



LOAN NUMBER 7901-BR

Loan Agreement

**(BRAZIL AIDS-SUS Project - National AIDS Program and
National Health Service)**

between

THE FEDERATIVE REPUBLIC OF BRAZIL

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 5, 2010

IBRD
563

LOAN AGREEMENT

Agreement dated October 5, 2010, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the FEDERATIVE REPUBLIC OF BRAZIL ("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 sixty seven million Dollars, (\$67,000,000), 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(a) of the Project as reimbursement for part of the Eligible Expenditures incurred by the Borrower under the Eligible Expenditure Programs, and for the financing of other Eligible Expenditures under Part 1(b) of the Project; (b) in respect of Part 2 of the Project to finance part of the Eligible Expenditures incurred by the Borrower under the Project; 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 the Borrower's Minister of Health.
- 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 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 objectives of the Project. To this end, the Borrower shall carry out the Project through MOH (DST/AIDS) with the assistance of: (a) the States, Eligible Municipalities and Eligible CSOs with

respect to Part 1 of the Project; and (b) the Borrower's entity responsible of Indigenous People's health, with respect to any activity under the Project involving Indigenous Peoples, 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 through MOH (DST/AIDS) 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 Brazil.
- 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 November 18, 2011.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is its Minister of Finance.
- 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:
INBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

5.03. The Borrower's Address is:

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

Facsimile: (55-61) 3412-1740

With copy to:

Ministério da Saúde
Departamento de Vigilância, Prevenção e Controle das Doenças Sexualmente
Transmissíveis e da Síndrome da Imunodeficiência Adquirida
SAF Sul, Trecho 02, Bloco F, Torre 1, Térreo
70070-600 Brasília, DF
Brazil

Facsimile: (55-61) 33067137

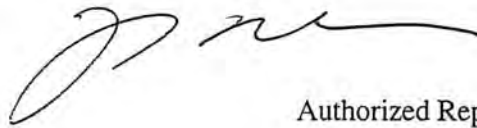
SEAIN – Secretaria de Assuntos Internacionais do
Ministério do Planejamento, Orçamento e Gestão
Esplanada dos Ministérios – Bloco "K" – 5 andar
70040-906 Brasília, DF
Brazil

Facsimile: (55-61) 2020-5006

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

FEDERATIVE REPUBLIC OF BRAZIL

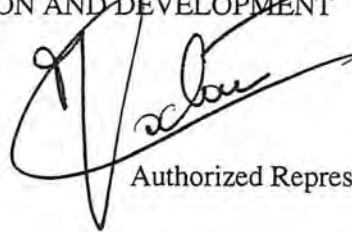
By



Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

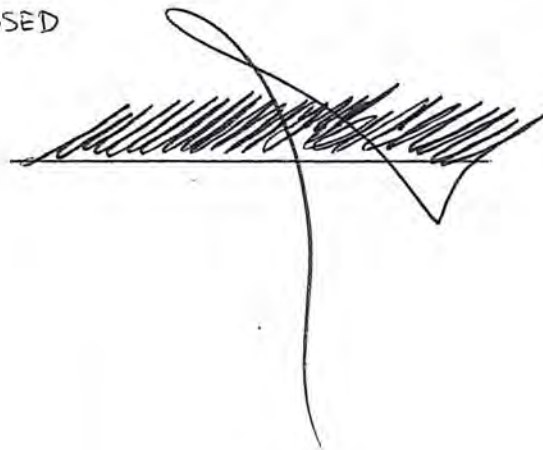
By



Authorized Representative

WITNESSED

By:



SCHEDULE 1

Project Description

The objectives of the Project are to: (a) increase access and utilization of HIV/AIDS and STD prevention, care and treatment services by Groups Most at Risk; and (b) improve the performance of the National HIV/AIDS and STD Program through decentralized implementation, improved governance and results-based management.

The Project consists of the following parts:

Part 1: Improving Surveillance, Prevention and Control of HIV/AIDS and STD

- (a) Support the implementation of the Eligible Expenditure Programs, including activities to: (i) improve surveillance, prevention, diagnosis, and treatment of STD and HIV/AIDS for Groups Most at Risk; and (ii) carrying out strategic planning, monitoring and evaluation, and results-based management;
- (b) Support the carrying out of Result-based Grants.

Part 2: Building Decentralized Governance and Innovation Capacity

- (a) The expansion of the prevention and care services for Groups Most at Risk and the strengthening of the institutional capabilities of DST/AIDS to further develop its governance and innovation capacity in dealing with HIV/AIDS and STD, through the provision of technical assistance and training which shall aim at carrying out, *inter alia*, the following activities: (i) the mapping, by region, of epidemic and prevention interventions with Groups Most at Risk; (ii) the production and testing of epidemiological data (triangulation); (iii) the development of monitoring and evaluation and results-based activities, including, the carrying out of at least three impact evaluations; (iv) the carrying out of training programs for staff of the Borrower (DST/AIDS), States, Eligible Municipalities and Eligible CSOs, to strengthen their technical and institutional capacity in, *inter alia*: strategic planning, results-based management and monitoring and evaluation, and fiduciary management; (v) the improvement of the contents and implementation of the Incentive Policy; (vi) the elaboration and implementation of a plan to assist DST/AIDS in the communication, to the public-at-large, of a variety of areas supported by the Project, *inter alia*: (A) the expansion of social participation, transparency and accountability in the formulation of policies regarding HIV/AIDS and STD; and (B) the development of mechanisms for the proper disposal of non-biodegradable condoms; and (vii) the provision of consultants' services to carry out technical audits under the Project as set forth in Section II.A.3 of Schedule 2 to this Agreement.

- (b) The carrying out of a series of activities, through the provision of technical assistance and training, aimed at strengthening the capabilities of the Borrower (through DST/AIDS), the States, the Eligible Municipalities, the DSEI, and the Borrower's entity responsible of Indigenous Peoples health, to adequately respond to the health needs of the Indigenous Peoples and control the expansion of HIV/AIDS and STD among said peoples (as set forth in the Indigenous Peoples' Planning Framework and the Indigenous Peoples' Plan, if applicable), including, *inter alia*, the following: (i) the provision of technical assistance to State and Eligible Municipality Health Secretariats to support DSEI in improving HIV/AIDS and other STD prevention, diagnosis and treatment activities in respect of indigenous populations; (ii) the carrying out of monitoring of the implementation of the DSEI plans on HIV/AIDS and other STD, including the creation of specific monitoring indicators; and (iii) the carrying out of a review and dissemination of the findings of the 2009 evaluation of DST/AIDS activities and repeating such evaluation in the second year of Project implementation.
- (c) Provision of support for Project coordination, through the provision of technical assistance, financing of incremental operating costs, and provision of the necessary goods and equipment required for such coordination.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

- (a) The Borrower declares its commitment to the objectives of the Project, as described in Schedule 1 to this Agreement, and to this end shall carry out the Project, through MOH (DST/AIDS), and shall cause the States, Eligible Municipalities, and Eligible CSOs to carry out their respective activities under Part 1 of the Project, all with due diligence and efficiency and in conformity with appropriate public health, administrative, fiduciary, managerial, environmental and social practices satisfactory to the Bank and shall provide, promptly as needed, the funds, facilities, services and other resources required for their respective Parts of the Project, under the terms and conditions set forth in the provisions of this Schedule.
- (b) The Borrower, through MOH (DST/AIDS), shall maintain, throughout the execution of the Project, key staff in numbers and with experience and functions satisfactory to the Bank, including a Project coordinator, procurement specialists, a financial management specialist, technical experts and other personnel needed for the effective implementation of the Project. Said staff shall be responsible, *inter alia*, for: (i) providing fiduciary and technical assistance to the States, Eligible Municipalities and Eligible CSOs; (ii) managing administrative and financial resources including close supervision and monitoring of the execution of the PAMs and compliance with the DLIs; (iii) enabling the carrying out of the auditing of the Project accounts, as well as the carrying out of reviews of procurement actions taken by the States, Eligible Municipalities and Eligible CSOs; (iv) supervising the performance of the Independent Verification Agency; (v) preparing the Project Reports; and (vi) keeping Project-related documents organized and available for Project inspection and technical audits.
- (c) The Borrower shall furnish to the Bank on or about ten months, sixteen months, twenty two months, twenty eight months, thirty four months, forty months, forty six months and fifty two months after the Effective Date, regular reports (the Project Reports including the most recent Interim Unaudited Financial Reports) prepared in accordance with the provisions of the Project Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule.

B. Incentive Policy

1. For the purposes of carrying out of Part 1 of the Project:

- (a) The Borrower, through MOH (DST/AIDS), shall cause each State or Eligible Municipality Health Council, as the case may be, to approve the PAM submitted by each State or Eligible Municipality under terms and conditions satisfactory to the Bank, in accordance with the terms and conditions set forth in the Incentive Policy Legislation and the Project Operational Manual.
- (b) The Borrower, through MOH (DST/AIDS), shall, and shall cause each State or Eligible Municipality, as the case may be, to comply with, *inter alia*: (i) the structure, process and results indicators related to the implementation of the corresponding PAM, as specified in the Project Operational Manual; and (ii) the provisions applicable to each State or Eligible Municipality (compatible with the Borrower's regulations on the subject), to be rewarded for achieving the indicators referred to in (i) above, or penalized with a reduction of financing in cases of poor performance.
- (c) The Borrower, through MOH (DST/AIDS), shall cause each State or Eligible Municipality to comply with, *inter alia*, the following obligations: (A) procure the goods and services for its respective activities under Part 1 of the Project, in accordance with the provisions of Section III of this Schedule and with the contracting procedures and schedule set forth in the Procurement Plan; (B) utilize the State Transfer or Eligible Municipality Transfer, as the case may be, in accordance with: (i) the procedures set forth in the Project Operational Manual, and (ii) only for the purposes of the respective activities under Part 1 of the Project; (C) carry out its respective activities under Part 1 of the Project in accordance with technical, financial, environmental, and social procedures and plans, including the IPPF, as set forth in the Project Operational Manual; (D) assign, under the respective PAM, sufficient funds to be transferred to Eligible CSOs selected to conduct prevention and other support services to Groups Most at Risk in their respective communities, through a CSO Agreement, and in accordance with terms and conditions set forth in the Project Operational Manual; (E) keep records and accounts in regard to the respective activities under Part 1 of the Project and provide timely information to the Borrower (through DST/AIDS) on the use of the State Transfers or Eligible Municipality Transfers, as the case may be; and (F) comply with the terms of the Anti-Corruption Guidelines.
- (d) The Borrower, through MOH (DST/AIDS) and following the regulations contained in the Borrower's *Portaria* 2313/02 and *Portaria* 3252/09, shall disburse (through MOH's Fund) to each State Fund or Municipal Fund, as the case may be, a specific amount (the State Transfer in case of

States, and the Eligible Municipality Transfer in case of Eligible Municipalities) but only after the State or Eligible Municipality, as the case may be, has: (i) submitted and obtained approval of its PAM, all in accordance with the provisions of this Agreement and the terms and conditions of the Project Operational Manual; (ii) provided satisfactory evidence that a financial management system is in place; and (iii) agreed to carry out a fiduciary action plan in those cases in which the Bank considers it necessary.

- (e) The Borrower, through MOH (DST/AIDS), shall exercise its rights and carry out its obligations under the Incentive Policy, including the PAM in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project, including through the application of any legal remedies provided under the Anti-Corruption Guidelines, the suspension of disbursements, or cancellation of the amounts to be disbursed, as the case may be, in the event of non-compliance by any of the States or Eligible Municipalities with the obligations set forth in the PAM and the Borrower's relevant legislation.
- (f) The Borrower, through MOH (DST/AIDS), shall inform the Bank of any change in the Incentive Policy or any of its provisions, in connection with the Project.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines. In this regard, the Borrower shall ensure that all agreements with States, Eligible Municipalities and Eligible CSOs (including PAMs, CSO Agreements and Result-based Grant Agreements), include the obligation of said States, Eligible Municipalities and Eligible CSOs, to comply with the Anti-Corruption Guidelines.

D. Safeguards

- 1. The Borrower, through MOH (DST/AIDS), shall carry out all the necessary actions to, and shall ensure that all agreements with States, Eligible Municipalities, and Eligible CSOs (including PAMs, CSO Agreements and Result-based Grant Agreements), include the obligation of said States, Eligible Municipalities, or Eligible CSOs, to carry out all necessary actions to:
 - (a) Implement any of the activities of the Project in accordance with the Indigenous Peoples' Planning Framework.

- (b) When applicable in accordance with the provisions of the Indigenous Peoples' Planning Framework: (a) furnish to the Bank for its approval any substantial change on the Indigenous Peoples' plan included in the IPPF; and (b) carry out the requirements specified by such Indigenous Peoples' Plan in accordance with its terms.

E. Implementation Arrangements

1. The Borrower, through MOH (DST/AIDS) shall carry out the Project (and cause the Project to be carried out) in accordance with the provisions of a manual (the Project Operational Manual) satisfactory to the Bank, and which shall include, *inter alia*: (a) the Performance Indicators; (b) the procedures for the carrying out of monitoring and evaluation of the Project, (c) the detailed criteria for the monitoring of the DLIs and 70% Rule Indicator; (d) a model for the PAMs; (e) criteria for the approval, implementation and monitoring of the State Transfers and Eligible Municipality Transfers; (f) the criteria for the utilization of said transfers; (g) arrangements, procedures and criteria for the carrying out of Part 1 of the Project, including instructions addressed to States and Eligible Municipalities to monitor compliance with their respective PAM-related targets and activities; (h) the procurement and financial requirements of the Project, such as the criteria for financial management and procurement assessment of States, Eligible Municipalities and Eligible CSOs; (i) the Indigenous Peoples Planning Framework; (j) guidelines for waste management; (k) an organizational structure of the Project; (l) a Project chart of accounts and internal controls, reporting procedures and the format of the Interim Unaudited Financial Reports, referred to in Section II.B.3 of this Schedule; and (m) the terms of reference for the Independent Verification Agency.
2. Except as the Borrower, through MOH (DST/AIDS), and the Bank may otherwise agree in writing, the Borrower, through MOH (DST/AIDS), shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Project Operational Manual or any provision thereof.
3. In case of any conflict between the terms of the Project Operational Manual, the PAMs, the Result-based Grant Agreements, and this Agreement, the provision of this Agreement will prevail.
4. The Borrower, through MOH (DST/AIDS), shall: (a) have all the procurement records and documentation for each calendar 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 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.

5. The Eligible Expenditure Programs shall comply with the eligibility criteria and procedures set forth in the Project Operational Manual.
6. The Borrower and the Bank may jointly review, once every year, the amounts assigned per budget code to the EEP detailed in Schedule 4 to this Agreement, and adjust as necessary, in a manner satisfactory to the Bank.
7. The budget code numbers indicated in Schedule 4 to this Agreement shall conform to the Borrower's budget law. The Borrower and the Bank agree that such budget code numbers may change under the Borrower's budget law provided, however, that there is no change in the corresponding Programs described in Schedule 4 of this Agreement and in the underlying activities to be financed by the Bank under such Programs.
8. 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 under Part 1(a) 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.
9. The Borrower shall: (a) make available a portion of the proceeds of the Loan, on a grant basis (the Result-based Grant), to the relevant Eligible Beneficiary pursuant to the terms of an agreement (the Result-based Grant Agreement) to be entered into between the Borrower and the relevant Eligible Beneficiary, on terms and conditions acceptable to the Bank, which terms shall have been approved by the Bank; and (b) (i) exercise its rights and carry out its obligations under each Result-based Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (ii) except as the Bank shall otherwise agree, not assign, amend, abrogate, terminate, waive or fail to enforce any Result-based Grant Agreement or any provision thereof.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall, through MOH (DST/AIDS), 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: (a) the Performance Indicators set forth in the Project Operational Manual; (b) the applicable DLI ; (c) the most recent Interim Unaudited Financial Reports; (d) the Procurement Plan; and (e) the Indigenous Peoples' Planning Framework. Each Project Report shall be furnished to the Bank each semester, starting on the first such semester after the Effective Date and shall cover a period of one calendar semester preceding the presentation of such Project 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, through MOH (DST/AIDS), shall not later than January 31 each year, select and contract services from consultants, independent from the Borrower (Independent Verification Agency) with experience in public health and HIV/AIDS and STD program monitoring and evaluation, pursuant to the provisions of Section III of this Schedule and in accordance with terms of reference satisfactory to the Bank. The Independent Verification Agency shall be responsible for the carrying out of annual technical audits of the Project, particularly focused on the achievement of the DLI.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through MOH (DST/AIDS), shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions, for all Project expenditures, including those with respect to which withdrawals from the Loan Account were made on the basis of reports, including tailored reports stating specific disbursements information (IFR 1-C) which shall be subject to: (a) prior review by the Independent Verification Agency once a year; (b) review by the Bank every semester of the reconciliation of the disbursements made of the Loan proceeds; and (c) external auditing arrangements.
2. The Borrower, through MOH (DST/AIDS), 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 and shall contain, *inter alia*:
 - (a) (i) a separate opinion as to whether: (A) all Interim Unaudited Financial Reports and other tailored reports observed agreed disbursements arrangements and are supported by eligible documentation; and (B) any required documents and other evidence submitted during such year, together with the procedures, accounting and other financial management monitoring systems, and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

- (ii) in respect of: (a) each audit other than for the last fiscal year, the amounts disbursed as State Transfers and Eligible Municipality Transfer, were used or are available for financing out of the proceeds of the Loan; and (b) in respect to the last audit of the Project, the amounts disbursed as State Transfers and Eligible Municipality Transfers during such year or in prior years, as the case may be, were used for goods, services and operating costs eligible for financing out of the proceeds of the Loan; and
- (b) a management letter identifying any internal control weaknesses that may need to be addressed by 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.

3. Without limitation on the provisions of Part A of this Section, the Borrower, through MOH (DST/AIDS), shall prepare and furnish to the Bank not later than 60 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.

Section III. Procurement

A. General

1. **Goods and Non-Consultant Services.** All goods and non-consultant services (including those for the States, Eligible Municipalities and Eligible CSOs) required for the Project and to be financed out of the proceeds of the Loan, shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and in accordance with the provisions of this Schedule as the case may be.
2. **Consultant Services.** All consultant services (including those for States, Eligible Municipalities and Eligible CSOs) 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 in accordance with the provisions of this Schedule, as the case may be.
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 Non-Consultant Services

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

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

<u>Procurement Method</u>
(a) National Competitive Bidding, including in respect of goods, and non-consultant services, <i>convite</i> , <i>tomada de preços</i> and <i>concorrência</i> (set forth in the Borrower's Law no. 8.666 of June 21, 1993), and <i>pregão eletrônico</i> (as set forth in the Borrower's Law no. 10520 of July 17, 2002 and in Decree No. 5450 of May 31, 2005), under 'COMPRASNET', the procurement portal of the Borrower, 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 (including, in respect of goods, <i>pregão eletrônico</i> set forth in the Borrower's Law No. 10520, of July 17, 2002 and in Decree No. 5450 of May 31, 2005).

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services, including those procured under State and Eligible Municipality PAMs, 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 (CQS)
(b) Quality-based Selection (QBS)
(c) Least Cost Selection (LCS)
(d) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants (IC)
(e) Single Source Selection (SSS) (for those contracts for small events and their logistics estimated to cost less than \$50,000 per contract, the process defined in the Project Operational Manual shall be used)
(f) Selection of UN Agencies as Consultants as set forth in Paragraph 3.15 of the Consultant Guidelines
(g) Special competitive procedures set forth in the Project Operational Manual for the selection of Eligible CSOs under the Project (<i>Projeto em redes de ONGs</i>), up to an estimated amount of \$400,000 per contract.
(h) Special procedure set forth in the Project Operational Manual (" <i>Editais de Seleção</i> ") for the contracting of studies and research costing less than \$100,000 per contract.

D. Review by the Bank of Procurement Decisions

The Procurement Plan and the Project Operational Manual 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 (Disbursement Letter) as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed and/or reimbursed (inclusive of taxes)</u>
(1) Eligible Expenditure Programs under Part 1(a) of the Project	57,000,000	30%
(2) Goods, Consultant's services, Non-Consultant Services, Training, Result-based Grants and Operating Cost under Part 1(b) and 2 of the Project	9,832,500	100%
(3) Front-end Fee	167,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) <i>Premia</i> for Interest Rate Caps and Collars	0	Amount due under Section 2.07(c) of this Agreement
TOTAL AMOUNT	67,000,000	

3. For the purposes of this Section:

- (a) The term "Non-Consultant Services" means printing and other services of non-intellectual nature that can be procured on the basis of performance of measurable physical outputs, including software licensing and incidental services.
- (b) The term "Training" means expenditures incurred in connection with the carrying out of training, seminars, and workshops under the Project, including logistics, the reasonable travel cost (including transportation and lodging), and per-diem of the trainers and trainees, tuition fees, as well as training materials.
- (c) The term "Operating Costs" means the following management and supervision costs, to the extent they would not have been incurred absent the Project, including: (i) maintenance of furniture and equipment; (ii) communication costs; and (iii) travel expenses (per diem, lodging and transportation), other than for training purposes.

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;
 - (b) for payments made under Category (1) unless: (i) the relevant Project Reports, as referred to in Section I.A.(c) of this Schedule, have been submitted to, and found satisfactory by, the Bank, in accordance with the provisions of the Project Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule; and (ii) all other conditions referred to in the Project Operational Manual and in the additional instructions referred to in Section IV.A.1 of this Schedule (including, when applicable, compliance with the Disbursement-Linked Indicators (for the respective semester) as referred to in Schedule 5 to this Agreement and compliance with the 70% Rule 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 70% Rule Indicator with respect to the second, fourth, sixth and eighth disbursement under Category (1) (as referred to in the Project Operational Manual and 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;
 - (b) not received evidence of full compliance with the DLIs referred to in Schedule 5 to this Agreement in respect to the first to the 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 shall: (i) allocate a base value of \$1 million to each DLI and deduct said base value from the otherwise disburseable amount, all as set forth in said additional instructions; (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, all as set forth in said additional instructions; and



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- (c) received evidence satisfactory to the Bank that the Borrower has accelerated Project implementation by increasing EEP execution and achieving the DLIs earlier than expected, then the Bank may accelerate disbursements, by an additional \$1 million for each DLI achieved earlier than expected, 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) (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, by notice to the Borrower, cancel the corresponding amount of the loan at the time of the eighth 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, 2014.





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

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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
(Expressed in R\$ thousands)**

Borrower's Budget Code	EEP	First Period (For the Calendar Year of 2010)	Second Period (For the Calendar Year of 2011)	Third Period (For the Calendar Year of 2012)	Fourth Period (For the Calendar Year of 2013)	Total
Program 1444 – Surveillance, Prevention and Control of Diseases						
10.305.1444.8670.0001	Surveillance, Prevention and Control of HIV/AIDS and other STD (EEP 1)	292.186	332.628	365.641	401.931	1.392.386
10.302.1444.20AC	Financial Incentive to States, Federal District and Municipalities for Activities of Prevention and Care on HIV/AIDS and other STD (EEP 2)	149.648	151.976	167.060	183.640.	652.324
TOTAL		441.834	484.604	532.701	585.571	2.044.710





SCHEDULE 5

Disbursement-Linked Indicators

Number	Disbursement-linked Indicator	First disbursement by not later than 10 months after the Effective Date	Second disbursement by not later than 16 months after the Effective Date	Third disbursement by not later than 22 months after the Effective Date	Fourth disbursement by not later than 28 months after the Effective Date	Fifth disbursement by not later than 34 months after the Effective Date	Sixth disbursement by not later than 40 months after the Effective Date	Seventh disbursement by not later than 46 months after the Effective Date	Eighth disbursement by not later than 54 months after the Effective Date
1	MSM reporting use of condoms the last time they had sex in the last year	Baseline						+15%	
2	SW reporting the use of a condom with their most recent client.	Baseline						+10%	
3	DU reporting use of condoms at last sexual intercourse	Baseline						+15%	
4	PLHA accessing condoms.			39%		42%			49%
5	Prisoners accessing condoms.			61%		64%			70%
6	SES (27) reaching at least 70% of PAM targets.		65%		70%		80%		85%
7	SMS Capital city (26) reaching at least 70% of PAM targets.		51%		55%		62%		66%



Number	Disbursement-linked Indicator	First disbursement by not later than 10 months after the Effective Date	Second disbursement by not later than 16 months after the Effective Date	Third disbursement by not later than 22 months after the Effective Date	Fourth disbursement by not later than 28 months after the Effective Date	Fifth disbursement by not later than 34 months after the Effective Date	Sixth disbursement by not later than 40 months after the Effective Date	Seventh disbursement by not later than 46 months after the Effective Date	Eighth disbursement by not later than 54 months after the Effective Date
8	SES with institutional site information on STD and HIV/AIDS (epidemiological and financial).			>5%		>10%			>20%
9	SMS capital city with institutional site information on STD and HIV/AIDS (epidemiological and financial).			>5%		>10%			>20%
10	CSO with results-based contracts.		25%		50%		75%		85%
11	National HIV/AIDS Strategic Plan 2014-2019 based on project-generated evidence available on the web.		Outline		First draft		Second draft		Strategic Plan on the web
12	MSM reporting access to free condoms in the last 12 months.	Baseline						+15%	
13	SW reporting access to free condoms in the last 12 months.	Baseline						+15%	
14	DU reporting access to free condoms in the last 12 months.	Baseline						+15%	
15	MSM reporting having been tested for HIV in the last 12 months	Baseline						+15%	





Number	Disbursement-linked Indicator	First disbursement by not later than 10 months after the Effective Date	Second disbursement by not later than 16 months after the Effective Date	Third disbursement by not later than 22 months after the Effective Date	Fourth disbursement by not later than 28 months after the Effective Date	Fifth disbursement by not later than 34 months after the Effective Date	Sixth disbursement by not later than 40 months after the Effective Date	Seventh disbursement by not later than 46 months after the Effective Date	Eighth disbursement by not later than 54 months after the Effective Date
16	SW reporting having been tested for HIV in the last 12 months	Baseline						+15%	
17	DU reporting having been tested for HIV in the last 12 months	Baseline						+15%	
18	MSM accessing services which provide condoms.			38.5%		42%			49%
19	SES executing at least 70% of Incentive Policy resources transferred each year.		68%		71%		77%		83%
20	SMS capital city executing at least 70% of Incentive Policy resources transferred each year..		62%		65%		70%		76%





APPENDIX

Section I. Definitions

1. "AIDS" means Acquired Immunodeficiency Syndrome.
2. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006.
3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. "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.
5. "CSO" means a civil society organization established and operating in the Borrower's territory in accordance with the Borrower's laws.
6. "CSO Agreement" means the agreement between a given State or Eligible Municipality and an Eligible CSO through which the State or the Eligible Municipality will transfer a percentage of the State or Eligible Municipality Transfer to the Eligible CSO, according to the provisions of the Incentive Policy Legislation.
7. "Disbursement-Linked Indicator" or "DLI" means any of the indicators set forth in Schedule 5 of this Agreement.
8. "DSEI" means *Distrito Sanitário Especial Indígena*, any of the sanitary districts responsible for Indigenous Peoples' health issues established and operating pursuant to the provisions of the Borrower's Law No. N° 9.836 dated September 24, 1999 (*Arouca Law*) as amended by Presidential Decree No. 6.878 dated June 18, 2009, as amended to the date of this Agreement, as well as other relevant legislation.
9. "DST/AIDS" means *Departamento de Vigilância, Prevenção e Controle das Doenças Sexualmente Transmissíveis e Síndrome de Imunodeficiência Adquirida*, MOH's department responsible for the surveillance, prevention and control of STD and HIV/AIDS pursuant to the provisions of Art. 39 of the Borrower's Decree No. 6860 dated May 27, 2009.

10. "Eligible Beneficiary" means, *inter alia*, State and Eligible Municipalities Health Secretariats and Eligible CSO that meet the eligibility criteria specified in the Project Operational Manual to receive a Result-based Grant under Part 1(b) of Schedule 1 of this Agreement (as hereinafter defined).
11. "Eligible CSO" means any CSO that has met the eligibility criteria detailed in the Project Operational Manual to incur expenditures covered by any of the EEP referred to in Part 1 of the Project.
12. "Eligible Expenditure Program" or "EEP" means a set of defined expenditures for goods, non-consultant services, consultants' services and operating costs incurred by the Borrower under the budget lines specified in Schedule 4 to this Agreement (and thus constitutes a subset of the Eligible Expenditures defined in the General Conditions).
13. "Eligible Municipality" means any of the Borrower's municipalities that has met the eligibility criteria detailed in the Incentive Policy Legislation to incur expenditures covered by any of the EEP referred to in Part 1 of the Project as set forth in the Project Operational Manual.
14. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005 (as amended through February 12, 2008).
15. "Groups Most at Risk" means any of the populations showing a high epidemiological risk and high social vulnerability for HIV/AIDS and STD including, *inter alia*, the following groups: men who have sex with men (MSM), sex workers (SW), drug users (DU), prisoners, transvestites, and people living with HIV/AIDS (PLHA), all identified pursuant to criteria defined in the Project Operational Manual.
16. "Health Council" means the Borrower's, State and Municipalities' Council, in charge of approving and monitoring the implementation of health policies, in accordance with the provisions of the Borrower's Law No. 8142 dated December 28, 1990, as amended to the date of this Agreement.
17. "Health Secretariat" means *Secretaria da Saúde*, the secretariat responsible for health, established and operating within a State or an Eligible Municipality.
18. "HIV" means Human Immuno-deficiency Virus.

19. "Incentive Policy" means *Política de Incentivo no Âmbito do Programa Nacional de HIV/AIDS e Outras Doenças Sexualmente Transmissíveis*, the Borrower's policy detailing guidelines for the provision of cofinancing (out of federal funds) to States, Eligible Municipalities and Eligible CSOs, for the carrying out of HIV/AIDS and STD programs, conditioned by such states, municipalities and CSOs having met specific criteria, including *inter alia*: (a) HIV/AIDS prevalence, (b) epidemic growth rate, and (c) population coverage pursuant to the provisions of the Incentive Policy Legislation.
20. "Incentive Policy Legislation" means the Borrower's regulation *Portaria Ministerial No. 2313* dated December 19, 2002, and complementary regulations, all as amended to the date of this Agreement.
21. "Independent Verification Agency" means the entity referred to in Section II.A.3 of Schedule 2 to this Agreement.
22. "Indigenous Peoples" means the indigenous peoples recognized as such by the Borrower's *Fundação Nacional do Índio*, the National Indian Foundation established and operating pursuant to the provisions of the Borrower's Decree No. 4645, dated March 25, 2003, as eligible to benefit from the constitutional and other legal protection as indigenous peoples.
23. "Indigenous Peoples' Planning Framework" or "IPPF" means the framework prepared by the Borrower, dated July 3, 2009, and included in the Project Operational Manual, which includes, *inter alia*, the type of activities to be financed under the Project, the potential positive and adverse effects that such activities may have on indigenous peoples, an Indigenous Peoples plan, as well as a plan for carrying out social assessment for such activities.
24. "Interim Unaudited Financial Report" or "IFR" means the report mentioned in Section II.B.3 of Schedule 2.
25. "MOH" means *Ministério da Saúde*, the Borrower's Ministry of Health, and its successor or successors thereto.
26. "MOH's Fund" means *Fundo Nacional de Saúde*, the funding structure managed by MOH, comprising a variety of budgetary and financial sources earmarked for the Borrower's health sector, operating in accordance with the provisions of the Borrower's Decree No. 3964 dated October 10, 2001, as amended from time to time, to the date of this Agreement.
27. "Municipal Fund" means *Fundo Municipal de Saúde*, the health sector funding structure managed by an Eligible Municipality, in accordance with the provisions of the Borrower's Presidential Decree No. 8142 dated December 28, 1990, as amended to the date of this Agreement.

28. "National HIV/AIDS and STD Program" means *Programa Nacional de HIV/AIDS e outras DST*, the Borrower's national program aimed at preventing, monitoring, evaluating and controlling AIDS and STD under the purview of DST/AIDS.
29. "PAM" means *Plano de Ações e Metas*, a Plan of Actions and Targets (or any other instrument acceptable to the Bank that summarizes agreements between the Borrower and a State or a Eligible Municipality) prepared by a State or an Eligible Municipality and approved by the corresponding State or Eligible Municipality Health Council, describing the State's or Eligible Municipality's annual work plan, including the anticipated outputs and results to be achieved by the respective State or Eligible Municipality under an EEP (for the period January 1 to December 31 in each year) and against which their performance will be measured so as to determine whether, and to what extent, the Borrower, through MOH (DST/AIDS), shall give its approval and authorization to provide a State Transfer or a Eligible Municipality Transfer, on a monthly or quarterly basis, as the case may be.
30. "Performance Indicators" means the Project monitoring and evaluation indicators set forth in the Project Operational Manual.
31. "*Portaria* 2313/02" means the Borrower's *Portaria* No. 2313 dated December 19, 2002, setting forth the regulations of the Incentive Policy.
32. "*Portaria* 3252/09" means the Borrower's *Portaria* No. 3252/09 dated December 22, 2009 approving the guidelines for the execution and financing of health surveillance activities at the Federal, State, Federal District and Municipal level.
33. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006.
34. "Procurement Plan" means the Borrower's procurement plan for the Project, dated April 1, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
35. "Project Operational Manual" means the manual dated April 1, 2010 and referred to in Section I.E.1 of Schedule 2 to this Agreement.
36. "R\$" means Brazilian *reais*, the Borrower's currency.
37. "Result-based Grant" means a grant made out of the proceeds of the Loan to an Eligible Beneficiary to improve performance in line with the objectives of the

project, all in accordance with the guidelines set forth in the Project Operational Manual.

38. "Result-based Grant Agreement" means any of the agreements referred to in Section I.E.7 of Schedule 2 to this Agreement.
39. "SES" means the State Secretariat of Health.
40. "SMS" means Eligible Municipality Secretariat of Health.
41. "State" means any of the Borrower's 26 states and its Federal District that meets the eligibility criteria detailed in the Incentive Policy Legislation as set forth in the Project Operational Manual, and has been selected to receive a State Transfer.
42. "State Fund" means *Fundo Estadual de Saúde*, the health sector funding structure managed by a State, in accordance with the provisions of the Borrower's Decree No. 8142 dated December 28, 1990, as amended to the date of this Agreement.
43. "STD" means sexually transmitted diseases
44. "SUS" means *Sistema Único de Saúde*, the Borrower's health system integrating federal, state and municipal delivery systems regulated under the Borrower's Law No. 8080 dated September 19, 1990, as amended to the date of this Agreement.
45. "Transfer" means the amount transferred by the Borrower (through MOH's Fund) to any of the States (through the corresponding State Fund) or Eligible Municipalities (through the corresponding Municipal Fund), to cover the cost of goods, services (excluding civil servants and seconded staff acting as consultants), training, and operating costs pursuant to the terms of the respective PAM, in connection with the participation of the respective State or Eligible Municipality under the EEPs.
46. "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 both EEPs there has been spent, in the previous 12-month period (except for the second disbursement where the 70% Rule Indicator will be based on the prorated period from the Effective date to December 31, 2010), 70% of the budgeted EEPs funds (specified in Schedule 4 to this Agreement) for said period under Part 1(a) of the Project.