Loan Agreement

(Renovating and Strengthening Public Management (PRÓ-GESTÃO) Technical Assistance Project – Programa de Renovação e Fortalecimento da Gestão Pública - PRÓ-GESTÃO )

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF RIO DE JANEIRO

Dated November 22, 2010
LOAN AGREEMENT

Agreement dated November 22, 2010, between INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT (“Bank”) and STATE OF RIO DE
JANEIRO (“Borrower”). The Bank and the Borrower 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 eighteen million six hundred seventy-three thousand dollars (US$18,673,000.00), 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”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is its Secretary of Planning and Management.

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 LIBOR 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower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 (d) 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 3 to this Agreement.

2.07. (a) The Borrower may at any time, in each case with the prior no-objection of the Guarantor, through its Secretariat of the National Treasury, 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; 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.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project and the Program. To this end, the Borrower shall carry out the Project through SEPLAG, with the assistance of: (a) SEEDUC for Part 2 of the Project; and (b) SESDEC for Part 3 of the Project, all in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

(a) The Project Implementation Unit Regulation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to perform any of its obligations under this Agreement.

(b) The Program has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to perform any of its obligations under this Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 90 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Legal Matter consists of the following, namely that the Loan has been registered with the Guarantor’s Central Bank.

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 February 26, 2012.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Borrower’s Representative is its Governor.

6.02. The Borrower’s Address is:

Avenida Erasmo Braga, 118, 13º andar
20020-000 - Rio de Janeiro, RJ
Brazil.
Facsimile: (55-21) 2332-7020

With copies to:
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 Rio de Janeiro, Federative Republic of Brazil, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Makhtar Diop
Authorized Representative

STATE OF RIO DE JANEIRO

By /s/ Sérgio Cabral
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to support the Borrower to introduce performance-based management and information technologies to drive service delivery improvements in key public services, including secondary education and hospital care, all in the Borrower’s territory.

The Project consists of the following parts:

Part 1. Core Administrative Systems and Management Tools for Improved Performance and Efficiency

Support: (a) the identification of suitable performance indicators and the design of the Borrower’s version of an instrument for result-based management, as well as the acquisition of related information and technology (IT) hardware.; (b) data collection for the Borrower’s real property database; and (c) strengthening of the Borrower’s social security management.

Part 2. Strengthening Education Management Capacity, Teacher Instructional Practice and Incentives for School Effectiveness

Support to: (a) evaluate the impacts and cost effectiveness of at least two of the Borrower’s strategic programs (including Projeto Autonomia and Conexão Educação); (b) evaluate school-level expenditures and performance, and establish school-level performance targets to improve school quality by translating test results into specific school improvement plans with monitorable targets; and (c) develop effective in-service training courses for teachers at the Borrower’s Casa do Educador.

Part 3. Health Management and Information Systems

Support: (a) the initial application of an accreditation system for the new Urgent Care Facilities; (b) the development of a cost-accounting system for said Urgent Care Facilities; (c) the implementation of a new information system for medical supply-chain management; and (d) a new monitoring system to improve the incentive effects of the Program to Support Municipal Hospitals.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. (a) The Borrower shall carry out the Project, or cause the Project to be carried out, in accordance with the Project Operational Manual, the Procurement Plan, the pertinent Annual Operating Plan, the JCI International Standards of Hospital Accreditation; and (b) except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of these documents without the Bank’s prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.

2. The Borrower shall maintain, until the completion of the execution of the Project, a Project implementation unit (the Project Implementation Unit) and with competent staff in adequate numbers with qualifications and experience satisfactory to the Bank, and in accordance, as applicable, with the provisions of Section III of this Schedule, including the following key staff: a general coordinator, a coordinator for institutional relationships, a technical coordinator, a financial management coordinator and a monitoring and evaluation coordinator.

3. The Borrower shall: (a) maintain, until the completion of the execution of the Project, regular meetings between SEPLAG, SEEDUC and SESDEC to convene at least once every quarter; and (b) immediately thereafter, prepare and furnish to the Bank a copy of the minutes of each said meetings.

4. The Borrower shall, at least once a year during Project implementation on or about December 1, commencing on the first such date after the Effective Date, prepare and furnish to the Bank a plan (the Annual Operating Plan), acceptable to the Bank, for the Project’s operation during the following twelve months.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
C. Safeguards

Hospital Waste Management
The Borrower, through the Project Implementation Unit, shall implement Part 3 (a) of the Project in accord with the JCI International Standards of Hospital Accreditation.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through the Project Implementation Unit, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the performance indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through SEPLAG, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower, through SEPLAG, shall prepare and furnish to the Bank not later than thirty days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower, through SEPLAG, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.
**Section III. Procurement**

**A. General**

1. **Goods and Non-consultant Services.** All goods and Non-consultant services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Non-Consultant Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and Non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and Non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, including in respect</td>
</tr>
<tr>
<td>of goods and non-consultant services, <em>pregão eletrônico</em></td>
</tr>
<tr>
<td>(set forth in the Guarantor’s Law Nº 10520 of July 17,</td>
</tr>
<tr>
<td>2002), subject to the following additional procedure,</td>
</tr>
<tr>
<td>namely, that the bidding documents shall be acceptable</td>
</tr>
<tr>
<td>to the Bank.</td>
</tr>
<tr>
<td>(b) Shopping, including in respect of goods and non-</td>
</tr>
<tr>
<td>consultant services, <em>pregão eletrônico</em> (set forth in</td>
</tr>
<tr>
<td>the Guarantor’s Law Nº 10520 of July 17, 2002), subject</td>
</tr>
<tr>
<td>to the following additional procedure, namely, that the</td>
</tr>
<tr>
<td>bidding documents shall be acceptable to the Bank.</td>
</tr>
<tr>
<td>(c) Direct Contracting.</td>
</tr>
</tbody>
</table>
C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(b) Least-Cost Selection</td>
</tr>
<tr>
<td>(c) Selection Based on the Consultant’s Qualifications</td>
</tr>
<tr>
<td>(d) Single-Source Selection</td>
</tr>
<tr>
<td>(e) Procedures set forth in Paragraphs 5.1 through 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(f) Sole Source Procedures for the Selection of Individual Consultants set forth in Paragraphs 5.4 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.
<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, Non-consultant services, consultant services and training under the Project</td>
<td>18,026,317</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operating Costs</td>
<td>600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>46,683</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>TOTAL AMOUNT</td>
<td>18,673,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For the purposes of this table:

(a) the term “training” means expenditures (other than for Non-consultant services) incurred in connection with the carrying out of training activities, seminars, and workshops under the Project, including the reasonable travel cost, accommodation and per-diem of the trainers and trainees, training materials, rental costs and scholarships (tuition only);

(b) the term “Operating Costs” means the operational costs, which would not have been incurred by the Project Implementation Unit, absent the Project, for, inter alia, operation and maintenance of vehicles, repairs, fuel, spare parts and insurance, maintenance of the monitoring and information system, travel accommodation and per diem costs for technical staff carrying out supervisory and quality control activities, equipment and computer maintenance, office supplies, utilities, and rent for office facilities, but excluding expenditures for salaries and related benefits; and

(c) the term “Non-consultant services” means expenditures related to services of technical nature, which do not have an intellectual component, and that can be contracted solely on the basis of price, including, inter alia, catering, publications and printing.

B. Withdrawal Conditions; Withdrawal Period

1. The Closing Date is June 30, 2015. The Bank shall only grant an extension of the Closing Date after the Guarantor’s Ministry of Finance has informed the Bank that it agrees with such extension.
Section V. **Other Undertakings**

Without limitations to the provisions of Section 5.08 (b) of the General Conditions, the Borrower shall by October 31, 2012, or such other date as the Bank shall agree upon: (a) carry out jointly with the Bank, a mid-term review of the implementation of the Project, which shall cover the progress achieved in the implementation of the Project; and (b) following such mid-term review, act promptly and diligently to take any corrective action as shall be recommended by the Bank.
SCHEDULE 3

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 May 15 and November 15 Beginning May 15, 2014 through November 15, 2029</td>
<td>3.03%</td>
</tr>
<tr>
<td>On May 15, 2030</td>
<td>3.04%</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. “Annual Operating Plan” means an annual operating plan to be prepared by the Borrower on or about December 1 each Project year as per Section I. A. 4 of Schedule 2 to this Agreement.

2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, with the modifications set forth in Section III of this Appendix.

3. “Casa do Educador” means the Borrower’s program, as created and operating under the Borrower’s Law Nº 5693, dated April 16, 2010, for in-service training of teachers of the Borrower’s education network, said training to be delivered through regional training hubs and online courses.

4. “Conexão Educação” means the Borrower’s program to generate management information concerning teacher attendance and use of school lunch programs and transportation for students, as created and operating under the Borrower’s Resolution Nº 4455 dated May 05, 2010.

5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.


10. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated July 21, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

11. “Program” means PRO-GESTÃO, the Borrower’s program to improve public administration and management, as established and operating under the Borrower’s Law Nº 5282, dated June 30, 2008, as amended by Law Nº 5336, dated November 28, 2008.

12. “Program to Support Municipal Hospitals” means Programa de Apoio aos Hospitais do Interior – PAHI, the Borrower’s program to support municipal hospitals through budget transfers to municipal governments contingent upon reaching specified health sector performance targets, as created and operating under the Borrower’s Resolution Nº 843 dated September 25, 2009, and Borrower’s Resolution Nº 845 dated September 30, 2009.

13. “Project Implementation Unit” means the Project implementation unit referred to in Section I.A.2 of Schedule 2 to this Agreement within SEPLAG in charge of the daily implementation of the Project and operating under the Project Implementation Unit Regulation.


15. “Project Operational Manual” means the operational manual for the Project, satisfactory to the Bank, adopted by the Borrower through Resolution Nº 277, dated April 14, 2010, which shall contain, inter alia: (i) the terms of reference, functions and responsibilities for the personnel of the Project Implementation Unit in charge of daily Project coordination and monitoring; (ii) the procedures for procurement of works, goods, Non-consultant services and consultants’ services for the Project, as well as for financial management and audits of the Project; (iii) the flow and disbursement arrangements of Project funds; (iv) the staffing plan for the Project Implementation Unit; (v) the Annual Operating Plan for the first year of the Project; and (vi) the JCI International Standards of Hospital Accreditation.

16. “Projeto Autonomia” means the Borrower’s program for accelerated education for students who are older than the norm for a given school grade, as created and operating under the Borrower’s Resolution Nº 4409, dated February 12, 2010.

17. “SEEDUC” means Secretaria de Educação, the Borrower’s Secretariat for Education, as created and operating under the Borrower’s Decree Nº 40486 dated January 1, 2007.
18. “SEPLAG” means *Secretaria de Planejamento e Gestão*, the Borrower’s Secretariat for Planning and Management, as created and operating under the Borrower’s Decree Nº 40486 dated January 1, 2007.

19. “SESDEC” means *Secretaria da Saúde e da Defesa Civil*, the Borrower’s Secretariat for Health and Public Safety, as created and operating under the Borrower’s Decree Nº 40486 dated, January 1, 2007.

20. “Urgent Care Facilities” (*Unidades de Pronto Atendimento*) means the Borrower’s health care units designed to provide 24-hour access to primary emergency care services, as created and operating under the Borrower’s Ordinance (*Portaria*) Nº 1020 dated May 13, 2009.

**Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

   “Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

   (a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association ("Preparation Advance"), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

   “Section 7.02. Suspension by the Bank

   ... (l) Ineligibility. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”
3. 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 term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“All Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

(b) The definition of the term “Conversion Date” is modified to read as follows:

“All Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

Section III. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“…” (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“…” (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in
corrupt, fraudulent, collusive, coercive or obstructive practices in connection
with the use of loan proceeds, or if another financier with which the Bank has
entered into an agreement for the mutual enforcement of debarment decisions has
declared such person or entity ineligible to receive proceeds of financings made
by such financier or otherwise to participate in the preparation or implementation
of any project financed in whole or in part by such financier as a result of a
determination by such financier that the Borrower or the individual or entity has
engaged in fraudulent, corrupt, coercive or collusive practices in connection with
the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank
financed contract upon completion of sanctions proceedings pursuant to the
Bank’s sanctions policies and procedures, or under the procedures of temporary
suspension or early temporary suspension in connection with an ongoing
sanctions proceeding, or following a sanction by another financier with whom the
Bank has entered into a cross debarment agreement, as a result of a determination
by such financier that the firm or individual has engaged in fraudulent, corrupt,
coercive or collusive practices in connection with the use of the proceeds of a
financing made by such financier.”

“14. Member Country includes officials and employees of the national
government or of any of its political or administrative subdivisions, and
government owned enterprises and agencies that are not eligible to bid under
paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph
1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the
purpose of making such determinations. The procedures of the Sanctions Board
sets forth the full set of sanctions available to the Bank. In addition, the Bank has
adopted an internal protocol outlining the process to be followed in implementing
debarments by other financiers, and explaining how cross-debarments will be
posted on the Bank’s website and otherwise be made known to staff and other
stakeholders.”