

Public Disclosure Authorized

CONFIRMED COPY

LOAN NUMBER 7841-BR

Loan Agreement

(Second *Bolsa Família* Project - *Projeto Consolidação do Programa Bolsa Família e Apoio ao Compromisso Nacional pelo Desenvolvimento Social*)

between

FEDERATIVE REPUBLIC OF BRAZIL

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 21, 2011

Public Disclosure Authorized

LOAN NUMBER 7841-BR

LOAN AGREEMENT

Agreement dated, September 21, 2011, between the FEDERATIVE REPUBLIC OF BRAZIL (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”).

WHEREAS: (A) the Bank has received from the Borrower a letter dated April 14, 2004, which describes the Borrower’s policies, strategies and activities to strengthen the Borrower’s *Bolsa Familia* Program (the BF Program);

(B) the Borrower has requested that the Bank support the BF Program through a series of two loans to the Borrower over a period of approximately four and a half years;

(C) by an agreement dated May 24, 2005, between the Borrower and the Bank (the First BF Loan Agreement), the Bank granted to the Borrower a loan in the original amount of five hundred and seventy-two million two hundred thousand Dollars (\$572,200,000) to assist in reimbursing and financing part of the costs of the BF Program (the First BF Project);

(D) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement (“Project”), which Project forms part of the BF Program, has requested the Bank: (i) to support the Project by reimbursing part of the costs incurred by the Borrower in the carrying out of the Project, and (ii) to assist in the financing part of the costs of the technical assistance needs of the Project; and

(E) the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower, for the purposes of the BF Program, upon the terms and conditions set forth in this Agreement;

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 two hundred million Dollars (\$200,000,000) 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 reimbursing and financing part of the Project.
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement as reimbursement for part of the costs incurred by the Borrower in the carrying out of Part A of the Project, and financing part of the costs in the carrying out of Parts B, C, D, E and F of the Project. The Borrower’s representative for the purposes of taking any action required or permitted to be taken pursuant to this Section in respect of Part A of the Project is the Borrower’s Secretary of the National Treasury of the Ministry of Finance, or any person, or persons whom he/she shall designate. The Borrower’s representative for the purposes of taking any action required or permitted to be taken pursuant to this Section in respect of Parts B, C, D, E and F of the Project is the Minister of Social Development or any person or persons whom he/she shall designate.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread, provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time, through the Secretary of the National Treasury, request any of the following Conversions of the terms of the

Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through MDS, 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 Matters consist of the following, namely that the Loan has been validly registered by the Borrower’s Central Bank.

- 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 March 16, 2012.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Minister of Finance.
- 5.02. The Borrower's Address is:

Ministério de Fazenda
Procuradoria Geral de Fazenda Nacional
Esplanada dos Ministerios, Bloco "P" 8º andar
70048-900
Brasilia, DF
Brazil

Facsimile:
(55-61) 3412-1740

With copy to:

Ministério do Desenvolvimento Social e Combate a Fome
Secretaria Executiva
Esplanada dos Ministérios - Bloco "C" - 6º andar
70054-900
Brasília, DF
Brazil

Facsimile:
(55-61) 3433-1129

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

Facsimile:
(55-61) 2020-5006

5.03. 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/ Ana Lucia Gatto de Oliveira

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Makhtar Diop

Authorized Representative

Witnessed by:

/s/ Marcelo Cardona Rocha
Deputy Executive Secretary
Ministry of Social Development

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the BF Program's ability to achieve its objective of reducing poverty and inequality and promoting human capital development by improving schooling and health status of children and reducing incidence of malnutrition among the poor population.

The Project consists of the following parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time to achieve such objective:

Part A: Conditional Cash Transfers (BF Grants)

Provision by the Borrower of grants (the BF Grants) to mothers or other designated family members to enable their families to access health, education and other services as provided in the BF Program and the Operational Manual.

Part B: Strengthening the *Cadastro Único* as the Main Targeting Instrument for Social Programs

Provision of support, training, selected Incremental Operating Costs and technical assistance to improve and consolidate the *Cadastro Único* as the main mechanism used to select the target population of the BF Program and to integrate social programs at the federal and sub-national levels by, *inter alia*:

- (a) improving the quality of the information collected and reported by the *Cadastro Único* and carrying out of strategies to further develop the MDS targeting mechanisms in order to provide more accurate data for decision making;
- (b) strengthening the identification and registry of Indigenous Peoples and *Quilombola* populations, taking into special consideration their cultural and social conditions;
- (c) strengthening the information technology and systems of *Cadastro Único*;

- (d) promoting access to and use of *Cadastro Único* for decision-making by other programs and government agencies at federal, state and local authority levels; and
- (e) supporting the carrying out of the second round of the continuous survey on living conditions of low income families registered in the *Cadastro Único*.

Part C: Institutional Strengthening for the Consolidation of the BF Program

Strengthening of the management, governance and accountability capacity of MDS to implement the BF Program, including through:

- (a) Strengthening the BF Program's overall management and operation, including, *inter alia*: (i) strengthening BF Program decentralized management; (ii) consolidating the BF Program control and accountability mechanisms; and (iii) designing and implementing a comprehensive capacity building strategy to enhance capacity of BF Program staff and control agencies at federal, state and municipal levels through activities such as training, selected Incremental Operating Costs, technical assistance, and provision of IT-related equipment, among others.
- (b) Improving the management of the BF Program co-responsibilities, including, *inter alia*: (i) improving the compliance verification process; (ii) developing strategies for identifying factors causing non-compliance with co-responsibilities and enhancing incentives for complying with the support of the social assistance network at the local level; (iii) strengthening social control mechanisms of the BF Program; and (iv) consolidating the Good Practices Observatory and Contest.
- (c) Improving the management of BF Program benefits, including, *inter alia*: (i) updating socio-economic data on BF Program's beneficiaries; (ii) improving the targeting mechanism of the BF Program; (iii) strengthening and improving the strategy of opening accounts for BF Beneficiaries (*inclusão bancária*); (iv) developing instruments of financial education; (v) developing a strategy to differentiate payments in remote areas to facilitate families residing there to collect their benefits on time with low or no cost; (vi) improving the logistics to distribute electronic payment cards; and (vii) assessing and, if appropriate, adjusting the management of BF Program benefits (blocking, unblocking, cancellation, reinstatement and suspension of benefits) and defining the roles of local and federal authorities.

Part D: Consolidation of the MDS Monitoring and Evaluation System

Provision of support, training, technical assistance, equipment and selected Incremental Operating Costs to consolidate MDS's capacity to monitor and evaluate social programs at federal and sub-national level and to strengthen its capacity to, *inter alia*: (a) carry out assessments, evaluations and other studies; (b) disseminate and discuss with stakeholders results from evaluations; and (c) carry out evaluations and other studies in the following areas: (i) BF Program; (ii) other programs under implementation by the MDS; and (iii) selected interventions to link BF Beneficiaries with other social inclusion and income generation programs at state level.

Part E: Supporting the National Commitment for Social Development (CNDS)

Provision of support, training, selected Incremental Operating Costs, and technical assistance to MDS to make operational the CNDS, including, *inter alia*: (a) the integration of programs and initiatives at the MDS in order to improve synergies and efficiency to better serve the population targeted by the CNDS; (b) support for the management and operationalization of CNDS through the establishment of protocols for its operation, and the design and implementation of information systems; (c) design and implementation of a strategy between the Borrower and the States to operate CNDS; (d) development of instruments to enhance the socio-economic insertion of individuals targeted by CNDS, including the carrying out of studies and evaluations; and (e) to extend the feasibility of actions implemented under the CNDS through increased technical capacity for the design and evaluation of projects, local and regional diagnostics, with the purpose of specifying the actions demanded.

Part F: Operational support to the PIU

Provision of support to the PIU for the implementation of the Project, through the provision of services required therefore.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Project Implementing Unit. The Borrower shall maintain in MDS, during the implementation of the Project, an organizational structure for Project implementation with functions and responsibilities set forth in the Operational Manual (the "PIU"), at all times headed by the Executive Secretary of MDS as its Project coordinator, and assisted by staff in adequate numbers, all with qualifications and experience acceptable to the Bank, including, *inter alia*, staff responsible for the monitoring, evaluation and supervision of the carrying out of the Project.

B. Operational Manual

The Borrower shall carry out the Project in accordance with an operational manual, satisfactory to the Bank (the Operational Manual), said manual to include, *inter alia*:

- (a) the procedures for the carrying out, monitoring and evaluation of the Project (including the Indicators) and the procurement and financial requirements thereof including the standard bidding documents to be used as per Section III. B. 2 of Schedule 2 to this Agreement;
- (b) the organizational structure for Project implementation; and
- (c) the criteria for identification, registration and selection of BF Beneficiaries; the requirements to be fulfilled by BF Beneficiaries as conditions for the provision of BF Grants (which shall include those set forth in Schedule 4 to this Agreement); the mechanisms for verification of compliance with BF Grant conditions; and the detailed procedures for coordination and collaboration among the municipalities and other cooperating institutions, the Financial Institutions, and other stakeholders in the carrying out of the Project and the social provisions referred to in Section E below.

In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

C. Technical Reviews

1. The Borrower shall carry out technical reviews under terms of reference and periodicity to be proposed by the Borrower and approved by the Bank.
2. After each of the preceding technical reviews, the Borrower shall afford the Bank the opportunity to exchange views on the results of such technical reviews and shall take all measures required to ensure the efficient execution of the Project and to achieve the Project's objectives, based on the conclusions and recommendations of said technical reviews, and taking into account the Bank's views on the matter.

D. Anti-Corruption

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

E. Social Provisions

Without limitation to the provisions of Section 5.01 (b) of the General Conditions, the Borrower, through MDS, shall carry out the Project in accordance with the provisions of the Borrower's Applicable Indigenous and *Quilombolas* Regulatory and Administrative Instruments as detailed in the Operational Manual.

Section II. Project Monitoring Reporting and Evaluation**A. Project Reports**

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. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than sixty (60) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain 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 not later than sixty (60) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the pertinent 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. Procurement for the project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004, revised October 2006 and May 2010; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised October 2006 and May 2010, and the provisions stipulated herein.
2. **Goods.** All goods (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.
3. **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.
4. 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.
5. **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 (including Non-consultant services)

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods (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.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods (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 “off the shelf” goods, and readily available non-consultants services the method known as “ <i>pregão eletrônico</i> ”, as provided in the Borrower’s Law No. 10520, of July 17, 2002, and in Decree n° 5450 of May 31, 2005 under “COMPRASNET”, the Borrower’s procurement portal, subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank.
(b) Shopping (including, in respect of goods and services, <i>pregão eletrônico</i> set forth in the Borrower’s Law n° 10520, of July 17, 2002 and in Decree N° 5450 of May 31, 2005).
(c) Direct Contracting.

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
(f) Fixed- Cost Selection
(g) Individual Consultants

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies: (a) the categories of Eligible Expenditures that may be: (i) paid by the Borrower and reimbursed out of the proceeds of the Loan in respect of Part A of the Project; and (ii) financed out of the proceeds of the Loan in respect of Parts B, C, D, E and F of the Project; (b) the allocation of the amounts of the Loan to each Category; and (c) the percentage of expenditures to be reimbursed in respect of Part A of the Project or financed in respect of Parts B, C, D, E and F of the Project for Eligible Expenditures in each Category.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be reimbursed or financed (inclusive of Taxes)</u>
(1) Non-consultant services, Consultant services, Goods, Training, and Incremental Operating Costs for Parts B, C, D and E of the Project	13,300,000	47%
(2) Non-Consultant services and Consultant services for Part F of the Project	1,200,000	100%
(3) BF Grant Transfers for Part A of the Project	185,000,000	1.85% of BF Grant Transfers
(4) Front-end Fee	500,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount payable pursuant to Section 2.07 (c) of this Agreement
TOTAL AMOUNT	200,000,000	

For the purposes of this table:

- (a) the term “Training” means expenditures (other than for consultants’ services) incurred in connection with the carrying out of training, seminars, and workshops under Parts B, C, D and E of the Project, including the reasonable travel cost and *per-diem* of the trainees; and
- (b) the term “Incremental Operating Costs” means expenditures to finance travel costs and *per-diem* to carry out the activities in Parts B, C, D and E of the Project.
- (c) the term “Non-consultant services” means expenditures related to services of technical nature under Parts B, C, D, E and F of the Project, which do not have an intellectual component, and that can be contracted solely on the basis of price, including air line tickets, logistic, printing, videos production and field researches.

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 \$2,700,000 and \$300,000 equivalent may be made for payments made within one year prior to this date but on or after November 13, 2009, for Eligible Expenditures under Categories (1) and (2) respectively; or
 - (b) for payments covered by Category (1) and (2), unless the CEL is formally established and staffed, in a manner acceptable to the Bank.
2. If, at any time, the Bank determines that any portion of the amounts disbursed by MDS to the BF Account as BF Grant Transfers were: (a) not used for BF Grants withdrawn by BF Beneficiaries; or (b) were made without compliance with the respective conditions and requirements for providing the BF Grants, the Borrower shall promptly refund any such amount to the Bank as the Bank shall specify by notice to the Borrower.
3. The Closing Date is December 30, 2015. The Bank may grant an extension of the Closing Date only after the Borrower’s Ministry of Finance has informed the Bank that it agrees with such 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 May 15 and November 15 Beginning November 15, 2015 through May 15, 2040	2%

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

Requirements for Provision of BF Grants

1. The amount of the BF Grants shall be:
 - (a) for BF Beneficiaries with income under R\$70, a fixed amount of R\$68 and a variable amount of R\$22 per child aged 0 to 15, and R\$33 per child aged 16-17 for a maximum of R\$200; and
 - (b) for BF Beneficiaries with income from R\$70 through R\$140, a variable amount of R\$22 per child aged 0 to 15, and R\$33 per child aged 16-17 for a maximum amount of R\$132.

Notwithstanding the provisions of this paragraph 1, the requirements specified therein may be modified as provided under the BF Program legislation.

2. To receive a BF Grant, the BF Beneficiary must comply with the following conditions, as shall be relevant for each such BF Beneficiary:
 - (a) pregnant women must undertake the required pre-natal visits;
 - (b) children aged 6 to 17 years must be enrolled in, and attend school; and
 - (c) children aged 0 to 6 years must have vaccines up to date,

all such conditions verified by the Borrower's Ministries of Education and Health, and supervised and monitored by MDS.

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, with the modifications set forth in Section III of this Appendix.
2. “Applicable Indigenous and *Quilombolas* Regulatory and Administrative Instruments” means the instruments detailed in the Operational Manual, which provide the MDS’s framework for access and participation of Indigenous Peoples and *Quilombolas* in the Project.
3. “BF Account” means the account operated by the Financial Institutions to deliver the BF Grants.
4. “BF Grant Transfer” means the amount transferred, through a bank order (*ordem bancária*), by the Borrower to the BF Account as an advance to cover the costs of the BF Grants.
5. “BF Law” means the Borrower’s Law No. 10836 of January 9, 2004, as amended.
6. “*Bolsa Família* Beneficiary” or “BF Beneficiary” means any of the families referred to in Part A of the Project.
7. “*Bolsa Família* Grant” or “BF Grant” means any of the grants to be provided under Part A of the Project.
8. “*Bolsa Família* Program” or “BF Program” means the Borrower’s program for the assistance to poor families through the provision of cash transfers conditional on compliance with conditions referred to in the BF Law or pre-existing legislation (which include those in Schedule 4 to this Agreement).
9. “*Cadastro Único*” means the Borrower’s cadastre, established and operated under the Borrower’s Presidential Decree No. 6135 of June 26, 2007, as a single beneficiary database to service all cash transfer programs.
10. “CEL” means *Comissão Especial de Licitação*, the special procurement commission to be established within the MDS.
11. “CNDS” means *Compromisso Nacional pelo Desenvolvimento Social*, the national commitment for social development between the Borrower and States, established through the Borrower’s Decree No. 6393, dated March 12, 2008.

12. “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 and May 2010.
13. “Contest” means the contest of good practices on implementing BF by state and local authorities, carried out every year by the MDS.
14. “Financial Institution” means any of the Borrower’s financial institutions or agents referred to in the BF Law which will release, as an agent of the Borrower, the BF Grants under Part A of the Project to the BF Beneficiaries.
15. “First BF Project” means the project referred to in the WHEREAS clause (C) of this Agreement.
16. “Fiscal Year” means the Borrower’s fiscal year which commences January 1.
17. “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.
18. “Good Practices Observatory” means a data base administered by the MSD comprising good practices in implementing the BF Program by state and municipal governments.
19. “Indicators” means the indicators set forth in the Operational Manual.
20. “Indigenous Peoples” means the indigenous peoples recognized as such by the Borrower’s *Fundação Nacional do Índio*, the National Indian Foundation operating pursuant to the Borrower’s Decree No. 4645, dated March 26, 2003, as eligible to benefit from the constitutional and other legal protection of indigenous peoples.
21. “MDS” means *Ministério de Desenvolvimento Social e Combate a Fome*, the Borrower’s Ministry of Social Development and for the Eradication of Hunger.
22. “Operational Manual” means the manual referred to in Section I.B of Schedule 2 to this Agreement, prepared for the First BF Project and updated for this Project to the date of this agreement.
23. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and in May 2010.

24. “PIU” means the unit referred to in Section I.A of Schedule 2 to this Agreement, which was established for the First BF Project through the Borrower’s *Portaria* MDS no 13, dated October 27, 2005.
25. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated November 25, 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.
26. “*Quilombolas*” means the communities of African descendants referred to in Transitory Article 68 of the Borrower’s Constitution.
27. “R\$” means *Real/Reais*, the Borrower’s currency.
28. “State” means any of the Borrower’s 26 states and its Federal District.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

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

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

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

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

“Section 7.02. *Suspension by the Bank*

... (l) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project

Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

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

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

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

Section III. Modifications to the Anti-Corruption Guidelines

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

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

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

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

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract,

financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

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

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

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