instrução Normativa) regulating Decree 6412/2013, in form and substance satisfactory to the Bank, duly published in the Diário Oficial.

2. Improving Monitoring of Learning Performance of Students in the Borrower's Public Schools and Aligning the Borrower's Gender Policy and Institutional Framework with Gender Policy Reforms at the National Level.

   (a) The Borrower, through SEE, has adopted the norms, processes and mechanisms to implement SEAPE in the Borrower's public schools network, as evidenced by the issuance of legal instruction (Instrução Normativa) regulating Decree 6393/2013, in form and substance satisfactory to the Bank, duly published in the Diário Oficial.
(b) The Borrower, through SEE, has modified the school-level bonus system to introduce performance agreements and performance-related pay in all of the Borrower’s public schools, as evidenced by the issuance of a Borrower’s Decree, in form and substance satisfactory to the Bank, duly published in the *Diário Oficial*.

(c) The Borrower, through SEPMulheres, has adopted preventive and assistance policies guaranteeing the rights of women in situations of violence and vulnerability, in compliance with the *Maria Penha* Law, as evidenced by the publication in the Borrower’s *Diário Oficial* of the signed minutes of CEDIM’s meeting approving the Borrower’s plan for supporting the preventive and assistance policies referred to herein, all in form and substance satisfactory to the Bank.

(d) The Borrower, through SEPMulheres, has created management committees in the Borrower’s municipalities of *Sena Madureira* and *Brasiléia* for the coordination of the implementation of the policies mentioned in (c) above at the local level, as evidenced by the issuance of a Borrower’s Decree, in form and substance satisfactory to the Bank, duly published in the *Diário Oficial*.

**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 is allocated in two withdrawal tranches, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Tranche Allocated (expressed in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) First Withdrawal Tranche</td>
<td>149,375,000</td>
</tr>
<tr>
<td>(2) Second Withdrawal Tranche</td>
<td>100,000,000</td>
</tr>
<tr>
<td>(3) Front-end Fee (amount due pursuant to Section 2.03(c) of this Agreement)</td>
<td>625,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>250,000,000</td>
</tr>
</tbody>
</table>
C. Withdrawal Tranche Release Conditions.

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

   (a) with the progress achieved by the Borrower in carrying out the Program;

   (b) with the adequacy of the Guarantor's macroeconomic policy framework; and

   (c) with the Borrower’s maintenance of an appropriate expenditure program, sustainable debt, and appropriate fiscal arrangements with the Guarantor.

2. No withdrawal shall be made of the Second Withdrawal Tranche unless the Bank is satisfied, after an exchange of views as described in Sections 3.01 (a) and (b) of this Agreement based on evidence satisfactory to the Bank:

   (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;

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

   (d) that the actions described in Part B of Section I of this Schedule have been taken.

If, after this exchange of views, the Bank is not so satisfied with respect to paragraphs (a), (b), (c) and/or (d) above, it may give notice to the Borrower to that effect and, if within ninety (90) days after the notice, the Bank still is not satisfied with respect to any of said paragraphs, then the Bank may, by notice to the Borrower, cancel all or any part of the Unwithdrawn Loan Balance.

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 January 31, 2015. The Bank shall only grant an extension of the Closing Date after the Guarantor's Ministry of Finance has informed the Bank that it agrees with such extension.
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</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Expressed as a Percentage)</td>
</tr>
<tr>
<td>On each May 15 and November 15</td>
<td>2.38%</td>
</tr>
<tr>
<td>Beginning May 15, 2019 through May 15, 2039</td>
<td></td>
</tr>
<tr>
<td>On November 15, 2039</td>
<td>2.42%</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. "Borrower’s Plan for Policies for Women" means Plano Estadual de Políticas para as Mulheres, the Borrower’s plan comprising, inter alia, preventive and assistance policies and services guaranteeing the rights of women, in compliance with the Maria da Penha Law.

2. "CEDIM" means Conselho Estadual dos Direitos da Mulher, the Borrower’s council for women’s rights created pursuant to Law No. 2.431, dated July 2, 2011.

3. "CGE" means Controladoria Geral do Estado, the Borrower’s General Comptroller’s Office.

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>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>-----</td>
<td>-------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(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.

6. “First Withdrawal Tranche” means the amount of the Loan located to the category entitled “First Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule I to this Agreement.

7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

8. “GRP”, means Sistema de Gestão de Recursos Públicos, the Borrower’s Public Resources Management System established pursuant the Borrower’s Decree No. 6412 of September 27, 2013.

9. “Maria de Penha Law” means the Guarantor’s law No. 11340, dated August 7, 2006, which establishes the legal framework governing domestic violence prevention, including protection and support for women who are at risk of, or victims of, violence.
10. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated October 17, 2013, 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.

11. "SGA" means Secretaria de Estado de Gestão Administrativa, the Borrower’s Secretariat of Administrative Management.

12. "SEAPE" means Sistema Estadual de Avaliação da Aprendizagem Escolar, the Borrower’s system to evaluate learning results of students in the public schools network.

13. "SEE" means Secretaria de Estado de Educação e Esporte, the Borrower’s Secretariat of Education and Sports.

14. "SAI" means Secretaria de Estado de Articulação Institucional, the Borrower’s Secretariat of Institutional Coordination.

15. "SEPLAN" means Secretaria de Estado de Planejamento, the Borrower’s Secretariat of Planning.

16. "SEPMulheres" means Secretaria de Estado de Políticas para as Mulheres, the Borrower’s Secretariat of Policies for Women.

17. "SIPLAGE" means Sistema Integrado de Planejamento e Gestão Estratégicos, the Borrower’s integrated system of planning and strategic management, established pursuant the Borrower’s Decree No. 6401 of September 25, 2013.

18. "Second Withdrawal Tranche" means the amount of the Loan allocated to the category entitled "Second Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule I 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.”