

CONFORMED COPY

LOAN NUMBER 7675-BR

Loan Agreement

**(Multisector Public Management Project –
Programa de Modernização da Gestão Pública no Distrito Federal –Gestão GDF)**

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

THE FEDERAL DISTRICT

Dated September 10, 2009

LOAN AGREEMENT

Agreement dated September 10, 2009, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and the FEDERAL DISTRICT (“Borrower”). The Borrower and the Bank 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 one hundred and thirty million Dollars, (\$130,000,000), 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 cost of 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: (a) in respect of Part 1 of the Project as reimbursement for part of the Eligible Expenditures incurred by the Borrower under the Eligible Expenditure Programs; (b) in respect of Part 2 of the Project to finance the Eligible Expenditures incurred by the Borrower; and (c) in respect of the Front-End Fee referred to in Section 2.03 of this Agreement. The Borrower’s representative for purposes of taking any action required or permitted to be taken pursuant to this Section is its Governor or 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 Fixed 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 March 15 and September 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of 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 the Secretariat of the National Treasury of the Guarantor's Ministry of Finance, 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 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. To this end, the Borrower, through SEPLAG, with the assistance of the Participating Secretariats, shall carry out 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Legal Matter consists of the following: namely, that the Loan has been duly registered with the Central Bank of the Guarantor.
- 4.02. 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 October 11, 2010.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is its Governor.

5.02. 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: | Telex: | Facsimile: |
| INTBAFRAD Washington, D.C. | 248423(MCI) or 64145(MCI) | 1-202-477-6391 |

5.03. The Borrower's Address is:

Governo do Distrito Federal
Palácio Buriti – Praça do Buriti
Eixo Monumental
70075-900 Brasília – Distrito Federal
Brazil

Facsimile: (55-61) 3352-0390

With copies to:

Ministério da Fazenda
Procuradoria Geral da Fazenda Nacional
Esplanada dos Ministérios
Bloco "P", 8 andar
70048-900 Brasília, DF
Brazil

Facsimile: (55-61) 32262502

Ministério do Planejamento, Orçamento e Gestão
Secretaria de Assuntos Internacionais
Esplanada dos Ministérios, Bloco "K" - 5º andar
70040-906, Brasília, D.F.
Brazil

Facsimile: (55-61) 225-4022

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Pamela Cox

Authorized Representative

FEDERAL DISTRICT

By /s/ José Roberto Arruda

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (a) improve public sector management and accountability by expanding results-based management practices and improving fiduciary oversight; and (b) increase access, quality and efficiency of the education, health and public transport services, through the modernization of the education system, the modernization, decentralization and integration of various levels of health care and the strengthening of the institutional and operational capacity of the public transport sector.

The Project consists of the following parts:

Part 1: Strengthening Result-Based Management in the Public Sector

Support the implementation of the Eligible Expenditure Programs.

Part 2: Building Capacity in the Public Sector

- (a) Support the implementation of results-based management in the public sector, through the provision of training and technical assistance in related areas, including: (i) strategic planning; (ii) definition of Results Agreements indicators; (iii) development of a monitoring and evaluation system for staff in SEPLAG and in the Participating Secretariats; and (iv) the carrying out of an impact evaluation of the Borrower's management modernization program.
- (b) Design and implementation of a performance-based cost-accounting system in the Borrower's education and health sectors, through, *inter alia*, the provision of management training activities, as well as the identification of expenditure categories and the assessment of the quality of existing expenditure data.
- (c) Carrying out of an assessment of the following Borrower's programs: (i) the "Gestão Compartilhada" Program; and (ii) management of public services by non-governmental social organizations program.
- (d) Provision of support for SET and DFTRANS in their efforts to integrate the different public transport modes and to regularize the provision of public transport services in the Borrower's territory.
- (e) Provision of support for the implementation of the Project's financial management and procurement actions plans, the replication of the PEFA exercise, and the modernization of the procurement functions of selected Borrower's agencies.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall ensure that, until the completion of the execution of the Project, SEPLAG shall have competent staff in adequate numbers with qualifications and experience satisfactory to the Bank, including the following key staff: a Project coordinator, a procurement specialist and a financial management specialist.
2. The Borrower shall: (a) have all the procurement records and documentation for each fiscal year of the Project audited, in accordance with appropriate procurement auditing principles by independent auditors acceptable to the Bank; (b) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such fiscal year, the procurement audit report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (c) furnish to the Bank such other information concerning said procurement records and documentation and the procurement audit thereof as the Bank shall from time to time reasonably request.
3. The EEPs will comply with the eligibility criteria and procedures set forth in the Project Operational Manual.
4. If, at any time, the Bank determines that any portion of the Loan Proceeds was used for items improperly procured in violation of Section III to this Schedule, was not used for Eligible Expenditures or, in case of the Eligible Expenditure Programs of Part 1 of the Project, was not supported by evidence of actual spending by the Borrower under said Eligible Expenditure Programs and/or by evidence of satisfaction of other criteria set forth in this Agreement or in the Project Operational Manual, the Borrower shall promptly refund any such portion to the Bank as the Bank shall specify by notice to the Borrower.
5. The Borrower and the Bank may jointly review, by mid-term, the amounts assigned per budget line to the Eligible Expenditure Program detailed in Schedule 4 to this Agreement, and adjust, as necessary, in a manner satisfactory to the Bank.
6. The budget line numbers indicated in Schedule 4 to the Loan Agreement shall conform to the Borrower's budget law. The Borrower and the Bank agree that such budget line numbers may change under the Borrower's budget law, provided however that there is no change in the corresponding EEP described in Part 1 of Schedule 1 and in Schedule 4 to the Loan Agreement and in the underlying activities to be financed by the Bank under such EEP.

B. Anti-Corruption

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

C. Project Operational Manual

The Borrower shall carry out the Project in accordance with the provisions of a manual (the "Project Operational Manual"), satisfactory to the Bank, said manual to include, *inter alia*: (i) the procedures for the carrying out, monitoring and evaluation of the Project, including detailed description of the EEPs; (ii) the indicators to be used for Project monitoring and evaluation; (iii) the organizational structure of the Project (including the roles and responsibilities of SEPLAG and the Participating Secretariats); (iv) the Project procurement and financial management requirements and procedures; (v) the Project's chart of accounts and internal controls; (vi) reporting procedures and the format of: (A) the unaudited interim financial reports referred to in Section II. B.2 of Schedule 2 to this Agreement; and (B) the Financial Statements; (vii) the terms of reference for carrying out the Project audits under Section II.B.3 of Schedule 2 to this Agreement; and (viii) the detailed criteria for the monitoring of the Disbursement-Linked Indicators. In case of any inconsistency between any provision of the Project Operational Manual and this Agreement, the provision of this Agreement will prevail. Any amendment to the Project Operational Manual can occur only if acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower 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 indicators set forth in the Project Operational Manual and agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five days 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.
3. The Borrower shall hire an entity independent from the Borrower and satisfactory to the Bank, with experience in public sector reform program implementation and monitoring and evaluation, to conduct annual audits of the Project, under terms of reference satisfactory to the Bank, particularly focused on the achievement of the technical results that are linked to disbursement of the Loan.

B. Financial Management, Financial Reports and Audits

1. The Borrower 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 shall prepare and furnish to the Bank as part of the Project Report not later than forty-five 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 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 Works.** All goods and works (including Non-consultant Services) required for the Project and to be financed under the Project 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. Contracts under the Project awarded in accordance with Section II of the Procurement Guidelines or the Consultant Guidelines may draw upon diverse sources of funding for their financing, necessarily including Loan proceeds.
4. **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 Works (including Non-Consultant Services)

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works (including Non-consultant Services) shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods and Works (including Non-Consultant Services).** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works (including non-consultant services). The Procurement Plan shall specify the circumstances under which such methods may be used.

| <u>Procurement Method</u> |
|---|
| (a) National Competitive Bidding (including in respect of goods, non-consultants services and works, <i>convite</i> , <i>tomada de preços</i> and <i>concorrência</i> set forth in the Guarantor's Law No. 8.666 of June 21, 1993, as well as procurement in accordance with the method known as " <i>pregão eletrônico</i> ", as provided in the Guarantor's Law No. 10520, of July 17, 2002, under "COMPRASNET", the Guarantor's procurement portal or any other e-procurement system approved by the Bank), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank. |
| (b) Shopping. |

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.

| <u>Procurement Method</u> |
|--|
| (a) Selection based on Consultant's Qualifications |
| (b) Quality-based Selection |
| (c) Least Cost Selection |
| (d) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultants Guidelines for the Selection of Individual Consultants |
| (e) Single Source Selection |

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, including EEPs, 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.

| Category | Amount of the Loan Allocated (expressed in USD) | Percentage of Expenditures to be financed |
|--|--|---|
| (1) EEPs under Part 1 of the Project | 120,000,000 | Up to 45% of amounts spent and reported under the EEP |
| (2) Goods, non-consultant services, consultant’s services and Training under Part 2 of the Project | 9,675,000 | 100% |
| (3) Front-end Fee | 325,000 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| TOTAL AMOUNT | 130,000,000 | |

3. For the purposes of this Section the term “Training” means expenditures incurred in connection with the carrying out of training, seminars, and workshops under the Project, including the reasonable travel cost and per-diem of the trainers and trainees, tuition fees, as well as training materials

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$26,000,000 equivalent may be made for payments made up to twelve months prior to such date for Eligible Expenditure Programs under Category (1) for the first disbursement (provided the Borrower has submitted evidence that the PAF Indicator as of December 31, 2008 has been achieved); or
 - (b) for subsequent payments made under Category (1) unless the conditions referred to in the Project Operational Manual and in the additional instructions referred to

in Section IV.A.1 of this Schedule including compliance with the PAF Indicator have been met by the Borrower in form and substance satisfactory to the Bank.

2. If the Bank has:
 - (a) not received evidence of full compliance with the PAF Indicator with respect to any disbursement under Category (1) (as referred to in the additional instructions referred to in Section IV.A.1 of this Schedule), then the corresponding disbursement will be postponed until said indicator is achieved in a manner satisfactory to the Bank;
 - (b) not received evidence of full compliance with the 70% Rule Indicator with respect to any disbursement under Category (1) (as referred to in the additional instructions referred to in Section IV.A.1 of this Schedule), then the maximum amount of the corresponding withdrawal shall be proportional to the degree of execution of the Borrower's EEP, as further detailed in the additional instructions referred to in Section IV.A.1 of this Schedule;
 - (c) not received evidence of full compliance with the DLIs referred to in Schedule 5 to this Agreement in respect to the third, fifth, and seventh disbursements under Category (1) (as referred to in the Project Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule), the Bank may: (i) allocate a base value of \$1 million to each DLI and deduct said base value from the maximum amount of the corresponding disbursement for each DLI not complied with; (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 unwithdrawn amount by which the corresponding disbursement had been reduced be carried forward to the immediately subsequent withdrawal; and
 - (d) received evidence satisfactory to the Bank that the Borrower has accelerated Project implementation by increasing EEP execution and achieving the DLIs earlier than expected while complying with the PAF Indicator, then the Bank may accelerate disbursements, as further detailed in the additional instructions referred to in Section IV.A.1 of this Schedule.
3. In the event that the Bank has not approved a full withdrawal by the Borrower of the Loan proceeds under Category (1), the Bank may, by notice to the Borrower and the Guarantor, cancel the corresponding amount of the Loan at the time of the seventh disbursement (as referred to in the Project Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule).
4. The Closing Date is December 31, 2012. The Bank may consider granting an extension of the Closing Date if the Guarantor's Ministry of Finance has informed the Bank that it agrees with such an extension.

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.

| Principal Payment Date | Installment Share (Expressed as a Percentage) |
|---|--|
| On each March 15 and September 15 Beginning September 15, 2012 through March 15, 2032 | 2.50% |

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.

SCHEDULE 4

Eligible Expenditure Programs

| Borrower's Budget Line | Program Name | Amount to be spent by the Borrower in 2008 in Reais | Amount to be spent by the Borrower in 2009 in Reais | Amount to be spent by the Borrower in 2010 in Reais | Amount to be spent by the Borrower in 2011 in Reais | Total |
|--|---|--|--|--|--|--------------------|
| Program 0142 – Education Always | | | | | | |
| 18.101.12.365.0142 18.903.12.365.0142 | 2388 - Maintenance of Education of Children 4-5 years | 6,000,000 | 4,000,000 | 5,000,000 | 5,000,000 | 20,000,000 |
| 18.101.12.361.0142 18.903.12.361.0142 | 2389 - Maintenance of Fundamental Education (grades 1-9) | 49,200,611 | 45,599,789 | 63,773,951 | 53,925,649 | 212,500,000 |
| 18.101.12.362.0142 18.903.12.362.0142 | 2390 – Maintenance of Secondary Education | 5,000,000 | 6,000,000 | 7,000,000 | 7,000,000 | 25,000,000 |
| Program 0164 – School for All | | | | | | |
| 18.101.12.365.0164 | 3271 – Rehabilitation of Schools for Children 4-5 years | 1,000,000 | 7,500,000 | 9,000,000 | 9,000,000 | 26,500,000 |
| Program 2100 - Modernization of School Management | | | | | | |
| 18.101.12.122.2100 | 2387 - Decentralization of Financial Resources for DF Schools | 8,000,000 | 12,000,000 | 13,000,000 | 13,000,000 | 46,000,000 |
| TOTAL EDUCATION | | 69,200,611 | 75,099,789 | 97,773,951 | 87,925,649 | 330,000,000 |

| Borrower's Budget Line | Program Name | Amount to be spent by the Borrower in 2008 in Reais | Amount to be spent by the Borrower in 2009 in Reais | Amount to be spent by the Borrower in 2010 in Reais | Amount to be spent by the Borrower in 2011 in Reais | Total |
|---|---|--|--|--|--|--------------------|
| Program 0214 – Modernization of SES | | | | | | |
| 23.901.10.302.0214 | 3467.6069 – SES equipment | -- | 20,000,000 | 20,000,000 | 20,000,000 | 60,000,000 |
| Program 0071 – Development and Maintenance of Health Information | | | | | | |
| 23.901.10.126.0071 | 3930 - Technological Modernization | 16,000,000 | 21,000,000 | 27,000,000 | 32,000,000 | 96,000,000 |
| Program 5000 - Modernization of Primary Health Care | | | | | | |
| 23.901.10.301.5000 | 2156 – Maternal and Child Health | 660,000 | 1,200,000 | 1,400,000 | 3,000,000 | 6,260,000 |
| 23.901.10.301.5000 | 2335 – Family Health | 4,500,000 | 6,000,000 | 7,200,000 | 8,600,000 | 26,300,000 |
| Program 0900 – Communicable Diseases | | | | | | |
| 23.901.10.305.0900 | 2155 – Communicable Diseases | -- | 2,700,000 | 3,800,000 | 4,940,000 | 11,440,000 |
| Program 0400 – Hospital Management | | | | | | |
| 23.901.10.302.0400 | 2145.0006 - OS Management of St. Maria Hospital | -- | 28,000,000 | 51,000,000 | 51,000,000 | 130,000,000 |
| TOTAL HEALTH | | 21,160,000 | 78,900,000 | 110,400,000 | 119,540,000 | 330,000,000 |

| Borrower's Budget Line | Program Name | Amount to be spent by the Borrower in 2008 in Reais | Amount to be spent by the Borrower in 2009 in Reais | Amount to be spent by the Borrower in 2010 in Reais | Amount to be spent by the Borrower in 2011 in Reais | Total |
|--|--|--|--|--|--|--------------------|
| Program 0100 – SET Management Support | | | | | | |
| 26.101.26.122.0100 | 8517 – Maintenance of General Administrative Services - SET | 1,000,000 | 4,000,000 | 4,800,000 | 5,800,000 | 15,600,000 |
| Program 2800 - Safe Transportation | | | | | | |
| 26.905.26.453.2800 | 2875 - Management of the Public Transport Fund – DFTRANS* | 3,526,228 | 7,000,000 | 8,400,000 | 10,080,000 | 29,006,228 |
| 26.204.26.122.2800 | 8517 - Maintenance of General Administrative Services – DFTRANS | 2,000,000 | 6,000,000 | 7,200,000 | 8,600,000 | 23,800,000 |
| 26.204.26.453.2800 | 6150 – Supervision of Public Transport System- DFTRANS | 150,000 | 300,000 | 450,000 | 600,000 | 1,500,000 |
| 26.101.26.122.2800 | 4002 – Maintenance, rehabilitation and automation of bus terminals - SET | -- | 1,700,000 | 2,040,000 | 2,450,000 | 6,190,000 |
| TOTAL TRANSPORT | | 6,676,228 | 19,000,000 | 22,890,000 | 27,530,000 | 76,096,228 |
| TOTAL | | 97,036,839 | 172,999,789 | 231,063,951 | 234,995,649 | 736,096,228 |

* The GDF Annual Budget Law will be updated to increase amount of funds in 2010-11

SCHEDULE 5

Disbursement-Linked Indicators

| Disbursement-linked Indicator | Approx 12 months after the Effective Date | Approx 24 months after the Effective Date | Approx 36 months after the Effective Date |
|---|---|---|---|
| 1. – Borrower’s secretariats or agencies signing annual Results Agreements | 10 | 21 | 26 |
| 2. – SEPLAG and any other Borrower’s secretariat or agency publishing annual Performance Reports. | 1 | 10 | 21 |
| 3. - Percentage of children aged 4-5 enrolled in early childhood programs in low-income areas in the Borrower’s territory. | 80% | 85% | 90% |
| 4. - Number of schools implementing full-time basic education activities in low income areas of the Borrower’s territory (<i>Educação de tempo integral</i>) | 50 | 70 | 100 |
| 5. - Number of students with overage distortion in grades 1-9 of basic education | 67,000 | 42,000 | 17,000 |
| 6. - Number of students with overage distortion in secondary education | 18,000 | 15,000 | 3,000 |
| 7. - Share of the Borrower’s population provided with the Health Card (<i>Cartão de Saúde do</i> | 30% | 40% | 50% |

| | | | |
|--|---|---|---|
| <i>Cidadão)</i> | | | |
| 8. - Share of the Borrower's population covered by the Family Health Program | 20% | 30% | 40% |
| 9. - Share of pregnant women with at least 4 prenatal visits in the Borrower's areas of <i>Brazilândia, Paranoá, Riacho Fundo and Samambaia</i> | 75% | 78% | 80% |
| 10. - DFTRANS in control of operational and fare revenue data of the basic bus service | DFTRANS updates the secondary operational and fare revenue data on a daily basis | DFTRANS has direct access to primary operational and fare revenue data | DFTRANS processes primary operational and fare revenue data on a daily basis |
| 11. - DFTRANS remotely monitors the fleet of the basic bus service through a Control Center of Operations (CCO). | Contract for the implementation of the CCO awarded | 100% of the infrastructure of CCO installed | 10% of the fleet of basic bus service is remotely monitored through the CCO |

APPENDIX

Section I. Definitions

1. “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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “DFTRANS” means *Transporte Urbano do Distrito Federal*, the Borrower’s urban transport agency.
5. “Disbursement-Linked Indicators” or “DLIs” means any of the indicators set forth in Schedule 5 of this Agreement.
6. “EEP” or “Eligible Expenditure Program” means a set of defined expenditures for goods, works, consulting and non-consulting services and operating costs incurred by the Borrower under the budget lines specified in Schedule 4 of the Project.
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).
8. “Family Health Program” means the program covering maternal and child health, as well as the prevention and early treatment of communicable and non-communicable diseases such as hypertension and diabetes, created through article 12.12 of the Guarantor’s regulation NOB-SUS 01/1996 and through the Guarantor’s Ministry of Health’s regulations *Portaria* No. 648/2006.
9. “*Gestão Compartilhada* Program” means the Borrower’s school-based management program set forth in the Borrower’s Law No. 4036 of October 25, 2007 and applied in all Borrowers’ public schools, aimed to improve school performance.
10. “Health Card” means an electronic health card (*Cartão da Saúde*) that holds embedded medical information that can be used and updated by providers at all levels of the health system, including health care centers, hospitals, laboratories and public pharmacies.
11. “PAF Indicator” means a condition to be met by the Borrower for certain Loan disbursements to take place, namely that the Borrower has complied with the Pluriannual Financing Plan, measured by the financial debt/current net income ratio, as well as ceilings for expenditures on personnel, as published in the Borrower’s official gazette.

12. “Participating Secretariats” means collectively SEE, SES, SET and DFTRANS.
13. “PEFA” means the Borrower’s public expenditure and financial accountability framework, a financial management diagnostic tool intended to provide an integrated and harmonized approach for measuring and monitoring the financial management performance status or/and progress of Borrower’s programs, while also helping focus support on country-led financial management reform programs.
14. “Performance Reports” means the monitoring and evaluation reports prepared by SEPLAG and the Participating Secretariats in accordance with the terms and conditions described in the Project Operational Manual.
15. “Pluriannual Financing Plan” means *Programa de Reestruturação e de Ajuste Fiscal – PAF-*, a rolling 3-year plan including macro-targets agreed between the Borrower and the Guarantor’s Secretary of Treasury, and which identifies the overall lending envelope for the Borrower.
16. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
17. “Procurement Plan” means the Borrower’s procurement plan for Part 2 of the Project, dated February 3, 2009 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.
18. “Project Operational Manual” means the manual dated February 9, 2009 and referred to in Section I.C of Schedule 2 to this Agreement.
19. “*Reais*” and “R\$” mean the currency of the Guarantor.
20. “Results Agreement” means *Termo de Compromisso*, a document signed by the Borrower’s Governor and its Secretariats/agencies, and published in the Borrower’s official gazette (*Diario Oficial*), that describes the anticipated outputs and results to be achieved by the Borrower’s programs and activities of the respective Secretariats and agencies, and against which the Secretariat and agencies' performance subsequently will be measured.
21. “SEE” means *Secretaria de Estado de Educação*, the Borrower’s Secretariat of Education.
22. “SES” means *Secretaria de Estado de Saúde*, the Borrower’s Secretariat of Health.
23. “SEPLAG” means *Secretaria de Estado de Planejamento e Gestão*, the Borrower’s Secretariat of Planning and Management.
24. “SET” means *Secretaria de Estado de Transportes*, the Borrower’s Secretary of Transport.

25. “70% Rule Indicator” means a condition to be met by the Borrower for certain Loan disbursements to take place, namely that for the aggregate amount of the EEPs for each relevant sector (education, health, and transport) there has been spent for: (i) the first disbursement as referred to in Section IV B. 1(a) of Schedule 2 to this Agreement, at least 70% of the budgeted EEP funds for the semester immediately prior to the Effective Date; (ii) the second, fourth and sixth disbursements at least 70% of the annual budgeted EEP funds under the Borrower’s budget law; and (iii) the third, fifth and seventh disbursements at least 70% of the projected budgeted EEP funds for the first semester of the relevant year based on the Borrower’s budget law.