

Public Disclosure Authorized

**CONFORMED COPY**

**LOAN NUMBER 7377-BR**

# **Loan Agreement**

**(Minas Gerais Partnership for Development-Development Policy Loan-DPL/MG)**

**between the**

**STATE OF MINAS GERAIS**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated April 28, 2006**

Public Disclosure Authorized

**LOAN NUMBER 7377-BR**

**LOAN AGREEMENT**

AGREEMENT, dated April 28, 2006, between the STATE OF MINAS GERAIS (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received from the Borrower a letter, dated March 6, 2006, describing a program of actions, objectives and policies designed to improve fiscal and public sector management and promote private sector development comprising, *inter alia*: modernization of the Borrower's public sector management through improvements in the management of personnel, strategic management of supplies, e-government; strategic management of its resources and actions, partial prepayment of selected debt, planning and budgeting, public management efficiency, improvement of the management of its social defense system, public-private partnerships, and infrastructure improvements (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in the financing of the Program during the execution thereof, the related borrowing being authorized by the Borrower's legislature through its Law No. 15521 of June 6, 2005 and Decree No. 44181 of December 22, 2005;

(B) the Borrower has carried out the measures and taken the actions described in Part I of Schedule 2 to this Agreement to the satisfaction of the Bank and has maintained an expenditure program and fiscal arrangements consistent with the objectives of the Program, and the Guarantor has maintained a macroeconomic policy framework satisfactory to the Bank;

(C) by an agreement of even date herewith between the Federative Republic of Brazil (the Guarantor) and the Bank (the Guarantee Agreement), the Guarantor has agreed to guarantee the payment obligations of the Borrower in respect of the loan provided for in Article II of this Agreement (the Loan); and

(D) on the basis, *inter alia*, of the foregoing, the Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in two tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (as amended

through May 1, 2004), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 41, is modified to read:

“ ‘Project’ means the program, referred to in the Preamble to the Loan Agreement, in support of which the Loan is made.”;

(b) Section 3.05, the proviso in the opening sentence is amended to read as follows:

“(provided that the Borrower shall have paid all amounts due under the Loan Agreement as at such date, including any prepayment premium calculated in accordance with paragraph (b) of this Section and has received the Guarantor’s prior authorization for such prepayment)”

(c) Section 3.08 is modified to read:

“Each withdrawal of an amount of the Loan from the Loan Account shall be made in the Loan Currency. The Bank, at the request and acting as an agent of the Borrower, shall purchase with the Loan Currency withdrawn from the Loan Account such currencies as shall be required to meet payments to be financed out of the proceeds of the Loan.”

(d) Section 5.01 is modified to read:

“The Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in accordance with the provisions of the Loan Agreement and of these General Conditions.”;

(e) the last sentence of Section 5.03 is deleted;

(f) Section 9.07 (c) is modified to read:

“(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.”; and

(g) Section 9.05 is deleted in its entirety and Sections 9.06, 9.07 (as modified above), 9.08 and 9.09 are renumbered, respectively, Sections 9.05, 9.06, 9.07 and 9.08.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Disbursed Amount” means, in respect of each Interest Period, the aggregate principal amount of the Loan withdrawn from the Loan Account in said Interest Period;

(b) “Fiscal Responsibility Law” means the Guarantor’s Complementary Law No. 101 of May 4, 2000;

(c) “Maturity Fixing Date” means, for each Disbursed Amount, the date on which the amortization schedule for said Disbursed Amount is established, such date being the first day of the Interest Period next following the Interest Period in which said Disbursed Amount is withdrawn;

(d) “PPP” means a public and private partnership established as part of the Borrower’s program to involve the private sector in the delivery of public services, set forth in the Borrower’s Law No. 14.868 of December 16, 2003;

(e) “R\$” means *Real*, the currency of the Guarantor;

(f) “Results Agreement” means any of the agreements entered into between the Borrower and its secretariats and/or agencies as part of its program to improve their management and accountability, pursuant to the Borrower’s Laws No. 14694 of July 30, 2003 and No. 15275 of July 30, 2004;

(g) “SEPLAG” means *Secretaria de Estado de Planejamento e Gestão*, the Borrower’s Secretariat of Planning and Management; and

(h) “SIAD” means the Borrower’s Integrated System for Supplies and Services Administration operated by SEPLAG and described in the Borrower’s Decree No. 43699 of December 11, 2003.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to one hundred and seventy million dollars (\$170,000,000), as such amount may be converted from time to

time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) Subject to the provisions of paragraphs (b), (c) and (d) of this Section, the Borrower shall be entitled to withdraw the amount of \$169,575,000 from the Loan Account in support of the Program.

(b) Except as the Bank may otherwise agree: (i) 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 (ii) the Borrower shall ensure that upon each deposit of an amount of the Loan into said account, an equivalent amount is accounted for in the Borrower's budget management system, in a manner acceptable to the Bank.

(c) The Borrower undertakes that the proceeds of the Loan shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Bank determines at any time that an amount of the Loan was used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of said payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

(d) No withdrawals shall be made from the Loan Account after the aggregate amount of the Loan withdrawn from the Loan Account has reached the amount of \$100,425,000 unless the date January 1, 2007 has passed and the Bank is satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank:

- (i) with the progress achieved by the Borrower in the carrying out of the Program;
- (ii) that the Guarantor is maintaining a macroeconomic policy framework which does not jeopardize the objectives of the Program;
- (iii) that the Borrower is maintaining an expenditure program, as well as fiscal arrangements with the Guarantor, both of which are, in the opinion of the Bank, consistent with the objectives of the Program; and
- (iv) that the actions described in Part II of Schedule 2 to this Agreement have been taken.

If, after said exchange of views, the Bank is not so satisfied, the Bank may give notice to the Borrower to that effect and, if within 90 days after such notice, the Borrower has not taken steps satisfactory to the Bank, in respect of (i), (ii), (iii) and (iv) above, as

the case may be, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

Section 2.03. The Closing Date shall be December 31, 2007 or such later date as the Bank shall establish after having received evidence that the Guarantor has authorized the extension of the Closing Date. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

Section 2.08. (a) Subject to the provisions of paragraph (b) of this Section, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each February 15 and August 15, the first such installment to be payable on the seventh (7th) Interest Payment Date following the Maturity Fixing Date for said Disbursed Amount and the last such installment to be payable on the thirty- fourth- (34th) Interest Payment Date following the Maturity Fixing Date for said Disbursed Amount. Each installment except for the last one shall be equal to one-twenty-eighth (1/28) of said Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of said Disbursed Amount.

(b) Notwithstanding the provisions of paragraph (a) of this Section, if any one or more installments of principal of any Disbursed Amount would, pursuant to the provisions of such paragraph (a), be payable after February 15, 2024, the Borrower shall also pay on such date the aggregate amount of all such installments.

(c) The Bank shall notify the Borrower and the Guarantor of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for said Disbursed Amount.

(d) Notwithstanding the provisions of paragraphs (a) through (c) of this Section, in the event of a Currency Conversion of all or any portion of a Disbursed Amount to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

Section 2.09. (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 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 said 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 Section 2.01(7) of 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**

#### **Particular Covenants**

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Part II of Schedule 2 to this Agreement.

(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.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including any action specified in Schedule 2 to this Agreement.

Section 3.02. Without limitation upon the provisions of Section 9.01(a) of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of Article II of this Agreement as the Bank may, from time to time, reasonably request.

## **ARTICLE IV**

### **Additional Event of Suspension**

Section 4.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) That a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) That an action has been taken or a policy has been adopted to reverse any action or policy under the Program in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.

## **ARTICLE V**

### **Effective Date; Termination**

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the Guarantor is maintaining a macroeconomic policy framework which does not jeopardize the objectives of the Program; and



(b) that the Borrower is maintaining an expenditure program, as well as fiscal arrangements with the Guarantor, both of which are, in the opinion of the Bank, consistent with the objectives of the Program.

Section 5.02. Without prejudice to the provisions of the General Conditions, the date specified for the purposes of Section 12.04 of the General Conditions 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 expires on October 11, 2007.

## **ARTICLE VI**

### **Representative of the Borrower; Addresses**

Section 6.01. The Secretary of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Governo do Estado de Minas Gerais  
Secretaria de Estado de Fazenda  
Rua da Bahia, 1816 – 8º andar  
30.160-011 - Belo Horizonte  
Minas Gerais - Brazil

Facsimile: (55-31) 3217-6221

With copies to:

Ministério do Planejamento, Orçamento e Gestão  
Secretaria de Assuntos Internacionais  
Esplanada dos Ministérios, Bloco K, 5º andar  
70040-906 Brasilia DF

Facsimile: (55-61) 3225-4022

Secretaria de Estado de Planejamento e Gestão  
Governo do Estado de Minas Gerais  
Rua Tomaz Gonzaga, 686 -1º andar  
30.180-140 – Belo Horizonte  
Minas Gerais, Brazil

Facsimile: (55-31) 3290-8314

Secretaria de Estado de Desenvolvimento Economico  
Subsecretaria de Assuntos Internacionais  
Governo de Minas Gerais  
Rua Rio de Janeiro, 471 – 16º andar  
30.160-040 – Belo Horizonte  
Minas Gerais, Brazil

Facsimile: (55-31) 2129 9362

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

| Cable address:                | Telex:                         | Facsimile:     |
|-------------------------------|--------------------------------|----------------|
| INTBAFRAD<br>Washington, D.C. | 248423 (MCI) or<br>64145 (MCI) | (202) 477-6391 |

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the city of Belo Horizonte, State of Minas Gerais, Brazil, as of the day and year first above written.

STATE OF MINAS GERAIS

By /s/ Aécio Neves Cunha

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ John Briscoe

Authorized Representative

## SCHEDULE 1

### Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Loan shall not be used to finance any of the following expenditures:

1. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another loan, credit, or grant;
2. expenditures for goods included in the following groups or subgroups 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:

| <u>Group</u> | <u>Subgroup</u> | <u>Description of Items</u>   |
|--------------|-----------------|---|
| 112          | -               | Alcoholic beverages   |
| 121          | -               | Tobacco, unmanufactured, tobacco refuse   |
| 122          | -               | Tobacco, manufactured (whether or not containing tobacco substitutes)                                 |
| 525          | -               | Radioactive and associated materials  |
| 667          | -               | Pearls, precious and semiprecious stones, unworked or worked  |
| 718          | 718.7           | Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors |

|     |        |   |
|-----|--------|---|
| 728 | 728.43 | Tobacco processing machinery  |
| 897 | 897.3  | Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems) |
| 971 | -      | Gold, non-monetary (excluding gold ores and concentrates)   |

3. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
4. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means 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;
5. expenditures on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
6. expenditures under a contract in respect of which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation.

## SCHEDULE 2

### Actions Referred to in Recital (B) of the Preamble to, and Section 2.02 (d) of this Agreement

#### Part I: Actions Referred to in Recital (B) of the Preamble to this Agreement

##### A. Fiscal Balance

The Borrower has:

1. Achieved a primary surplus increase from R\$665 million in 2002 to R\$1,157 million in 2003 and to R\$1,263 million in 2004, as set forth in annex 1 to the Guarantor's letter to the Borrower (*Oficio* No. 8143/ 2005 COREM/ STN) dated December 16, 2005.
2. Decreased its ratio of personnel expenditure to net current revenue from 71% in 2002 to 67% in 2003 and to 61% in 2004, as such "personnel expenditure" and "net current revenue" ratios are set forth in annex 1 to the Guarantor's letter to the Borrower (*Oficio* No. 8143/ 2005 COREM/ STN) dated December 16, 2005.
3. Paid an amount of R\$441 million and R\$611 million in 2003 and 2004 respectively, of its floating debt, as set forth in a letter from the Borrower to the Bank dated February 20, 2006.
4. Introduced a matrix management system for tax administration designed to increase tax collection efficiency as described in the Results Agreement entered into between the Borrower and its Revenue Sub-secretariat on August, 11, 2004.
5. Introduced an electronic modality for taxpayer registration, and collection of the Borrower's tax on transfers due to death, and on grants of any goods or rights (*Imposto sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos – ITCD*) as set forth in its related website ([www.fazenda.mg.gov.br](http://www.fazenda.mg.gov.br)).

##### B. Excellence in Public Management

The Borrower has:

1. Issued Decree No. 43.188 of February 10, 2003 centralizing the management of its payroll.
2. Created a new career structure and established 14 groupings for its civil servants as such groupings are set forth in the Borrower's Law No. 15.436 of January 11, 2005; Law No. 15.784 of October 27, 2005; Law No. 15.785 of October 27, 2005; Law No. 15.786 of October 27, 2005; Law No. 15.961 of December 30, 2005 and Law No. 15.962

of December 30, 2005, and assigned at least 70% of its staff into such 14 career groupings as per the decrees listed in the Borrower's letter to the Bank (*Oficio /GAB/ADJ/060/2006*) dated February 22, 2006.

3. Issued Decree No. 43699 dated December 11, 2003 requiring from its secretariats and agencies the processing of all procurement transactions in SIAD.
4. Issued Decree No. 43554 of August 28, 2003 prioritizing the Borrower's structural programs (*programas estruturadores*) in order to improve their implementation performance.
5. Signed seventeen Results Agreements, all as set forth in a letter from the Borrower to the Bank, dated February 23, 2006.
6. Signed six partnerships agreements (*termos de parceria*) with Civil Society Organization with Public Interest – OSCIP for the delivery of social services, cultural promotion, crime prevention, and environmental management, all as set forth in the letter from the Borrower to the Bank, dated February 23, 2006.
7. Issued Decree No. 43.666 of November 25, 2003, creating the Borrower's Executive Committee of the Electronic Government.
8. Installed *Portal Minas* ([www.mg.gov.br](http://www.mg.gov.br)) with the services and information provided by the Borrower organized in a user-friendly manner.

C. Promotion of Private Sector Development

The Borrower has:

1. (a) Issued Decree No. 43.656 of November 21 2003 establishing a comprehensive business support and administrative simplification program (*Facilita-Minas*); (b) issued Decree No. 43.803 of May 4, 2004 providing for special financing for small and micro enterprises; and (c) issued Decree No. 44.106 of September 14, 2005 establishing the first one-stop shop (*Minas Facil*) for registering new firms.
2. Enacted its Law No. 15.219 of July 7, 2004 establishing a simplified tax regime for small businesses (*SIMPLES Minas*).
3. Issued Decree No. 43.278 of April 22, 2003 adopting a policy which allows for decentralized environmental licensing.
4. Enacted Law No. 14.868 of December 16, 2003 providing a legal framework for the Borrower to enter into PPP agreements, and issued Decree No. 43.702 of December 16, 2003 to create a specialized PPP unit.

Part II: Actions Referred to in Section 2.02 (d) (iv) of this Agreement

A. Fiscal Balance

The Borrower shall have:

1. Achieved a primary surplus of at least R\$1596 million in calendar year 2005, as such primary surplus is defined in the *Termo de Entendimento Técnico Entre o Governo do Estado de Minas Gerais e a Secretaria do Tesouro Nacional*, a technical agreement entered into between the Guarantor and the Borrower, dated May 19, 2005.
2. Maintained during calendar year 2005 a ratio of personnel expenditure to net current revenue of 60% or less, as such “personnel expenditure” and “net current revenue” are defined in the *Termo de Entendimento Técnico Entre o Governo do Estado de Minas Gerais e a Secretaria do Tesouro Nacional*, a technical agreement entered into between the Guarantor and the Borrower, dated May 19, 2005.
3. Paid or pre-paid, as the case may be, an amount of at least R\$100 million of: (a) its floating debt; or (b) its consolidated debt as defined in Article 29 of the Fiscal Responsibility Law, from the portion of such debt which: (i) is not covered under the refinancing agreement entered into between the Borrower and the Guarantor’s National Treasury Secretariat on the 18<sup>th</sup> of February, 1998 under the Guarantor’s Law No. 9496/97; and (ii) is not owed to the Bank.
4. Installed at least seven modules of its computerized information management system for tax administration (*Sistema Integrado de Arrecadação da Receita Estadual, SIARE*) as described in the December 2003 Borrower’s document entitled “*Plano Annual do Fisco Estadual 2004*”.

B. Excellence in Public Management

The Borrower shall have:

1. Installed a new payment module integrated into its personnel management system as described in the contract between SEPLAG and *Companhia de Tecnologia de Informação do Estado de Minas Gerais*, the Borrower’s Technology and Information Agency, dated October 11, 2005.
2. Installed SIAD’s module for the use of the electronic registration of prices method in government purchases through the *pregão* modality (reverse auction).
3. Signed at least one Result Agreement with its Secretariats and/or agencies additional to the agreements signed prior to February 21, 2006.



4. Revised, in a manner satisfactory to the Bank, five of the Results Agreements entered into prior to February 21, 2006 in order to update their five agencies' annual performance goals for the following year.

5. Launched its planning and budgeting website with a module for the monitoring of the execution of structural programs (*projetos estruturadores*).

C. Promotion of Private Sector Development

The Borrower shall have:

1. Integrated the registry of taxpayers of the Borrower's goods and services tax (*Imposto sobre Circulação de Mercadorias e Serviços*) of SIARE with the registry of suppliers in the SIAD.

2. Designed a mechanism, satisfactory to the Bank, of Borrower-provided guarantees for the PPPs.