

**CONFORMED COPY**

**LOAN NUMBER 7660-BR**

# **Loan Agreement**

**(First Programmatic Development Policy Loan for Sustainable Environmental  
Management)**

**between**

**FEDERATIVE REPUBLIC OF BRAZIL**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated June 10, 2010**

## **LOAN AGREEMENT**

Agreement dated June 10, 2010, entered into between FEDERATIVE REPUBLIC OF BRAZIL (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (b) the Borrower’s maintenance of an appropriate macro-economic policy framework consistent with the objectives of the Program. The Borrower and the Bank therefore 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 billion and three hundred million dollars (\$1,300,000,000), 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”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 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 February 15 and August 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 2 to this Agreement.
- 2.07. (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 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 — PROGRAM**

- 3.01. The Borrower declares its commitment to the Program and its implementation, through appropriate institutional arrangements with the Borrower’s public entities. To this end, and further to Section 5.08 of the General Conditions:
  - (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 Section I of Schedule 1 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; and

- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program, including any action specified in Section I of Schedule 1 to this Agreement.

#### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:
  - (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
  - (b) An action has been taken or a policy has been adopted to reverse any action or policy under the Program (including any action listed in Section I of Schedule 1 to this Agreement) in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Legal Matter consists of the following, namely that the Loan has been registered with the Borrower'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 September 5, 2010.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its Minister of Finance.
- 6.02. The Borrower's Address is:

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

Facsimile: (55-61) 3412-1740

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

AGREED at Brasília, Federative Republic of Brazil, as of the day and year first above written.

FEDERATIVE REPUBLIC OF BRAZIL

By /s/ Suely Dib de Sousa e Silva  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Makhtar Diop  
Authorized Representative

## SCHEDULE 1

### Program Actions; Availability of Loan Proceeds

#### Section I. Actions under the Program

**A. Actions Taken Under the Program for the First Tranche.** The actions taken by the Borrower under the Program include the following:

**1. Improving the Borrower's Overall Environmental Management System**

**(a) Improving Environmental and Social Management Procedures**

The Borrower has achieved an institutional restructuring in MMA and IBAMA, and the creation of *Instituto Chico Mendes* and *Serviço Florestal Brasileiro* aimed at improving the implementation of environmental policies, processing of environmental licenses and enforcement of environmental regulations in the Borrower's territory, as evidenced through the Borrower's: (i) *Decreto Presidencial* No. 6101 dated April 26, 2007; (ii) *Decreto Presidencial* No. 6.099 dated April 26, 2007; (iii) Law No. 11.516 dated August 28, 2007; (iv) Law No. 11.284 dated March 2, 2006; and (v) *Edital* No. 8/2005-IBAMA dated August 25, 2005, *Edital* No. 5/2005-MMA dated February 3, 2005, *Edital* No. 6/2008-MMA dated June 18, 2008 and *Portaria* No. 1-MMA, dated January 31, 2007.

**(b) Mainstreaming Climate Change in Public and Private Sector Investments**

The Borrower has prepared and submitted for public consultation in September 2008 a draft action plan (*Plano Nacional sobre Mudança do Clima – Versão Para Consulta Pública*), as evidenced through MMA *Ofício* No. 16/2009/SECEX/MMA sent to the Bank on January 27, 2009.

**(c) Improving Environmental and Social Management Effectiveness in BNDES and Other Financial Institutions**

The Borrower, through MMA, has approved and executed with federal public banks (i.e. BNDES, *Banco da Amazônia*, *Caixa Econômica Federal*, *Banco do Nordeste do Brasil* and *Banco do Brasil*) a revised protocol (*Protocolo Verde*), as evidenced through *Protocolo de Intenções pela Responsabilidade Socioambiental* dated August 1, 2008, as registered in the Borrower's official gazette on August 13, 2008.

## **2. Integrating Principles of Sustainable Development in Key Sectors**

### **(a) Improving Sustainability of Natural Resources Management**

The Borrower has adopted a legal framework for improved natural resources sustainability in the Borrower's forests, as evidenced through the Borrower's: (i) Law No. 11.284 dated March 2, 2006; (ii) Law No. 11.428 dated December 22, 2006; and (iii) *Resolução* No. 3545/CMN-BACEN dated February 29, 2008.

### **(b) Improving Amazon Regional Planning for Sustainable Development and Reduced Deforestation**

The Borrower has adopted an initiative (*Plano Amazônia Sustentável – Diretrizes para o Desenvolvimento Sustentável da Amazônia Brasileira*) through a commitment executed among the Borrower's Presidency and the Governors of the following States in the Borrower's territory: Amazonas, Amapá, Acre, Pará, Mato Grosso, Tocantins, Roraima, Maranhao and Rondônia on May 8, 2008 as evidenced through MMA *Oficio* No. 16/2009/SECEX/MMA sent to the Bank on January 27, 2009.

### **(c) Improving Rainforest Conservation**

The Borrower has authorized the creation of a fund (*Fundo Amazônia*) and said fund has been created to support activities that promote sustainable use of natural resources, rehabilitation of degraded areas and prevention and combat to deforestation, as evidenced through the Borrower's Presidential Decree No. 6.527, dated August 1, 2008 and BNDES Resolution No. 1640/2008-BNDES dated September 9, 2008.

### **(d) Improving Management and Quality of Water Resources**

The Borrower has approved two national initiatives for water: (i) *Programa Nacional de Avaliação da Qualidade da Água*, as evidenced through MMA *Oficio* No. 16/2009/SECEX/MMA sent to the Bank on January 27, 2009; and (ii) *Plano Nacional de Recursos Hídricos* as evidenced through the Borrower's Council for Water Resources Resolution No. 58 dated January 30, 2006.

### **(e) Reducing Environmental Impacts through Improved Water, Wastewater Treatment, and Solid Waste Services**

The Borrower has adopted a legal framework for improved water sanitation and solid waste service coverage, as evidenced through the Borrower's Law No. 11.445 dated January 5, 2007.

**(f) Promoting Renewable Energy Potential**

The Borrower has enhanced and revised in December 2007 a methodology for improving the environmental and social sustainability of the hydroelectric sector by adopting an integrated environmental assessment, as evidenced through Resolution No. 393/ANEEL dated December 4, 1998 (as amended in December 2008) and the Borrower's handbook entitled *Manual de Inventário Hidroelétrico de Bacias Hidrográficas, Edição 2007, Ministério de Minas e Energia, Secretaria de Planejamento e Desenvolvimento Energético*.

**B. Actions to be Taken Under the Program for the Second Tranche.** The actions to be taken by the Borrower under the Program include the following:

**1. Improving the Borrower's Overall Environmental Management System**

**(a) Mainstreaming Climate Change in Public and Private Sector Investments**

The Borrower has approved the *Plano Nacional sobre Mudança do Clima* (see Section I.A.1(b) of this Schedule), after public consultation, in form and substance satisfactory to the Bank.

**(b) Improving Environmental and Social Management Effectiveness in BNDES and Other Financial Institutions**

The Borrower has evidenced in form and substance satisfactory to the Bank that new environmental and social institutional policy, following, *inter alia*, the provisions of *Protocolo Verde* (see Section I.A.1(c) of this Schedule), has been approved by BNDES Board of Executive Officers, and is being applied to operations financed directly by BNDES.

**2. Integrating Principles of Sustainable Development in Key Sectors**

**(a) Improving Sustainability of Natural Resources Management**

The Borrower has evidenced in form and substance satisfactory to the Bank that BNDES: (i) has restructured its lending programs on forest management, forest plantations, agriculture and associated processing industries to provide incentives for long-term forest management and sustainable land use; and (ii) has designed three sub-sectoral guidelines and its special program on reforestation (*Refloresta*) to ensure coherence with the BNDES new environmental and social institutional policy, as referred to in Section I.B.1(b) of this Schedule above, and the Borrower's forest legal framework (i.e. the framework comprised of the Borrower's



Law No. 11.284 dated March 2, 2006; Law No. 11.428 dated December 22, 2006; and Resolução No. 3545/CMN-BACEN dated February 29, 2008).

**(b) Improving Management and Quality of Water Resources**

The Borrower has evidenced in form and substance satisfactory to the Bank that its national water agency (*Agência Nacional de Águas*) has executed cooperation agreements with five States in the Borrower's territory for the purpose of implementing the *Programa Nacional de Avaliação da Qualidade da Água* (see Section I.A.2(d) of this Schedule), at the state level.

**(c) Reducing Environmental Impacts through Improved Water, Wastewater Treatment, and Solid Waste Services**

The Borrower has evidenced in form and substance satisfactory to the Bank that BNDES ensures that its lending program for water and environmental sanitation is consistent with the Borrower's Law No. 11.445 dated January 5, 2007 and with the BNDES new environmental and social institutional policy referred to in Section I.B.1(b) of this Schedule.

**(d) Promoting Renewable Energy Potential**

The Borrower has evidenced in form and substance satisfactory to the Bank that BNDES ensures that its lending program for energy efficiency and renewable energy is consistent with BNDES new environmental and social institutional policy referred to in Section I.B.1(b) of this Schedule.

**Section II. Availability of Loan Proceeds**

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan shall (except for amounts required to pay the Front-end Fee) be withdrawn in two tranches. The allocation of the amounts of the Loan to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Loan Tranche Allocated (expressed in US Dollars)</b>
Front-end Fee	3,250,000
First Tranche	796,750,000
Second Tranche	500,000,000
<b>TOTAL AMOUNT</b>	<b>1,300,000,000</b>

**C. Tranche Release Conditions.** No withdrawal shall be made of:

1. any portion of the First Tranche unless the Bank is satisfied, after an exchange of views as described in Sections 3.01 (a) and (b) of this Agreement based on evidence satisfactory to the Bank that: (i) the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program; and (ii) the actions described in Part A of Section I of this Schedule, as well as those in the Program, have been maintained; and
2. any portion of the Second Tranche unless the Bank is satisfied, after an exchange of views as described in Sections 3.01 (a) and (b) of this Agreement based on evidence satisfactory to the Bank: (i) with the progress achieved by the Borrower in carrying out the Program; (ii) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program; and (iii) that the actions described in Part B of Section I of this Schedule have been taken.

If, after this exchange of views, the Bank is not so satisfied, it may give notice to the Borrower to that effect and, if within ninety (90) days after the notice, the Borrower has not taken steps satisfactory to the Bank, with respect to paragraphs 1 and 2 above, then the Bank may, by notice to the Borrower, cancel all or any part of the Unwithdrawn Loan Balance.

**D. Deposits of Loan Amounts.** Except as the Bank may otherwise agree:

1. 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
2. the Borrower shall: (i) ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower's budget management system; and (ii) provide a written confirmation thereof; all in a manner acceptable to the Bank.

- E. Excluded Expenditures.** The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.
- F. Closing Date.** The Closing Date is December 31, 2010.

## SCHEDULE 2

### 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.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each February 15 and August 15 Beginning February 15, 2015 through August 15, 2038	2.04%
On February 15, 2039	2.08%

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. “BNDES” means *Banco Nacional de Desenvolvimento Econômico e Social – BNDES*, the Borrower’s national bank for economic and social development as created and operating under the Borrower’s Law No. 1.628 dated June 20, 1952 and Law No. 5.662 dated June 21, 1971.
  
2. “Excluded Expenditure” means any expenditure:
  - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;
  
  - (b) for goods included in the following groups or sub-groups 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:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, 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)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
  - (d) for environmentally hazardous 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;
  - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
  - (f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.
3. "First Tranche" means the amount of the Loan allocated to the category entitled "First Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
  4. "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.
  5. "IBAMA" means *Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*, the Borrower's institute for environment and renewable natural resources, as created and operating under the Borrower's Law No. 7.735 dated February 22, 1989 as amended through Law No. 11.516 dated August 28, 2007.
  6. "*Instituto Chico Mendes*" means *Instituto Chico Mendes de Conservação da Biodiversidade*, the Borrower's institute for the conservation of biodiversity, as created and operating under the Borrower's Law 11.516 dated August 28, 2007.

7. “MMA” means *Ministério do Meio Ambiente*, the Borrower’s Ministry of Environment.
8. “Program” means the program of actions, objectives and policies designed to improve the effectiveness and efficiency of policies and guidelines of the Borrower’s environmental management system and further integrate principles of environmentally sustainable development in the Borrower’s key sectors as set forth or referred to in the letter dated February 2, 2009 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program under this Agreement, and requesting assistance from the Bank in support of the Program during its execution.
9. “Second Tranche” means the amount of the Loan allocated to the category entitled “Second Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
10. “*Serviço Florestal Brasileiro*” means the Borrower’s national forest service, as created and operating under the Borrower’s Law No. 11.284 dated March 2, 2006.

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

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Paragraph (a) of Section 2.05 (renumbered as such pursuant to paragraph 2 above) is modified to read as follows:

“Section 2.05. *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.”



4. Sections 5.01 (*Project Execution Generally*), and 5.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.
5. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 4 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
6. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows:

*“Section 5.06. Plans; Documents; Records*

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank’s representatives to examine such records.”

7. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows:

*Section 5.07. Program Monitoring and Evaluation*

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.

8. 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 definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

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

“‘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.”

- (c) The term “Financial Statements” and its definition are deleted in their entirety.
- (d) The term “Project” is modified to read “Program” and its definition is modified to read as follows (and all references to “Project” throughout these General Conditions are deemed to be references to “Program”):

“‘Program’ means the program referred to in the Loan Agreement in support of which the Loan is made.”

- (e) The term “Program Preparation Advance” (renamed as such pursuant to subparagraph 8 (d) above) is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Loan Agreement and repayable in accordance with Section 2.05.”