Loan Agreement

(Third Minas Gerais Development Partnership Development Policy Loan-
Terceiro Programa de Parceria para o Desenvolvimento de Minas Gerais)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF MINAS GERAIS

Dated November 26, 2012
LOAN AGREEMENT

Agreement dated November 26, 2012, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the STATE OF MINAS GERAIS ("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 I 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 I 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 four hundred fifty million Dollars ($450,000,000), 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 I 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 April 15 and October 15 in each year.

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

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; and (iii) the progress achieved in carrying out the Program and the actions specified in Section I of Schedule I 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 I 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 1 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 January 24, 2014.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Secretary of Finance.

6.02. The Borrower's Address is:
Edificio Gerais, 7º andar
Cidade Administrativa Pres. Tancredo Neves
Av. Prefeito Américo Gianetti, s/n, Bairro Serra Verde
Belo Horizonte, MG
CEP: 31.630-900

Facsimile: +55 31 3915-6928
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 the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

STATE OF MINAS GERAIS

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) strengthening public sector and budgetary management; (b) promoting social inclusion; (c) increasing environmental sustainability; and (d) developing a metropolitan governance framework, include the following:

Strengthening Public Sector and Budgetary Management

(a) The Borrower has:

(i) established 22 Strategic Management and Innovation Units aimed at decentralizing the Borrower’s results-based management functions, as evidenced by the Borrower’s Delegated Law No. 180, dated January 20, 2011, published in the Borrower’s Official Gazette on January 21, 2011; and

(ii) made the 22 Strategic Management and Innovation Units operational, as evidenced by 22 Decrees issued by the Borrower, and duly published in the Borrower’s Official Gazette, each Decree setting forth the competency of each of said 22 units.

(b) The Borrower has adopted the Módulo de Programação Orçamentária do Sistema Integrado de Administração Financeira - SIAF1/MG, as evidenced by the Borrower’s Decree No. 45.906, dated February 6, 2012, published in the Borrower’s Official Gazette on February 7, 2012.

(c) The Borrower has adopted measures to assess projects exceeding five million Reais and co-financed through Transferências Voluntárias by the Guarantor within the Borrower’s territory prior to submitting said projects to the Câmara de Coordenação Geral, Planejamento, Gestão e Finanças for approval, as evidenced by the Borrower’s Decree No. 45.906, dated February 6, 2012, published in the Borrower’s Official Gazette on February 7, 2012.

(d) The Borrower has:

(i) created two regional committees within the Borrower’s territory, i.e., one regional committee for the Norte de Minas region, and one regional committee for the Rio Doce region, to pilot the carrying out of a participatory process to increase citizen
participation aimed at identifying regional priorities within the Borrower’s public policies in the respective regions under each committee’s jurisdiction, as evidenced by the Borrower’s Decree No. 45.584, dated April 8, 2011, published in the Borrower’s Official Gazette on April 9, 2011, as amended by the Borrower’s Decree No. 45.753, dated October 6, 2011, published in the Borrower’s Official Gazette on October 7, 2011; and

(ii) made the two regional committees operational, as evidenced by:

(A) a copy of the minutes of the meeting of the regional committee for the Norte de Minas region held on June 16, 2011;

(B) a copy of the minutes of the meeting of the regional committee for the Rio Doce region held on May 31, 2011;

(C) a copy of the list of participants in the meeting of the regional committee for the Norte de Minas region with civil society organizations, dated October 17 and 18, 2011;

(D) a copy of the list of participants in the meeting of the regional committee for the Rio Doce region with civil society organizations, dated August 18, 2011;

(E) a copy of the Caderno Regional Norte de Minas; and

(F) a copy of the Caderno Regional do Rio Doce.

2. Promoting Social Inclusion

(a) The Borrower, through SEDESE:

(i) has established the Piso Mineiro, as evidenced by SEDESE’s Resolution No. 459, dated December 29, 2010, published in the Borrower’s Official Gazette on December 30, 2010; and

(ii) is implementing the Piso Mineiro, as evidenced by a letter issued by SEPLAG, dated May 2, 2012, transmitting the budget report for January through December 2011 showing the transfer of the necessary budget from the Borrower to 214 municipalities in the Borrower’s territory under the Piso Mineiro, such transfer having been made in accordance with article 4 of SEDESE’s

(b) The Borrower has amended the regulation regarding the Programa Travessia, to include, inter alia, a provision for the Borrower's carrying out of a diagnosis on education, health and quality of life in selected municipalities located in areas of social vulnerability within the Borrower's territory, and in partnership with such selected municipalities, as evidenced by the Borrower's Decree No. 45.694, dated August 12, 2011, published in the Borrower's Official Gazette on August 13, 2011.

(c) The Borrower has adopted, and is implementing, a merit-based selection process for regional school superintendents and school directors within its territory, as evidenced by:


(ii) the Resolution issued by the Borrower's Secretariat of Education No. 1812, dated March 22, 2011, published in the Borrower's Official Gazette on March 23, 2011; and

(iii) a letter issued by SEPLAG dated May 2, 2012, confirming the nomination of regional school superintendents and school directors and transmitting copies of the formal instruments nominating said personnel.

3. Increasing Environmental Sustainability

(a) The Borrower has established, within the Borrower's Secretariat for Environment and Sustainable Development, a sub-secretariat for environmental management and regularization and a sub-secretariat for environmental control and inspection, as evidenced by:

(i) the Borrower's Decree No. 45.824, dated December 20, 2011, published in the Borrower's Official Gazette on December 21, 2011; and

(b) The Borrower has adopted measures to encourage forest plantation within its territory to supply raw input to industries located in the Borrower's territory, as evidenced by the Borrower's Decree No. 45.919, dated March 1, 2012, published in the Borrower's Official Gazette on March 2, 2012.

4. Developing a Metropolitan Governance Framework

The Borrower has, through the Conselho Deliberativo de Desenvolvimento da Região Metropolitana de Belo Horizonte, adopted an integrated regional development master plan for the metropolitan region of Belo Horizonte, as evidenced by the minutes of the meeting dated July 11, 2011, recording the meeting of the Conselho Deliberativo de Desenvolvimento da Região Metropolitana de Belo Horizonte.

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 amounts 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>448,875,000</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>1,125,000</td>
</tr>
<tr>
<td>(3) Amount due pursuant to Section 2.07(c) of this Agreement</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>450,000,000</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 January 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 April 15 and October 15 Beginning October 15, 2017 through April 15, 2042</td>
<td>2%</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 repayable 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.

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. "Caderno Regional Norte de Minas" means the Borrower’s document compiling socioeconomic information from Norte de Minas and listing priorities selected by civil society organizations during its regional meeting, undated.

2. "Caderno Regional do Rio Doce" means the Borrower’s document compiling socioeconomic information from Rio Doce and listing priorities selected by civil society organizations during its regional meeting, undated.

3. "Câmara de Coordenação Geral, Planejamento, Gestão e Finanças" means the Borrower’s chamber governed by the Borrower’s Delegated Law No. 180, dated January 20, 2011, published in the Official Gazette on January 21, 2011, consisting of selected representatives from its secretariats, aimed at coordinating the Borrower’s development and implementation of public policies.

4. "Conselho Deliberativo de Desenvolvimento da Região Metropolitana de Belo Horizonte" means the council representing the Borrower, civil society, and municipal representatives aimed at deciding on urban planning issues for the metropolitan region of Belo Horizonte.

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>

-13-
<table>
<thead>
<tr>
<th>SIC Code</th>
<th>Tariff Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<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>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.


8. “Módulo de Programação Orçamentária do Sistema Integrado de Administração Financeira - SIAFI/MG” means a budget programming module aimed at registering budgetary limits based on the authorized credit for the Borrower’s fiscal year and capturing the respective budgetary execution plans for each of the Borrower’s spending units, established pursuant to the Borrower’s Decree referred to in Section I.1(b) of Schedule 1 to this Agreement.
9. "Norte de Minas" means the northern administrative region in the Borrower's territory covering 89 municipalities.

10. "Piso Mineiro" means the Borrower's social assistance program consisting of Borrower financing, in addition to federal and municipal financing, of social services and provision of temporary social benefits, established pursuant to SEDESE's Resolution referred to in Section I.2(a)(i) of Schedule 1 to this Agreement.

11. "Programa Travessia" means the Borrower's program aimed at planning, coordinating and implementing the Borrower's public policies on social inclusion in selected regions with high concentration of socially vulnerable families, established pursuant to the Borrower's Law No. 17.007, dated September 28, 2007, published in the Borrower's Official Gazette on September 29, 2007, as amended and referred to in Section I.2(b) of Schedule 1 to this Agreement.

12. "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, environmental management and metropolitan governance in order to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated May 30, 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.

13. "Reais" means the Borrower's currency.

14. "Rio Doce" means the administrative region in the Borrower's territory covering 102 municipalities.

15. "SEDESE" means the Borrower's Secretariat of Social Development.

16. "SEPLAG" means the Borrower's Planning Secretariat.

17. "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.

18. "Strategic Management and Innovation Unit" means a unit established in one of the Borrower's secretariats as referred to in Section I.1 (a) of Schedule 1 to this Agreement.
19. “Transferências Voluntárias” means, solely for the purpose of this Agreement, the Guarantor's transfer of current or capital resources to the Borrower for purposes of providing cooperation, aid or financial assistance not derived from constitutional legal mandate or destined to the unified health system, in accordance with article 25 of the Lei de Responsabilidade Fiscal.

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
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.”