Loan Agreement

(Bahia Sustainable Rural Development Project – Projeto de Desenvolvimento Rural Sustentável do Estado da Bahia – PDRS (Bahia Produtiva))

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF BAHIA

Dated August 29, 2014
LOAN AGREEMENT

Agreement dated August 29, 2014, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"), and the STATE OF BAHIA ("Borrower"). The Bank and the Borrower hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) with the modifications set forth in the Appendix of this Agreement constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred and fifty million Dollars ($150,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing 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.

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 the Reference Rate 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 (e) of the General Conditions.
2.05. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.

(b) For purposes of this Section the following terms have the meanings set forth below:

(i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower, the Guarantor and to other borrowers guaranteed by the Guarantor that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.

(ii) "Standard Exposure Limit" means the standard limit on the Bank’s financial exposure to the Guarantor which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.

(iii) "Total Exposure" means for any given day, the Bank’s total financial exposure to the Guarantor, as reasonably determined by the Bank.

2.06. The Payment Dates are April 15 and October 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time, in each case with prior non-objection of the Guarantor, through the Secretariat of the National Treasury of the Guarantor’s Ministry of Finance, request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwound, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) 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; or (B) all or any portion of the principal amount of the Loan withdrawn and
outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause CAR to carry out the Project with the assistance of the Cooperating Entity and with the support of: (a) SEAGRI with respect to Part 1 of the Project and (b) CENTRAL and SAAE with respect to Part 2(a) of the Project, all in accordance with the provisions of Article V of the General Conditions, and the provisions of the CAR Subsidiary Agreement and the Cooperation Agreement.

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 — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely, that CAR shall have failed to comply with any of its obligations under the CAR Subsidiary Agreement so as to affect materially and adversely, in the opinion of the Bank, the Borrower’s ability to perform its obligations under this Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in paragraph 4.01 of this Agreement occurs and is continuing for a period of 120 days after notice of the event has been given by the Bank to the Borrower and the Guarantor.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the CAR Subsidiary Agreement has been signed by the parties thereto, in a form and substance satisfactory to the Bank.

5.02. The Additional Legal Matter consists of the following, namely that:

(a) the Loan has been duly registered with the Guarantor's Central Bank; and

(b) the CAR Subsidiary Agreement has been duly authorized or ratified by the Borrower and CAR and is legally binding upon the Borrower and CAR in accordance with their terms.

5.03. 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 December 24, 2015.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Governor.

6.02. The Borrower's Address is:

3ª Avenida, Nº 390, Plataforma IV,
Prédio da Governadoria, 3º Andar,
Centro Administrativo da Bahia-CAB, Paralela,
Salvador, Bahia
41745-005
Brazil

Facsimile: (55-71) 3371-0610

For financial matters:

_Secretaria da Fazenda_
2ª Avenida, nº 260 – Centro Administrativo da Bahia
41745-003 – Salvador, Bahia
Brazil

Facsimile: (55-71) 3115- 8754

- 4 -
With copy to:

SEPLAN – Secretaria do Planejamento do Estado da Bahia
2ª Avenida, nº 250 – Centro Administrativo da Bahia
41745-003 – Salvador – BA
Brazil
Facsimile: (55-71) 3115-3950

CAR – Companhia de Desenvolvimento e Ação Regional
2ª Avenida, nº 250 – Centro Administrativo da Bahia
41745-003 – Salvador – BA
Brazil
Facsimile: (55-71) 3371-0015

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

6.03. The Bank’s Address is:

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

Cable address: Telex: Facsimile:
INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)
AGREED at [Brazil] Federal Republic of Brazil, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By [Signature]
Authorized Representative

STATE OF BAHIA

By [Signature]
Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to increase market integration, net revenues and food security of organized beneficiaries; as well as to improve access to water supply and sanitation services of households in Project areas.

The Project consists of the following parts:

Part 1: Productive Inclusion and Access to Markets

Increase productive inclusion and access to markets for family farmers and other disadvantaged populations in the Borrower’s territory, through:

(a) the provision of support to POs and CAs, as the case may be, for (i) the carrying out of Market-Oriented Subprojects including the preparation and implementation of Business Plans; and (ii) the carrying out of Social and Environmental Subprojects including the preparation and implementation of Investment Plans;

(b) the provision of support to CAR for the implementation of activities to manage agricultural risks as assessed in the planned Agricultural Risk Analysis; and

(c) the provision of support to CAR for the construction of warehouses and other logistic infrastructure to support market access by POs and CAs.

Part 2: Household Water and Sanitation

Support the Borrower’s efforts to improve sanitation conditions and water supply services access in areas where a pre-established adequate management system is present and sufficient hydrological resources have been identified, through the provision of support to: (a) CAR, for the carrying out of WSS Subprojects; and (b) CENTRAL and SAAE for strengthening their capacity to manage additional water supply systems.


(a) Provision of technical assistance for the carrying out of the necessary research and diagnostics in the areas of, inter alia: integration of value chain activities and market access, vulnerable population participation and potential social and environmental impacts interventions.
(b) Carrying out of capacity building activities for CAR’s technical staff, POs, CAs and agencies participating in the Project.

(c) Provision of support for the design and implementation of dissemination activities of the Project’s processes and results, the mobilization of local communities and the carrying out of a beneficiary assessment of the Project.

(d) Provision of support to CAR for the strengthening of its technical and administrative management capacity to ensure effective Project management.

(e) Provision of support for the development of policy actions related to territorial governance policy stakeholders (i.e. CEDETER, CODETER) and instruments (i.e. Territorial Development Plans).
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. (a) to facilitate the carrying out of the Project, the Borrower shall transfer a portion of the proceeds of the Loan to CAR under an agreement to be entered into between the Borrower and CAR, under terms and conditions approved by the Bank ("CAR Subsidiary Agreement"), which shall include, inter alia:

(i) the roles and responsibilities of CAR with regard to the implementation of the Project, including compliance with the pertinent provisions of this Agreement;

(ii) the obligation of CAR to carry out the Project in accordance with the Safeguard Documents; and

(iii) the obligation of CAR to comply with the requirements, procedures, criteria and standards set forth in the General Conditions, the Procurement Guidelines, the Consultant Guidelines, the Anti-Corruption Guidelines and the Operational Manual.

(b) exercise its rights and carry out its obligations under the CAR Subsidiary Agreement, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate, or fail to enforce the CAR Subsidiary Agreement, or any of its provisions.

2. No later than 60 days after the Effective Date, the Borrower shall establish, and thereafter maintain during the implementation of the Project, a Project steering committee chaired by CAR, and composed by representatives from SEAGRI, SEDUR, SEDIR, SEMA, and SETRE, as defined in the Operational Manual, responsible for providing general oversight and guidance on the strategic and multisectoral aspects of the Project (the "Steering Committee").

3. The Borrower shall:

(a) operate and maintain, until the completion of the Project: (i) the PMU, responsible for the management, coordination, supervision, monitoring
and evaluation of the Project; and (ii) not later than 30 days after the Effective Date, establish, and thereafter operate and maintain until the completion of the Project, at least eighteen (18) territorial offices, responsible for the day to day local coordination and implementation of Project activities in remote municipalities, including the responsibility to ensure integration between institutions and stakeholders.

(b) cause the PMU and the units mentioned in (a) above to maintain, until completion of the Project, a structure, responsibilities, and key staff in adequate numbers with functions, experience, responsibilities and qualifications acceptable to the Bank, as described in the Operational Manual.

4. The Borrower shall (a) prepare and furnish to the Bank annual operating plans, satisfactory to the Bank, detailing the Project activities to be carried out during the year following the date of presentation of each such plan, together with the respective sources of funding, by December 31 of each year during Project implementation; (b) furnish to the Bank the approved annual operating plans (including the respective sources of funding) referred to in paragraph (a) of this Section for each year in question, not later than 30 days after the publication in the Borrower's Diario Oficial of the Borrower's annual budget approved by its Legislative Assembly (Assembléia Legislativa); and (c) thereafter, implement each of said plans in a manner acceptable to the Bank.

5. The Borrower shall, and shall cause CAR, the respective PO and the respective Community Association, to carry out the Project in accordance with a manual (the Operational Manual), satisfactory to the Bank, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following: (a) the detailed description of Project implementation activities and the detailed institutional arrangements of the Project and the role of each of the agencies participating in the Project; (b) criteria and methods for the selection of POs and Community Associations; (c) detailed social, economic, financial, technical and environmental criteria for the evaluation and ranking for selecting Subprojects, including a negative list of environmentally sensitive investments ineligible for financing under a Subproject; (d) guidelines for the adoption of an integrated pest management approach in all applicable activities to be developed under the Project; (e) guidelines to follow in case of unexpected findings of objects with possible cultural or archeological value; (f) a model form of a Subproject Agreement; (g) the Project administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures; (h) the monitoring indicators for the Project; and (i) the ESMF, IPPF and the RPF. In the event that any provision of the Operational Manual shall conflict with this Agreement, the terms of this Agreement shall prevail.
6. The Borrower shall cause CAR to:

(a) not later than 60 days after the Effective Date and for purposes of assisting CAR in the technical aspects of Project implementation, specifically in the areas of technology, knowledge transfer and innovation for agriculture, health, nutrition, food safety, agribusiness and rural development, enter into an agreement (the Cooperation Agreement) with a Cooperating Entity, under terms and conditions acceptable to the Bank, setting forth their respective roles and responsibilities regarding the implementation of the Project.

(b) exercise its rights and carry out its obligations under the Cooperation Agreement, in such manner as to protect the interests of the Borrower, CAR and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce the Cooperation Agreement, or any of its provisions.

B. Anti-Corruption

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

C. Subprojects

For the purposes of carrying out Parts 1(a)(i), 1(a)(ii) and 2(a) of the Project, the Borrower shall cause CAR to:

(a) after having selected a Subproject in accordance with the guidelines and procedures set forth in the Operational Manual, enter into an agreement with the relevant PO or Community Association, as the case may be, ("Subproject Agreement"), under terms and conditions approved by the Bank and included in the Operational Manual, for the provision of Matching Grants for the implementation of said Subproject.

(b) exercise its rights and carry out its obligations under each Subproject Agreement in such manner as to protect the interests of the Borrower, CAR, and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall cause CAR not to assign, amend, abrogate, waive, terminate or fail to enforce any Subproject Agreement or any provision thereof.
D. Safeguards

1. Environmental and Social Management Framework (ESMF)

The Borrower shall cause CAR to: (a) implement the Project in accordance with the ESMF (including provisions for natural habitats, forests, and pest management); (b) adopt the procedures detailed in said ESMF for environmental screening, evaluation, implementation and monitoring of Subprojects, including the procedures for the preparation of environmental management plans, if applicable; and (c) implement and/or cause to be implemented, the pertinent environmental management plan, in accordance with its terms and in a manner acceptable to the Bank.

2. Indigenous Peoples Planning Framework (IPPF)

The Borrower shall cause CAR to: (a) implement the Project in accordance with the IPPF; (b) adopt the procedures detailed in said IPPF for screening, evaluation, implementation, and monitoring of Subprojects; and (c) implement and/or cause to be implemented, the pertinent Indigenous Peoples development plan, in accordance with its terms and in a manner acceptable to the Bank.

3. Resettlement Policy Framework (RPF)

The Borrower shall cause CAR to: (a) implement the Project in accordance with the Resettlement Policy Framework; (b) adopt the procedures detailed in said Resettlement Policy Framework for screening, evaluation, implementation and monitoring of Subprojects; and (c) implement and/or cause to be implemented, the pertinent resettlement action plan or abbreviated plan (for cases where 200 or less persons are affected, or where they are not physically relocated or would lose 10% or less of productive assets), as the case may be, all in accordance with its terms and in a manner acceptable to the Bank.

4. For purposes of Part 3(e) of the Project, the Borrower shall cause CAR to ensure that the terms of reference of any consultancy contract entered under such sub-component shall be satisfactory to the Bank, following its review thereof, and to that end, such terms of reference shall duly incorporate the requirement of the Bank’s Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

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 performance indicators acceptable to the Bank and set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than 45 days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting 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 Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

- 13 -
1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

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

(a) National Competitive Bidding (including the method known as “pregão eletrônico” (except for works), as provided in the Guarantor’s Law No. 10520, of July 17, 2002, under any e-procurement system acceptable to the Bank), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank

(b) Shopping (including the method known as “pregão eletrônico”, as provided in the Guarantor’s Law No. 10520, of July 17, 2002, under any e-procurement system acceptable to the Bank)

(c) Direct Contracting

(d) Community Participation in Procurement procedures, as set forth in the Operational Manual

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:

<table>
<thead>
<tr>
<th><strong>Procurement Method</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Procedures set forth in Paragraphs 5.1 to 5.5 of the Consultants Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
<tr>
<td>(f) Fixed- Cost Selection</td>
</tr>
<tr>
<td>(g) Single Source Procedures for the selection of Individual Consultants set forth in paragraph 5.6 of the Consultant Guidelines</td>
</tr>
</tbody>
</table>
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 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants’ services required for Subprojects</td>
<td>119,625,000</td>
<td>Up to 100% of the amount disbursed under a Matching Grant.</td>
</tr>
<tr>
<td>(2) Goods, works, consultants’ services, non-consulting services, Operating Costs and Training under Parts 1(b); 1(c); 2(b) and 3 of the Project</td>
<td>30,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>375,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (expressed in USD)</td>
<td>Percentage of Expenditures to be financed</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------------------------------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>150,000,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section:

(a) the term "Operating Costs" means the reasonable incremental operational costs (which would not have been incurred absent the Project), related to Project technical and administrative management monitoring and supervision required under the Project, including *inter alia*, administrative and operational support staff, office equipment, supplies, travel costs (including accommodations, transportation costs and *per diem*), printing services, communication costs, utilities, maintenance of office equipment and facilities, vehicle operation and maintenance costs, and logistics services; and

(b) the term "Training" means expenditures (other than those for consultants' services) incurred by CAR in connection with the carrying out of training, seminars, and workshops, including the reasonable travel costs (e.g. accommodations, transportation costs and *per diem*) of trainees and trainers (if applicable), catering, rental of training facilities and equipment, logistics and printing services, as well as training materials and equipment under the Project.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $30,000,000 equivalent may be made for payments made prior to this date but on or after March 21, 2014, for Eligible Expenditures under Categories (1) and (2), but in no case more than one year prior to the date of this Agreement.

2. The Closing Date is March 31, 2021. The Bank will only grant an extension of the Closing Date after the Guarantor’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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 Apr 2019</td>
<td>1.6%</td>
</tr>
<tr>
<td>15 Oct 2019</td>
<td>1.6%</td>
</tr>
<tr>
<td>15 Apr 2020</td>
<td>1.6%</td>
</tr>
<tr>
<td>15 Oct 2020</td>
<td>1.6%</td>
</tr>
<tr>
<td>15 Apr 2021</td>
<td>1.6%</td>
</tr>
<tr>
<td>15 Oct 2021</td>
<td>1.6%</td>
</tr>
<tr>
<td>15 Apr 2022</td>
<td>1.8%</td>
</tr>
<tr>
<td>15 Oct 2022</td>
<td>1.8%</td>
</tr>
<tr>
<td>15 Apr 2023</td>
<td>1.8%</td>
</tr>
<tr>
<td>15 Oct 2023</td>
<td>1.8%</td>
</tr>
<tr>
<td>15 Apr 2024</td>
<td>1.8%</td>
</tr>
<tr>
<td>15 Oct 2024</td>
<td>1.8%</td>
</tr>
<tr>
<td>15 Apr 2025</td>
<td>2%</td>
</tr>
<tr>
<td>15 Oct 2025</td>
<td>2%</td>
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<tr>
<td>15 Apr 2026</td>
<td>2%</td>
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<td>15 Oct 2026</td>
<td>2%</td>
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<td>15 Apr 2027</td>
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<td>15 Oct 2027</td>
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<tr>
<td>15 Apr 2028</td>
<td>2.2%</td>
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<tr>
<td>15 Oct 2028</td>
<td>2.2%</td>
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<tr>
<td>15 Apr 2029</td>
<td>2.2%</td>
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<tr>
<td>15 Oct 2029</td>
<td>2.2%</td>
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<tr>
<td>15 Apr 2030</td>
<td>2.2%</td>
</tr>
<tr>
<td>15 Oct 2030</td>
<td>2.2%</td>
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<tr>
<td>Principal Payment Date</td>
<td>Installment Share (Expressed as a Percentage)</td>
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2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any
amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions


3. "Bank’s Safeguards Policies" means the Bank’s operational policies and procedures, set forth in the Bank’s operational manual and identified as OP/BP 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60, as said manual is published under www.worldbank.org/opmanual.

4. "Business Plan" means a long-term commercial plan, proposed by a PO and agreed by CAR, aimed at meeting market demands, through arrangements to carry out jointly developed investments, including Subprojects, and mutual commercial transactions.

5. "CAR" means Companhia de Desenvolvimento e Ação Regional, the Borrower’s company of development and regional integration, or any successor thereto.

6. "CAR Subsidiary Agreement" means the agreement set forth in Section I.A.1(a) of Schedule 2 to this Agreement.

7. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

8. "CENTRAL" means each of the Central de Associações Comunitárias para Manutenção de Sistemas de Abastecimento de Água, private non-profit organizations with the objective of guaranteeing, through an associations-based management model, sustainability of the water supply and sanitation systems for the population in rural areas in which the conventional systems maintained by the Borrower’s municipalities have proven to be unfeasible due to high operation and maintenance costs.

9. "Community Association or CA" means a civil association formed by members of a community (associação civil) duly established in the Borrower's territory in accordance with the Guarantor's laws, and which meets the criteria set forth in the Operational Manual (as hereinafter defined) for participating in Part 1(b)(ii) of the Project.

11. “Cooperation Agreement” means the agreement referred to in Section I.A.6 of Schedule 2 to this Agreement.

12. “Cooperating Entity” means any entity, acceptable to the Bank, with international expertise on design, planning, implementation and evaluation of sustainable rural development projects and with demonstrated experience on technology and innovation for agriculture, knowledge transfer, agribusiness, nutrition, health and food safety.

13. “Environmental and Social Management Framework or ESMF” means the Borrower’s framework dated March 17, 2014 acceptable to the Bank, as published and available to the public on the website www.car.ba.gov.br, which contains the environmental protection measures in respect of the Project, including: (i) measures for chance findings of cultural property; (ii) protection of natural habitats and pest management; (iii) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project (including Subprojects); (iv) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (v) the recommendation of mitigation measures for each negative impact identified; and (vi) measures for enhancing each identified positive impact, as such framework may be amended from time to time with the prior agreement of the Bank.


15. “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.

16. “Indigenous Peoples’ Planning Framework or IPPF” means the Borrower’s framework dated March 17, 2014, acceptable to the Bank, published and available to the public on the website www.car.ba.gov.br, satisfactory to the Bank, detailing measures to mitigate any adverse impact on Indigenous Peoples as a result of any activity carried out under the Project (including Subprojects) and to ensure that they benefit from the Project, including procedures for the preparation and implementation of the pertinent Indigenous Peoples development plans, as such framework may be amended from time to time with the prior agreement of the Bank.
17. "Investment Plans" means a long-term investment plan, proposed by a CA and agreed by CAR, aimed at the carrying out of jointly developed investments, including Subprojects, and mutual commercial transactions.

18. "Market-Oriented Subprojects" means any eligible productive and market-oriented investment, including technology and irrigation under Part 1(b)(i) of the Project, which has been identified and prioritized in a Business Plan as approved by CAR in accordance with the relevant provisions of the Operational Manual.

19. "Matching Grant" means a grant made out of the proceeds of the Loan to a selected PO (for Market-Oriented Subprojects) or a selected Community Association (for Socio-Environmental Subprojects and/or WSS Subprojects), for the partial financing of an eligible Subproject, subject to the specific terms and conditions set forth in the Operational Manual and in the relevant Subproject Agreement.

20. "Operational Manual" means the Borrower’s manual dated May 30, 2014 for the operation of the Project referred to in Section I.A.5 of Schedule 2 to this Agreement.

21. "PMU" means Unidade de Gerenciamento do Projeto, the Borrower’s technical unit within CAR, created through Portaria No. 040/95 dated May 5, 1995, and referred to in Section I.A.3(a)(i) of Schedule 2 to this Agreement.


23. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated June 3, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

24. "Producers Organizations or PO" means a producer-based organization vested with legal personality and/or a group of rural citizens organized into a legally established private association, all of which, upon meeting the criteria set forth in the Operational Manual, is eligible to receive a Matching Grant on behalf of its members, for the carrying out of a Market-Oriented Subproject.

25. "Resettlement Policy Framework or RPF" means the Borrower’s framework dated March 17, 2014, published and available to the public on the website www.car.ba.gov.br and outlining general implementation procedures, mitigation measures and monitoring procedures for involuntary resettlement under the
Project, including the procedures for the preparation and implementation of resettlement action plans, as said framework may be amended from time to time with the Bank’s prior approval, as such framework may be amended from time to time with the prior agreement of the Bank.

26. “SAAE” means Sistema Autônomo de Água e Esgoto, municipal entities responsible for the collection, treatment and supply of WSS in the Borrower’s territory and for providing quality services to its customers, with special emphasis on environmental preservation.

27. “Safeguard Documents” means the ESMF, the IPPF and/or the RPF.

28. “SEAGRI” means Secretaria de Agricultura, Pecuária, Irrigação, Reforma Agrária, Pesca e Aquicultura, the Borrower’s Secretariat of Agriculture.

29. “SEDIR” means Secretaria de Desenvolvimento e Integração Regional, the Borrower’s Secretariat of Development and Regional Integration.

30. “SEDUR” means Secretaria de Desenvolvimento Urbano, the Borrower’s Secretariat of Urban Development.

31. “SEMA” means Secretaria do Meio Ambiente, the Borrower’s Secretariat of Environment.

32. “SETRE” means Secretaria do Trabalho, Emprego, Renda e Esporte, the Borrower’s Secretariat of Labor, Employment, Income and Sports.

33. “Socio-Environmental Subproject” means any investment aimed at protecting water bodies referred to in Part 1(a)(ii) of the Project, included in an Investment Plan, approved by the Borrower in accordance with relevant provisions of the Operational Manual.

34. “Steering Committee” means the committee referred to in Section I.A.2 of this Agreement.

35. “Subproject” means any Market-Oriented Subproject, Socio-Environmental Subproject and/or WSS Subproject.

36. “Subproject Agreement” means each agreement to be entered into between the Borrower and an eligible PO (for Market-Oriented Subprojects) or a Community Association (for Socio-Environmental Subprojects and/or WSS Subproject), as the case may be, as specified in Section C of Schedule 2 to this Agreement.

37. “WSS” means water and sanitation services.
38. "WSS Subprojects" means any eligible small-scale investment identified by the pertinent CA, aimed at improving sanitary conditions and water supply access where pre-established adequate management systems are present and sufficient hydrological resources have been identified at the household level, approved by the Borrower in accordance with relevant provisions of the Operational Manual and referred to in Part 2(a) of the Project.

Section II. Modifications to the General Conditions

The definition of the term "Loan Payment" is modified to read as follows in order to include "surcharge":

"Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, interest at the Default Interest Rate (if any), any surcharge, any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."