March 12, 2012

His Excellency
Mr. Alexandre Rocha Santos Padilha
Minister of Health
Esplanada dos Ministérios, B1. G, Sl. 508
70058-900 Brasília, DF
Brazil

**Re: IBRD Loan 7901-BR (Brazil–AIDS-SUS Project-National AIDS Program and National Health Service)**

**Additional Instructions: Revised Disbursement Letter**

Excellency:

I refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “Bank”) and The Federative Republic of Brazil (the “Borrower”) for the above-referenced project, dated October 5, 2010. The Loan Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan No. 7901-BR (“Loan”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions and replaces the previous version dated December 21, 2011.

The attached *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Loan is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

**I. Disbursement Arrangements**

(i) **Disbursement Methods (section 2).** The following Disbursement Methods may be used under the Loan:

- Reimbursement
- Advances

(ii) **Disbursement Deadline Date (subsection 3.7).** The Disbursement Deadline Date is four months after the Closing Date specified in the Loan Agreement. Any changes to this date will be notified by the Bank.

(iii) **Disbursement Conditions (subsection 3.8).** Please refer to the Disbursement Conditions in Schedule 2, Section IV, B of the Loan Agreement.
II. Withdrawal of Loan Proceeds

(i) Authorized Signatures (subsection 3.1). Applications for this Loan will be signed by the official(s) authorized to sign Applications as indicated in the letter dated April 20, 2011 (Attachment 2) signed by Mr. Alexandre Rocha Santos Padilha, Minister of Health.

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed Applications for withdrawal, together with supporting documents, to the address indicated below:

Banco Mundial  
Sector Comercial Norte  
Quadra 02, Lote A  
Edificio Corporate Finance Center  
7º andar  
70712-900 Brasilia, D.F.  
Brazil  
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4). The Bank may permit the Borrower to electronically deliver to the Bank, Applications (with supporting documents) through the Bank’s Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means may be effected if: (a) the Borrower has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower have registered as users of Client Connection. If the Bank agrees, the Bank will provide the Borrower with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Borrower.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Tokens”) provided in Attachment 3; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for Reimbursement is United States Dollars (USD) 2,000,000 equivalent.
(vi) Advances (sections 5 and 6).

- **Type of Designated Account (subsection 5.3):** Pooled
- **Currency of Designated Account (subsection 5.4):** United States Dollar
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Banco do Brasil
- **Ceiling (subsection 6.1):** USD 1,250,000

### III. Reporting on Use of Loan Proceeds

(i) **Supporting Documentation (section 4).** Supporting documentation should be provided with each Application for withdrawal as set out below:

- **For requests for Reimbursement for Part 1(a) of the Project:**
  - Interim Unaudited Financial Report in the form attached (Attachment 4); in the case of Reimbursements under Part 1(a) of the Project, the Interim Unaudited Financial Report needs to include the Eligible Expenditure Program Spending Report and be prepared in accordance with provisions established in the Operational Manual and Part IV of this Disbursement Letter; and
  - List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment 5)

- **For requests for Reimbursement for Part 1(b) and Part 2 of the Project:**
  - Interim Unaudited Financial Report in the form attached (Attachment 4); and
  - List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment 5)

- **For reporting eligible expenditures paid from the Designated Account for Part 1(b) and Part 2 of the Project:**
  - Interim Unaudited Financial Report in the form attached (Attachment 4);
  - Designated Account Bank Statement (s); and
  - List of payments against contracts that are subject to the Bank’s Prior Review, in the form attached (Attachment 5)
(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3). Every six months

IV. Other Disbursement Instructions

(i) Withdrawal Application Schedule.

Each Application for withdrawal submitted under Category (1) of the table in Schedule 2, Section IV. A. 2 to the Loan Agreement shall be presented using the following schedule:

1. For a first withdrawal, in an amount not exceeding USD 5.15 million, as a reimbursement for Eligible Expenditure Program expenditures (EEP) (as defined in the Appendix to the Loan Agreement and set out in Schedule 4 to the Loan Agreement) incurred in the period from the Effective Date to February 28, 2011, provided that the Borrower has submitted to the Bank evidence, satisfactory to the Bank, that the Borrower has complied with the Disbursement Linked Indicators (DLIs) set forth in Schedule 5 to the Loan Agreement for said period;

2. For a second withdrawal, in an amount not exceeding USD 5.15 million, as a reimbursement for EEPs incurred in the period from March 1, 2011 to June 30, 2011, provided that the Borrower has submitted to the Bank evidence, satisfactory to the Bank, that the Borrower has complied with the 70% Rule Indicator (as defined in the Appendix to the Loan Agreement) and Disbursement Linked Indicators (DLIs) set forth in Schedule 5 to the Loan Agreement for said period;

3. For a third withdrawal, in an amount not exceeding USD 9.1 million, as a reimbursement for EEPs incurred in the six-month period from July 1, 2011 to December 31, 2011, provided that the Borrower has submitted to the Bank evidence, satisfactory to the Bank, that the Borrower has complied with the Disbursement Linked Indicators (DLIs) set forth in Schedule 5 to the Loan Agreement for said period;

4. For a fourth withdrawal, in an amount not exceeding USD 9.1 million, as a reimbursement for EEPs incurred in the six-month period from January 1, 2012 to June 30, 2012, provided that the Borrower has submitted to the Bank evidence, satisfactory to the Bank, that the Borrower has complied with the 70% Rule Indicator and the Disbursement Linked Indicators (DLIs) set forth in Schedule 5 to the Loan Agreement for said period;

5. For a fifth withdrawal, in an amount not exceeding USD 8.35 million, as a reimbursement for EEPs incurred in the six-month period from July 1, 2012 to December 31, 2012, provided that the Borrower has submitted to the Bank evidence, satisfactory to the Bank, that the Borrower has complied with the Disbursement Linked Indicators (DLIs) set forth in Schedule 5 to the Loan Agreement for said period;
6. For a sixth withdrawal, in an amount not exceeding USD 8.35 million, as a reimbursement for EEPs incurred in the six-month period from January 1, 2013 to June 30, 2013, provided that the Borrower has submitted to the Bank evidence, satisfactory to the Bank, that the Borrower has complied with the 70% Rule Indicator and the Disbursement Linked Indicators (DLIs) set forth in Schedule 5 to the Loan Agreement for said period;

7. For a seventh withdrawal, in an amount not exceeding USD 5.9 million, as a reimbursement for EEP’s incurred in the six-month period from July 1, 2013 to December 31, 2013, provided that the Borrower has submitted to the Bank evidence, satisfactory to the Bank, that the Borrower has complied with the Disbursement Linked Indicators (DLIs) set forth in Schedule 5 to the Loan Agreement for said period; and

8. For an eighth withdrawal, in an amount not exceeding USD 5.9 million, as a reimbursement for EEP’s incurred in the six-month period from January 1, 2014 to June 30, 2014, provided that the Borrower has submitted to the Bank evidence, satisfactory to the Bank, that the Borrower has complied with the 70% Rule Indicator and the Disbursement Linked Indicators (DLIs) set forth in Schedule 5 to the Loan Agreement for said period.

**(ii) Effect of Partial Compliance with the 70% Rule Indicator and Disbursement-Linked Indicators.**

1. If the Bank has:

(a) not received evidence of full compliance with the 70% Rule Indicator in respect to any relevant disbursement under Category (1) (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter), then the maximum amount of the corresponding disbursement shall be reduced to reflect the actual degree of execution of the EEP’s for each failed EEP;

\[
\text{[Formulae:} \\
\text{Failed Budget execution rate for EEP 1} = X\% \\
\text{Failed Budget execution rate for EEP 2} = Y\%
\]

\[The \ percentage \ that \ will \ be \ disbursed, \ of \ maximum \ amount \ of \ the \ potential \ withdrawal \ (as \ referred \ to \ in \ Section \ IV \ (i) \ paragraphs \ (1) \ to \ (8) \ of \ this \ Disbursement \ Letter) = \]

\[[((100\% \ minus \ X\%) \ multiplied \ by \ 0.5) \ plus \]

\[((100\% \ minus \ Y\%) \ multiplied \ by \ 0.5)]\]

(b) not received evidence of full compliance with the DLIs referred to in Schedule 5 to the Loan Agreement in respect to the first to the seventh disbursements under Category (1) (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter), the Bank shall: (i) allocate a base value of USD 1 million to each DLI and deduct said base value, for each DLI not complied with, from the otherwise disbursable amount resulting from the application of Section IV (ii) 1 (a) above; (ii) request the Borrower to prepare a time-bound action plan to achieve such DLI or DLIs in a manner satisfactory to the Bank;
and (iii) when satisfied that the DLI or DLIs have been complied with and/or such action plan has been implemented, authorize that the amount by which the corresponding disbursement had been reduced (deducted amount) be added to the immediately subsequent withdrawal, after taking into account the effect on such withdrawal of the application thereto of Section IV (ii) 1 (a) and (b)(i) above.

(iii) Early Achievement of Disbursement-Linked Indicators.

1. In the event that the Borrower has accelerated Project implementation by increasing the EEP execution to more than 100% and achieves certain of the DLIs earlier than expected, then the Bank may increase the maximum amount of the disbursements under Category (1) (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter). If:

(a) at the time of the second disbursement under Category (1) (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) the Borrower has executed over 100% for all EEPs and achieved certain of the subsequent semesters’ DLIs (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) earlier than expected, then the Bank may increase the maximum amount of the second disbursement (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) by an additional USD 1 million for each DLI achieved earlier than expected, with a corresponding reduction of the same value, of the maximum amount originally scheduled to be disbursed in that subsequent semester (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter);

(b) at the time of the third disbursement under Category (1) (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) the Borrower has executed over 100% for all EEPs and achieved certain of the subsequent semesters’ DLIs (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) earlier than expected, then the Bank may increase the maximum amount of the third disbursement (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) by an additional USD 1 million for each DLI achieved earlier than expected, with a corresponding reduction of the same value, of the maximum amount originally scheduled to be disbursed in that subsequent semester (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter);

(c) at the time of the fourth disbursement under Category (1) (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) the Borrower has executed over 100% for all EEPs and achieved certain of the subsequent semesters’ DLIs (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) earlier than expected, then the Bank may increase the maximum amount of the fourth disbursement (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) by an additional USD 1 million for each DLI achieved earlier than expected, with a corresponding reduction of the same value, of the maximum amount originally scheduled to be disbursed in that subsequent semester (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter);
(d) at the time of the fifth disbursement under Category (1) (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) the Borrower has executed over 100% for all EEPs and achieved certain of the subsequent semesters’ DLIIs (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) earlier than expected, then the Bank may increase the maximum amount of the fifth disbursement (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) by an additional USD 1 million for each DLI achieved earlier than expected, with a corresponding reduction of the same value, of the maximum amount originally scheduled to be disbursed in that subsequent semester (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter); and

(e) at the time of the sixth disbursement under Category (1) (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) the Borrower has executed over 100% for all EEPs and achieved certain of the subsequent semesters’ DLIIs (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) earlier than expected, then the Bank may increase the maximum amount of the sixth disbursement (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) by an additional USD 1 million for each DLI achieved earlier than expected, with a corresponding reduction of the same value, of the maximum amount originally scheduled to be disbursed in that subsequent semester (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter).

(f) at the time of the seventh disbursement under Category (1) (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) the Borrower has executed over 100% for all EEPs and achieved certain of the subsequent semesters’ DLIIs (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) earlier than expected, then the Bank may increase the maximum amount of the seventh disbursement (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) by an additional USD 1 million for each DLI achieved earlier than expected, with a corresponding reduction of the same value, of the maximum amount originally scheduled to be disbursed in that subsequent semester (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter).

(iv) Early Achievement of 70% Rule Indicator and all DLI’s.

1. In the event that the Borrower, at the time of a scheduled odd numbered withdrawal (for these purposes referred to as withdrawal A) listed in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter, complies with the 70% Rule Indicator for all EEPs as applicable to the immediately subsequent even numbered withdrawal so listed (for these purposes referred to as withdrawal B), and the relevant DLIIs are at said time fully achieved with respect to both such withdrawals A and B, the Bank may, as part of such odd numbered withdrawal A, disburse the maximum amount originally scheduled to be disbursed for such withdrawal A and for said immediately subsequent withdrawal B (as referred to in Section IV (i) paragraphs (1) to (8) of this Disbursement Letter) as a combined single disbursement. In such a case, at the time of scheduled withdrawal B, no withdrawal may be made; the next withdrawal could occur only at
the time of scheduled odd numbered withdrawal C (i.e. the withdrawal scheduled to occur after the time scheduled for withdrawal B).

V. Other Important Information


If you have not already done so, the Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. All Borrower officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact us at loalcr@worldbank.org, using the above Project Name and Loan number as a reference in the subject line.

Yours sincerely,

Miguel-Santiago Oliveira
Senior Finance Officer
Loan Fiduciary & Controls Division (CTRLN)
Attachments
1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006—*Not included as there is no change from previous Disbursement Letter*
2. Authorized Signatures Letter—*Not included as there is no change from previous Disbursement Letter*
3. *Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation*, dated January 20, 2010—*Not included as there is no change from previous Disbursement Letter*
4. Interim Unaudited Financial Reports—*Not included as there is no change from previous Disbursement Letter*
5. Form of Payments Against Contracts Subject to the Bank’s Prior Review—*Not included as there is no change from previous Disbursement Letter*
6. Example of Disbursement Penalties and Rewards—*Not included as there is no change from previous Disbursement Letter*

Prepared by: Miguel-Santiago Oliveira, CTRLN v4

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