Loan Agreement

(Second Programmatic Fiscal Sustainability Development Policy Loan)

between

JAMAICA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated September 25, 2011
LOAN AGREEMENT

Agreement dated September 25, 2011, entered into between JAMAICA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). 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, and (b) the Borrower’s maintenance of an adequate macroeconomic policy framework. 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 million Dollars ($100,000,000), 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.

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 Fixed 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 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 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 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 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.

(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 1 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 the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program;

(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 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 Event of Suspension consists of, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02. The Additional Event of Acceleration consists of, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consists of the following, namely, that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower’s macroeconomic policy framework.

5.02. 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 March 8, 2013.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance.

6.02. The Borrower’s Address is:

Ministry of Finance
30 National Heroes Circle
Kingston 4
Jamaica

Facsimile: 876-924-9291

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 1-202-477-6391
Facsimile: 64145(MCI)

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

JAMAICA

By /s/ Audrey P. Marks
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Francoise Clottes
Authorized Representative
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions Taken Under the Program

The actions taken by the Borrower under the Program include the following:

A. Enhancing Fiscal and Debt Sustainability

1. (a) The Borrower has introduced a fiscal responsibility framework into its legislation, as evidenced by the enactment, by the Borrower’s Parliament of: (i) the FAA (Amendment) Act which amends the FAA Act to, *inter alia*, ensure accountability for applying principles of prudent fiscal management; and (ii) the PBMA (Amendment) Act which amends the PBMA Act to, *inter alia*, increase the transparency and comprehensiveness of data on fiscal operations presented to the Borrower’s Parliament; and

(b) The Borrower has started to implement the fiscal responsibility framework described in the FAA (Amendment) Act, as evidenced by a letter issued by the Borrower’s Financial Secretary dated July 18, 2011 demonstrating how said fiscal responsibility framework has been implemented, through, *inter alia*: (i) the submission by the Borrower’s Minister of Finance to the Borrower’s Parliament on April 28, 2011 of the Fiscal Policy Paper; (ii) the submission by the Borrower’s Auditor General to the Borrower’s Parliament on May 27, 2011 of a report indicating that the Fiscal Policy Paper complies with the principles of prudent fiscal management specified in Section 48D of the FAA (Amendment) Act; and (iii) the submission by the Borrower’s Minister of Finance to the Borrower’s Parliament in April 2011 of estimates of revenue and expenditure for Public Bodies with respect to the ensuing financial year as specified in Section 2A of the PBMA (Amendment) Act.

2. (a) The Borrower has submitted on July 12, 2011 to the Borrower’s Parliament, for approval thereby, a bill entitled the Public Debt Management Act, 2011, for purposes of: (i) consolidating the existing legal and regulatory framework related to debt management; (ii) introducing modern debt management practices (including the establishment of a high level Public Debt Management Committee with the purpose of providing strategic guidance on debt management, and chaired by the Borrower’s Financial Secretary); and (iii) ensuring prudent management of government guarantees and contingent liabilities, as evidenced by a letter issued by the Clerk to the Houses of the Borrower’s Parliament dated July 14, 2011; and

(b) the Borrower has started to implement the time-bound action plan dated December 1, 2010 he ufor purposes of strengthening the institutional and
technical capacity of the Borrower’s Debt Management Unit, including: (i) the submission by the Borrower to the Borrower’s Parliament on July 19, 2011, for ratification thereby, of the Civil Service Establishment (General) (Amendment) (No. 2) Order, 2011 which will establish a new functional organization structure with front, middle and back offices, as evidenced by a letter issued by the Clerk to the Houses of the Borrower’s Parliament dated July 20, 2011; and (ii) the development of a medium term debt management strategy, as evidenced by the submission to the Borrower’s Parliament of said debt management strategy on April 28, 2011 and publication on MoF’s website (http://www.mof.gov.jm).

3. The Borrower has continued to implement the plan dated July 3, 2008 to achieve the rationalization of Public Bodies, as evidenced by the divestiture of: (i) Air Jamaica (pursuant to the Contribution and Share Issuance Agreement, Personnel Provision Agreement and Transition Services Agreement, all signed on April 30, 2010); (ii) three sugar estates (Monymusk, Frome, Bernard Lodge) (pursuant to the Agreement for Sale and Purchase signed on July 30, 2010); and (iii) the Pegasus Hotels of Jamaica Limited (pursuant to the Share Sale and Purchase Agreement signed on September 14, 2010).

4. The Borrower, through MoF, has completed employment surveys (censuses) for all non-self financing Public Bodies (fully-funded by the Borrower and partially funded by the Borrower), as evidenced by the letter issued by the Borrower’s Financial Secretary dated May 2, 2011 including all completed surveys.

B. Increasing the Efficiency of Financial Management and Budget Processes

1. (a) The Borrower has implemented a new methodology for evaluating capital investments in six line ministries (MoF, Ministry of Transport and Works, Ministry of Education, Ministry of Health, Ministry of Agriculture and Fisheries, and Ministry of National Security), as evidenced by the inclusion in the Budget Call 2011/2012 Financial Year (Ref. No. 907/120) dated January 28, 2011 of processes to be followed to prioritize the investment program; and

(b) The Borrower has introduced a medium term expenditure framework in six pilot line ministries (MoF, Ministry of Transport and Works, Ministry of Education, Ministry of Health, Ministry of Agriculture and Fisheries, and Ministry of National Security), as evidenced by: (i) the submission by the Borrower’s Minister of Finance to the Borrower’s Parliament on April 28, 2011 of the Fiscal Policy Paper, including a fiscal responsibility statement outlining how fiscal targets will be achieved; and (ii) the inclusion in the Budget Call 2011/2012 Financial Year (Ref. No. 907/120) dated January 28, 2011 of key elements of the decision processes for the medium term expenditure framework including budget ceilings and procedures for cabinet decisions on medium term priorities.
C. Reducing Distortions and Enhancing the Efficiency of the Tax System

1. The Borrower has continued to implement a uniform tax code by instituting interim measures (including, *inter alia*, freezing the issuance of new statutory waivers and reducing the issuance of discretionary waivers by the Minister of Finance) until a tax policy reform is implemented, as evidenced by: (i) the Borrower’s Cabinet Decision (No. 28/2010) dated July 21, 2010; (ii) the measures adopted by the MoF dated November 15, 2010 and published on the MoF’s website on November 15, 2010 (www.mof.gov.jm/pressreleases); and (iii) a letter from the Borrower’s Financial Secretary dated July 14, 2011 summarizing said Cabinet Decision and the November 15, 2010 measures.

2. (a) (i) The Borrower’s Parliament has approved the consolidation of the departments of Inland Revenue, Taxpayer Audit and Assessment, and Tax Administration Services into a single tax administration department called Tax Administration Jamaica, as evidenced by the enactment of the Revenue Administration (Amendment) Act, 2011, dated April 1, 2011; and (ii) the Borrower has prepared a detailed transition plan for implementing the organizational, administrative and operational changes introduced in the Revenue Administration (Amendment) Act, 2011 dated April 1, 2011, as evidenced by a letter issued by the Borrower’s Financial Secretary dated July 14, 2011; and

   (b) The Borrower has continued to implement a simplified process for paying taxes and improving tax collection efficiency and client services, as evidenced by: (i) the implementation of the first phase of the amalgamation of payroll taxes which consolidates five payments and five forms for five different taxes into one payment and one form, as evidenced by the issuance of the Income Tax (Amalgamated Payroll Remittance) Regulations, 2010 dated November 15, 2010; (ii) the creation of client services units in large taxpayer offices to establish a one-stop shop for all tax payments (including providing fourteen different services for large taxpayers and covering one hundred forty nine of the four hundred seventy three large taxpayers in the Borrower’s territory); and (iii) the extension of online tax filing and payment to all taxpayers and to all tax instruments, as evidenced by a letter issued by the Borrower’s Financial Secretary dated July 14, 2011 and the upgrading of the Borrower’s website for purposes of online tax filing and payment (http://www.jamaicatax-online.gov.jm).

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>99,750,000</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>250,000</td>
</tr>
<tr>
<td>(3) Amount due pursuant to Section 2.07(c) of this Agreement</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>100,000,000</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 Program being carried out by the Borrower, and (b) with the adequacy of the Borrower’s macroeconomic policy framework.

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 March 31, 2012.
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>May 15, 2021</td>
<td>11%</td>
</tr>
<tr>
<td>November 15, 2021</td>
<td>11%</td>
</tr>
<tr>
<td>May 15, 2023</td>
<td>10%</td>
</tr>
<tr>
<td>November 15, 2023</td>
<td>10%</td>
</tr>
<tr>
<td>May 15, 2028</td>
<td>15%</td>
</tr>
<tr>
<td>November 15, 2028</td>
<td>15%</td>
</tr>
<tr>
<td>May 15, 2029</td>
<td>14%</td>
</tr>
<tr>
<td>November 15, 2029</td>
<td>14%</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. “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, unmanufactured, 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>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</td>
</tr>
<tr>
<td>971</td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
<td></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.


3. “Financial Secretary” means the accounting officer of the MoF with overall technical responsibility for the management of the Borrower’s fiscal operations.

4. “Fiscal Policy Paper” means the paper prepared by the Ministry of Finance dated April 28, 2011 and submitted to the Borrower’s Parliament setting out, *inter alia*: (i) the proposed macroeconomic framework for the Borrower; (ii) a fiscal responsibility statement; and (iii) a fiscal management strategy, all in accordance with Section 48.B of the FAA (Amendment) Act.

5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010 with the modifications set forth in Section II of this Appendix.

6. “MoF” means the Borrower’s Ministry of Finance.

8. “Program” means the program of actions, objectives and policies designed to support fiscal sustainability reforms and promote growth and sustainable poverty reduction asset forth or referred to in the letter dated July 22, 2011 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.

9. “Public Body” means a statutory body or authority or any government-owned company, as defined in the Borrower’s Public Bodies Management and Accountability Act dated December 28, 2001, as said Act has been amended through March 22, 2010.

10. “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.”