His Excellency
Mr. Nelson Barbosa
Minister of Finance
Ministério da Fazenda – MF
Procuradoria-Geral da Fazenda Nacional – PGFN
Esplanada dos Ministérios, Bloco P, 8º andar
70048-900, Brasília, DF
Brazil

His Excellency
Manoel Vitório da Silva Filho
Secretary of Finance
Secretariat of Finance
Avenida Luiz Viana Filho
Segunda Avenida, 260
Centro Administrativo da Bahia
Salvador, BA, 41.745-003
Brazil

IBRD Loan 7951-BR (Integrated Health and Water Management Project)
First Amendment to the Loan Agreement

Excellencies,

We refer to the Loan Agreement for the above-captioned Project between the State of Bahia (“Borrower”) and the International Bank for Reconstruction and Development (“Bank”). Please note that capitalized terms used in this letter (the “Amendment Letter”) and not defined herein have the meaning ascribed to them in the Loan Agreement.

We also refer to (i) the Borrower’s request dated June 16, 2015; (ii) the Commission for External Financing (COFIEX) letters of Recommendation No. 06/0264 dated August 19, 2015; and No. 06/0268 dated December 9, 2015; (iii) the National Treasure Secretariat letters dated September 29, 2015, and December 30, 2015; and (iv) PGFN legal opinion dated April 20, 2016, wherein a request was made to: (1) replace SEPLAN by SEFAZ (Secretaria da Fazenda) in the coordination and implementation of the Project; (2) adjust activities in Parts 1 and 2 of the Project; (3) include in disbursement Category 2, health sector outputs and Per-Capita Premia under Part 1.B of the Project, and reallocate loan proceeds among disbursement Categories; and (4) extend the Closing Date of the Project until October 31, 2017.

We are pleased to inform you that the Bank acknowledges your request and agrees to amend the Loan Agreement as follows:

1. Article II, Section 2.02 is amended to read in its entirety as follows:

   “2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.”
2. Article III, Section 3.01 is amended to read in its entirety as follows:

"3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall: (a) carry out the Project through SEPLAN for Part 2.A of the Project; (b) carry out the Project through SEFAZ for Part 2.E of the Project; (c) carry out the Project through SESAB, for the health sector activities under Parts 1.A (i), 1.B and 2.B of the Project; (d) cause CERB and INEMA to carry out the water sector activities under their administrative responsibility in respect of Parts 1.A (ii) and 2.C of the Project; and (e) cause the TCE to carry out Part 2.D of the Project, all under the general coordination of SEFAZ and pursuant to the terms of the pertinent Framework Agreements and the Annual Performance Agreements, and in accordance with the provisions of Article V of the General Conditions."

3. Part 1.B of Schedule I to the Loan Agreement is amended to read in its entirety as follows:

"B. Contribute to reducing Neonatal mortality in 25 Selected Hospitals, through the provision of support to Selected Municipalities to expand and improve the quality and efficiency of primary, secondary, and tertiary maternal and Neonatal health care services (health care chain) by introducing a maternal & child health program in 25 Selected Hospitals in the form of Per-Capita Premium for each Enrolled Eligible Beneficiary, and Health Sector Outputs."

4. Part 2 of Schedule I to the Loan Agreement is hereby amended to read in its entirety as follows:


Provision of support to the Borrower’s management, monitoring and evaluation capacity in the water, health, and planning sectors, through the carrying out of the following activities:

A. Strengthening of the institutional capacity of SEPLAN through, \textit{inter alia}, the development, piloting and evaluation of public policies.

B. Strengthening of the institutional capacity of SESAB through, \textit{inter alia}: (i) the adjustment of its strategic objectives to reflect the essential public health functions using a reengineering process for identifying gaps in competencies and processes required to carry out the new maternal and child health agenda; and (ii) the compliance among lower organizational levels and public hospitals (especially in 25 Selected Hospitals) by defining and meeting their targets within a results-based management framework.

C. Strengthening of the institutional capacity of INEMA and CERB, through, \textit{inter alia}, the strengthening of CERB’s rural water supply teams.

D. Provision of support to TCE for, \textit{inter alia}, enabling TCE to provide timely review and monitoring of the Borrower’s investment operations, such as those under the Project.

E. Strengthening of the institutional capacity of SEFAZ, through, \textit{inter alia}, the management and monitoring of multi-sectoral operations, and the reduction of
bureaucratic bottlenecks in the Borrower’s flow of funds process and respective approvals.”

5. Section I.C.1 of Schedule 2 to the Loan Agreement is amended to read in its entirety as follows:

   “1. For purposes of carrying out the Project, the Borrower, through SEFAZ, shall enter into a separate agreement (the Framework Agreement) with each of the following Participating Entities: (a) SEPLAN in respect to Part 2.A of the Project; (b) SESAB in respect of Part 1.A (i), 1.B and 2.B of the Project; (c) CERB in respect of Part 1.A (ii) of the Project and those activities under Part 2.C of the Project which fall under its administrative responsibility; (d) INEMA in respect of Part 1.A (ii) of the Project and those activities under Part 2.C of the Project which fall under its administrative responsibility; and (e) TCE in respect of Part 2.D of the Project, all under terms and conditions acceptable to the Bank, which shall include, inter alia: (i) compliance with the technical, financial, administrative, environmental/social safeguards and fiduciary aspects of the implementation of the Project pursuant to the pertinent provisions of this Agreement and those of the Operational Manual; (ii) compliance with the provisions of the Anti-Corruption Guidelines; and (iii) budget allocation to SEPLAN, CERB, INEMA, and TCE for the implementation of the Project activities mentioned herein.”

6. The table of Section IV.A.2 of Schedule 2 to the Loan Agreement is hereby amended to read as set forth below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Training, Non-Consultant Services, and consultants’ services for Part 2 of the Project</td>
<td>8,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Health Sector Outputs under Part 1.A (i) and Part 1.B of the Project and Per-Capita Premia under Part 1.B of the Project</td>
<td>17,054,620</td>
<td>100% of the applicable Unit Costs as set forth in the Operational Manual for Health Sector Outputs; and 100%, as further specified in Section IV.A.5 of Schedule 2 to this Agreement, for Per-Capita Premia</td>
</tr>
<tr>
<td>(3) Water Sector Outputs under Part 1.A (ii) of the Project</td>
<td>31,150,000</td>
<td>100% of the applicable Unit Costs as set forth in the Operational Manual</td>
</tr>
<tr>
<td>(4) Per-Capita Premia under Part 1.B of the Project</td>
<td>3,145,380</td>
<td>100%, as further specified in Section IV.A.5 of Schedule 2 to this Agreement</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(6) Front-end Fee</td>
<td>150,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>60,000,000</td>
<td></td>
</tr>
</tbody>
</table>
7. Section IV.A.4 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“The Outputs eligible for financing for each Project activity under Parts 1.A (i) and (ii), and Part 1.B of the Project are set forth below. The list of Outputs may be revised at the request of the Borrower and new Outputs may be agreed between the Borrower and the Bank and included in the Operational Manual.”

**Outputs**

<table>
<thead>
<tr>
<th>Sector</th>
<th>#</th>
<th>Output Name</th>
<th>Unit of measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Sector Outputs</td>
<td>1</td>
<td>Plans for building of simplified water supply systems elaborated</td>
<td>Plans elaborated</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Simplified water supply systems built and operational in at least 10 selected municipalities and in the areas of activity of the 25 hospitals with highest number of hospitalizations due to IID in 2014</td>
<td>Systems built and operational as certified by the respective municipality (Prefeitura)</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Supervision of the construction of the simplified water supply systems built</td>
<td>Final Supervision reports elaborated by CERB</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Rural sanitary pilot modules built and operational</td>
<td>Modules built and operational as received by each beneficiary family and certified by the TCE</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Term of adherence of selected communities to the Community with Healthy Habits Program</td>
<td>Signed terms of adherence</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Number of households certified as households with healthy habits</td>
<td>Number of certified households</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Number of communities certified as a community with healthy habits</td>
<td>Number of certified communities</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>River basin plans (Planos de Bacia) prepared and approved by the river basin committees (Comités de Bacia) including studies for classifying water bodies according to location and predominant use</td>
<td>Plans prepared and approved by the river basin committees</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>Community volunteer agents for social mobilization trained and retained by INEMA</td>
<td>Agents trained and retained</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>Report on the quality and quantity of water in the State of Bahia</td>
<td>Report prepared</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>Report on the quality and quantity of water in the areas of influence of the Project</td>
<td>Report prepared</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>Executive project for the integrated network of groundwater and hydrometeorology monitoring in the Project’s areas of influence</td>
<td>Project prepared</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>Installation of platforms for data collection on groundwater conditions</td>
<td>Platforms installed</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>Installation of platforms for data collection on climate conditions</td>
<td>Platforms installed</td>
</tr>
<tr>
<td>Sector</td>
<td>Output Name</td>
<td>Unit of measurement</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Installation of platforms for data collection on hydrologic conditions</td>
<td>Platforms installed</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Doses of oral vaccine against human rotavirus applied in children under one year of age (first dose)</td>
<td>Applied doses</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Doses of oral vaccine against human rotavirus applied in children under one year of age (second dose)</td>
<td>Applied doses</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>New family health teams (PSF) in the State appointed and in operations</td>
<td>PSF teams created</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Satisfactory consolidated report on the clinical audits carried out in the 25 Selected Hospitals with the highest number of cases of IID prepared</td>
<td>Reports prepared</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Biannual reports on number of live births to mothers with 7 or more prenatal medical visits</td>
<td>Reports prepared</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Support centers to family health teams created in the State of Bahia above 300</td>
<td>Support centers established</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>1 habilitation, 2 certifications and 1 accreditation of maternal and child health situation room</td>
<td>Maternal and child health situation room with 1 habilitation, 2 certifications, and 1 accreditation</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>High risk deliveries in the reference maternity hospitals Roberto Santos and José Maria de Magalhães</td>
<td>High risk deliveries</td>
<td></td>
</tr>
</tbody>
</table>

8. Section IV.A.5 (c) of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

"(c) for the following twelve months after the period referred to in paragraph (b) above, Loan proceeds shall finance 100% of the Per-Capita Premia and disburse said amount in two installments, as follows: (i) 40% for each Eligible Enrolled Beneficiaries as certified by the SUS Audit; and (ii) the remaining 60% after the verification of the Borrower’s compliance with the performance indicators, as set forth in the relevant Annual Performance Agreements and in the Operational Manual; and"

9. Section IV.A.5 (d) is added to Schedule 2 to the Loan Agreement as follows:

“(d) for the following twelve months after the period referred to in Paragraph (c), Loan proceeds shall finance and disburse 100% of the Per-Capita Premia after the verification of the Borrower’s compliance with the performance indicators as set forth in the relevant Annual Performance Agreements and in the Operational Manual. The amount to be disbursed during this period will be determined based on the number of Eligible Enrolled Beneficiaries as certified by the SUS Audit in the previous 12-month period, or in the 12-month period which had the largest number of certified Eligible Enrolled Beneficiaries.”

10. Section IV.A.6 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

"The first Loan withdrawal application under Category (4) shall be presented to the Bank by the Borrower as an advance and on the basis of a report prepared by SESAB including a forecast of the number of Enrolled Eligible Beneficiaries for the next six months. Each
subsequent Loan withdrawal application under Category (2) and (4) for Per-Capita Premia shall be presented to the Bank by the Borrower on a bi-annual basis and the Borrower, through SESAB, shall, prior to the submission of each such Loan withdrawal application, furnish to the Bank a separate report in accordance with the provisions of the Operational Manual, confirming that the Per-Capita Premia under the previous Loan withdrawal application has been received by SESAB.”

11. Section IV.B of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“B. Withdrawal Conditions; Withdrawal Period

The Closing Date is October 31, 2017. The Bank may consider granting an extension of the Closing Date if the Guarantor’s Ministry of Finance has informed the Bank that it agrees with such an extension.”

12. Section I of the Appendix to the Loan Agreement is amended and the following definitions are deleted, added or modified, and placed in alphabetical order (and existing definitions are consequently renumbered to keep the alphabetical order), as applicable:

a. The definition of “Programa Nascer (PRO-NASCER),” and “SISPRENATAL” are deleted.

b. The following definition is added:

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

c. The following definitions are amended and replaced to read in their entirety as follows:

“‘CERB’ means Companhia de Engenharia Hídrica e de Saneamento da Bahia, the Borrower’s Environmental Engineering Company established pursuant to Decree Nº 22618, November 5, 1971, as amended to date.”


“‘Eligible Beneficiary’ means a pregnant woman aged 10 to 19 years old or aged 35 years old or older.”

“‘Enrolled Eligible Beneficiary’ means a pregnant woman aged 10 to 19 years old or aged 35 years old or older (an Eligible Beneficiary) enrolled in any of the Guarantor’s SUS systems that provide information on pregnancies and deliveries, acceptable to the Bank.”

“‘Participating Entities’ means collectively SEPLAN, SEFAZ, SESAB, CERB, INEMA and TCE.”

Please confirm your agreement with the foregoing amendment by signing and dating the two originals of this Amendment Letter in the spaces provided below. Henceforward, all the provisions of the Loan Agreement except as amended through this Amendment Letter shall remain in full force and effect. A Restated Loan Agreement with all the modifications incorporated is attached for easy reference.

Upon confirmation, please return one fully executed original to us. The provisions set forth in this Amendment Letter shall become effective as of the date first above written upon receipt by the Bank of one fully executed original of this Amendment Letter.

Please also note that the approved Restructuring Paper dated April 20, 2016, which is attached to this Amendment Letter, will be disclosed on the Bank’s external website.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Martin Raiser
Director
Brazil
Latin America and the Caribbean Region

AGREED:

STATE OF BAHIA

By: Authorized Representative

Name: RUI COSTA DOS SANTOS
Title: GOVERNADOR
Date: 29/04/2016

FEDERATIVE REPUBLIC OF BRAZIL

By: Authorized Representative

Name: __________
Title: SÔnia De Almeida Prestes Portella Nunes
       Attorney of the National Treasury
Date: May 5, 2016
Cc: Mr. Antonio Henrique Pinheiro Silveira, Executive Director for Brazil, The World Bank
Ms. Rosalia V. de Leon, Alternate Executive Director for Brazil, The World Bank
Mr. Claudio Puty, Secretary of International Affairs, SEAIN/MP – Fax: 2020-5047, seain@planejamento.gov.br
Mr. Tarcísio José Massote de Godoy, Executive Secretary, MF – Fax: 3412-1824, gabinete.se.df@fazenda.gov.br
Ms. Miriam Mara Miranda, Chief of Staff, MF - Fax: 3412-2525, sec.chgabin.gmf@fazenda.gov.br
Ms. Adriana Queiroz de Carvalho, Attorney General, PGFN/MF – Fax: 3412-1740, adriana.carvalho@pgfn.gov.br
Mr. Marcelo Barbosa Saintive, Secretary, National Treasury, STN/MF – Fax: 3412-1717, gab.df.stn@fazenda.gov.br
Mr. Luis Antonio Balduino Carneiro, Secretary, SAIN/MF – Fax: 3412-1722, gabinete.df.sain@fazenda.gov.br
Mr. Dyogo Henrique de Oliveira, Executive Secretary, MP – Fax: 2020-5003, se@planejamento.gov.br
Ms. Ana Paula Sóter, Executive Secretary, Ministry of Health, SE/MS – Fax: 3315-3886, gab.se@saude.gov.br
Ms. Fabiola Sulpino Vieira, Director, Ministry of Health, DESID/SE/MS, Fax – 3315-3886, fabiola.vieira@saude.gov.br