June 21, 2011

His Excellency
Guido Mantega
Minister of Finance
Ministry of Finance
Esplanada dos Ministérios, Bloco P, 5º Andar
70048-900 – Brasília, DF
Brazil

Re: IBRD Loan 7632-BR (Brazil Health Network and Quality Improvement Project) Additional Instructions: Revised Disbursement Letter

Excellency,

I refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “World Bank”) and the Federative Republic of Brazil (the “Borrower”) for the above-referenced project, dated December 22, 2009. The Loan Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 7632-BR (“Loan”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions and replaces the previous version dated December 22, 2009.

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
- Advance

(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 Condition(s) in Schedule 2, Article IV, B of the Loan Agreement.
II. Withdrawal of Loan Proceeds

(i) Authorized Signatures (subsection 3.1). A letter in the Form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

Banco Mundial
Setor Comercial Norte,
Quadra 02, Lote A
Edificio Corporate Finance Center
7º Andar
70712-900 Brasilia, D.F.
Brazil
Attention: Mr. Makhtar Diop, Country Director-Brazil-Country Management Unit

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed Applications, 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 World Bank may permit the Borrower to electronically deliver to the World Bank, Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World 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 World 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 World Bank agrees, the World 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 World 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 $) 1,000,000 equivalent.

(vi) **Advances (sections 5 and 6) for Category 2.**

- **Type of Designated Account (subsection 5.3):** Segregated
- **Currency of Designated Account (subsection 5.4):** United States Dollars
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Banco do Brasil-Brasilia
- **Ceiling (subsection 6.1):** USD $20,000,000

### III. Reporting on Use of Loan Proceeds

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

- **For requests for Reimbursement:**
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made:
    1. Under contracts for Goods costing USD $350,000 equivalent per contract or more;
    2. Under contracts for Consultant services costing USD $200,000 equivalent per contract or more; and
    3. For Non-consulting services, training, incremental operating costs that exceed USD $100,000 equivalent or more;
  - Customized Statement of Expenditure in the form attached (Attachment 4) for RHCN subproject allocations under Category 3;
  - Statement of Expenditure in the form attached (Attachment 5) for payments that do not exceed the thresholds established above; and
  - List of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 6).
• For reporting eligible expenditures paid from the Designated Account:
  o Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made:
    ① Under contracts for Goods costing USD $350,000 equivalent per contract or more;
    ② Under contracts for Consultant services costing USD $200,000 equivalent per contract or more; and
    ③ For Non-consulting services, training, incremental operating costs that exceed USD $100,000 equivalent or more;
  o Customized Statement of Expenditure in the form attached (Attachment 4) for RHCN subproject allocations under Category 3;
  o Statement of Expenditure in the form attached (Attachment 5) for payments that do not exceed the thresholds established above; and
  o List of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 6).

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Quarterly

IV. Other Disbursement Information

Retroactive financing will be available for payments made prior to the date of the Loan Agreement, except that withdrawals (other than under Category (3)), up to an aggregate amount not to exceed USD $6,000,000 equivalent may be made for payments made for Eligible Expenditures under the Project within twelve months before that date, but after July 1, 2008.

V. Other Important Information


From the Client Connection website, you will be able to download 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 loaler@worldbank.org using the above Project name and Loan number as a reference in the subject line.
Yours sincerely,

By /s/ Miguel-Santiago Oliveira
Senior Finance Officer

Attachments
1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Sample Form for Authorized Signatures
4. Sample Customized Statement of Expenditure for Category 3(a)
5. Sample Form of “Statement of Expenditure”
6. Sample Form of Payments Against Contracts Subject to the World Bank’s Prior Review

Prepared by: Paty Hoyes, CTRFC-v1
Miguel-Santiago Oliveira, CTRFC-v2

Cleared with and cc: Catarina Portelo, LEGLA
Andre C. Medici, LCSHH

Cc with copies: Ministério do Planejamento, Orçamento e Gestão
Secretaria de Assuntos Internacionais
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Facsimile: (55-61) 2020-5006

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