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OFFICIAL  
DOCUMENTS

LOAN NUMBER 2269 BR

# Project Agreement

(Second Bahia Rural Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

STATE OF BAHIA

Dated

*May 23*

, 1983

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**PROJECT AGREEMENT**

AGREEMENT, dated *May 23*, 1983, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and STATE OF BAHIA (hereinafter called the State).

WHEREAS by the Loan Agreement of even date herewith between the Federative Republic of Brazil (hereinafter called the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to sixty-seven million eight hundred thousand dollars (\$67,800,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the State agrees to undertake such obligations toward the Bank as are hereinafter set forth;

WHEREAS the State, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**Definitions**

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

**ARTICLE II**

**Execution of the Project**

Section 2.01. (a) The State shall carry out and cause the Executing Entities to carry out the Project, described in Schedule 2 to the Loan Agreement, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, agricultural, health and educational practices.

(b) Without limitation to the foregoing and for purposes of carrying out the Project, the State shall cause the Executing

Entities to take, in a timely manner, the actions set forth in the Plan of Action.

(c) The State shall, not later than December 15 in each year, furnish to the Bank the proposed plan of operation of the Project for the following fiscal year, in terms satisfactory to the Bank.

Section 2.02. In order to assist the State in the carrying out of the Project, the State shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Borrower and the Bank, such consultants to be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

Section 2.03. (a) Except as the Bank shall otherwise agree, procurement of the goods and civil works required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 2 to this Agreement.

(b) The State shall:

- (i) prepare standard bidding documents, satisfactory to the Bank, for the procurement of civil works under Part F of the Project; and
- (ii) unless the Bank shall otherwise agree, utilize such standard bidding documents in the procurement of such civil works.

Section 2.04. (a) The State shall enter into agreements, satisfactory to the Bank, with each of the Executing Entities to assure the efficient and timely execution of the Part or Parts of the Project for which each such Executing Entity is responsible pursuant to the Plan of Action.

(b) Unless the Bank shall otherwise agree, the State shall not assign, amend, abrogate or waive the agreements referred to in (a) above or any provision thereof.

Section 2.05. (a) The State undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan made available to it by

the Borrower against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the State to replace or repair such goods.

(b) The State shall cause all goods and services financed out of the proceeds of the Loan made available to it by the Borrower to be used exclusively for the purposes of the Project.

Section 2.06. (a) The State shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The State: (i) shall maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Loan, and to disclose their use in the Project; (ii) shall enable the Bank's representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank at regular intervals all such information as the Bank shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds, included, but not limited to, quarterly reports on the progress made in the carrying out of the Project, such quarterly reports to be furnished to the Bank not later than three months after the end of each quarter in each fiscal year.

(c) Upon the award by the State of any contract for goods, works or services to be financed out of the proceeds of the Loan, the Bank may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the State and the Bank, the State shall prepare and furnish to the Bank a

report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the State and the Bank of their respective obligations under the Project Agreement and the accomplishment of the purposes of the Loan.

(e) The State shall enable the Bank's representatives to examine all plants, installations, sites, works, buildings, property and equipment of the State and any relevant records and documents.

Section 2.07. (a) The State shall, at the request of the Bank, exchange views with the Bank with regard to the progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Loan.

(b) The State shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by the State of its obligations under this Agreement.

### **ARTICLE III**

#### **Other Covenants**

Section 3.01. (a) The State shall maintain and cause the Executing Entities to maintain separate accounts and records adequate to reflect in accordance with consistently maintained appropriate accounting practices their respective operations, resources and expenditures in respect of the Project, including, without limitation to the foregoing, separate accounts reflecting all expenditures on account of which withdrawals are requested from the Loan Account on the basis of statements of expenditure.

(b) The State shall retain and cause the Executing Entities to retain, until one year after the Closing Date, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing the expenditures on account of which withdrawals are requested from the Loan Account on the basis of statements of expenditure, and shall enable the Bank's representatives to examine such records.

Section 3.02. The State shall:

(a) cause the accounts referred to in Section 3.01 (a) above for each fiscal year to be audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year: (i) certified copies of the accounts referred to in Section 3.01 (a) above as so audited; and (ii) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested, including, without limitation to the foregoing, separate opinions by said auditors in respect of the expenditures and records referred to in Section 3.01 (b) of this Agreement, as to whether the proceeds of the Loan made available to it and withdrawn from the Loan Account on the basis of statements of expenditure have been used for the purpose for which they were provided; and

(c) furnish to the Bank such other information concerning the accounts referred to in Section 3.01 (a) of this Agreement, as well as the audit thereof, as the Bank shall from time to time reasonably request.

Section 3.03. The State shall: (a) at all times operate and maintain the Project facilities, and, promptly as needed, make all necessary repairs thereof; and

(b) take, or cause to be taken, all measures necessary for the acquisition of such land and rights in respect of land as shall be required for the execution of the Project.

#### ARTICLE IV

##### **Effective Date; Termination; Cancellation and Suspension**

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of the State thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify the State thereof.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

## ARTICLE V

### Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the State:

Secretaria do Planejamento, Ciencia e  
Tecnologia - SEPLANTEC  
Av. Luiz Viana Filho, S/N  
Centro Administrativo da Bahia  
Salvador - Bahia - Brasil  
CEP - 40,000

Cable address:

Telex:

SEPLANTEC  
CENTRO ADMINISTRATIVO  
DA BAHIA  
SALVADOR BAHIA - BRASIL  
CEP - 40,000

611146

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of the State may be taken or executed by the State's Secretario do Planejamento, Ciencia e Tecnologia or such other person or persons as the State's Secretario do Planejamento shall designate in writing, and the State shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in Salvador, Bahia, Federative Republic of Brazil, as of the day and year first above written.

STATE OF BAHIA

By *15/ Joao Durval Carneiro*

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By *15/ Hendrick van der Heijden*

Authorized Representative



## SCHEDULE 1

### Plan of Action

- (1) Part A of the Project. Land tenure regularization and land redistribution.

Executing entities: Instituto de Terras da Bahia (INTERBA)  
Companhia de Desenvolvimento e Açao  
Regional (CAR).

(a) The State shall take or cause INTERBA and CAR to take all actions necessary to (i) provide the Special Land Fund with the financial resources necessary to meet in a timely manner the expenditures incurred for the carrying out of Part A of the Project which are not financed out of the proceeds of the Loan; (ii) keep such Special Land Fund operational at all times during the period of execution of the Project; and (iii) amend, in terms satisfactory to the Bank, the Special Fund Agreement in order to provide for the participation of CAR in the carrying out of Part A of the Project.

(b) The State shall, by March 31, 1984: (i) assign to INTERBA the legal responsibility of representing the State on all land tenure related matters at the judicial and extra-judicial level; and (ii) establish a land prosecution unit within INTERBA responsible for exercising all court actions required to support the land regularization activities included in Part A of the Project.

(c) The State shall cause INTERBA, by December 31, 1985:

- (i) to complete the discriminatory procedure (açao discriminatoria) described under Part A (a) of the Project of at least 200,000 hectares;
- (ii) to grant at least 5,000 titles pursuant to Part A (a) (i) of the Project, and
- (iii) to redistribute land to at least 200 farmers pursuant to Parts A (a) (iii) and (c) of the Project.

(d) The State shall cause INTERBA to finalize, by December 31, 1984, the arrangements described under Part A (b) of the Project with respect to at least three shepherd communities.

(e) The State shall cause INTERBA, by March 31, 1986, to furnish to the Bank an in-depth evaluation of the effectiveness of the various land tenure components described under Part A of the Project.

(2) Part B of the Project. Extension services.

Executing entity: Empresa de Assistencia Tecnica e Extensao Rural da Bahia (EMATER-BA).

The State shall cause EMATER-BA: (i) to carry out an evaluation on the carrying out of the Project activities described in Part B of the Project in four municipalities included in the Project Area during the first year of Project execution; and (ii) by June 30, 1984, furnish to the Bank a report on the evaluation referred to in (i) above.

(3) Part C of the Project. Adaptive agricultural research.

Executing entity: Empresa de Pesquisa Agropecuaria da Bahia (EPABA).

The State shall cause EPABA to publish not later than March 31 in each year the results attained in the carrying out of the research activities described in Part C of the Project during the preceding calendar year.

(4) Part D of the Project. Animal health and plant protection.

Executing entity: Instituto Biologico da Bahia (IBB).

The State shall cause IBB to enter into an agreement with EPABA, EMATER-BA and the State's Secretaria de Planejamento, Ciencia e Tecnologia, in terms and conditions satisfactory to the Bank, providing for the arrangements to enable IBB to make available to Project beneficiaries its plant protection and animal health services jointly with the extension and research activities included under the Project.

(5) Part E of the Project. Small scale irrigation.

Executing entity: Grupo Especial de Irrigacao (GEI).

(a) The State shall, not later than March 31, 1984, take all actions necessary to have GEI fully staffed with qualified and experienced personnel.

(b) Prior to initiating the construction of the group irrigation systems described under Part E (iii) of the Project, the State shall: (i) partition and duly title the land to beneficiaries which will be affected by such schemes; and (ii) cause the farmers benefiting from such schemes to enter into an agreement, satisfactory to the Bank, providing, inter alia, for the procedures and responsibilities for assessment of water charges, operation and maintenance of such schemes, and the repayment of the costs incurred in the schemes' construction.

(c) The State shall cause GEI to invest in new pilot irrigation schemes all funds accrued to GEI from the repayment by beneficiaries of the irrigation costs included under the Project.

(6) Part F of the Project. Municipal road improvement.

Executing entity: Consorcio Rodoviario Intermunicipal da Bahia (CRIBA).

(a) The State shall cause CRIBA to carry out the works described under Part F (i) of the Project in accordance with the design standards set forth in the Annex to this Plan of Action.

(b) Prior to initiating the construction of the works described in Part F (i) of the Project in any of the municipalities included in the Project Area, the State shall enter into an agreement, satisfactory to the Bank, with the respective municipality providing for, inter alia, the programming and execution procedures, road maintenance responsibilities, procedures for maintenance and transfer of equipment, and sources and levels of funding for the maintenance of municipal roads to be improved under the Project.

(c) Prior to the acquisition of the equipment and spare parts described in Part F (ii) of the Project and, in any case, not later than June 30, 1985, the State shall establish a unit under its Secretaria de Transportes e Comunicações, with terms of reference and powers satisfactory to the Bank, to oversee municipal road maintenance.

(d) The State shall cause CAR through the technical unit to be established under Part J of the Project to employ a road construction engineer with adequate qualifications and experience to supervise the execution of Part F of the Project.

(e) The State shall take, and cause the municipalities to take pursuant to the agreements referred to in paragraph (b) above, all actions to maintain in adequate terms and conditions the roads to be improved under the Project.

(7) Part G of the Project. Rural water supply.

Executing entity: Companhia de Engenharia Rural da Bahia (CERB).

(a) Prior to the establishment of a water supply system in a rural community, the State shall furnish to the Bank evidence, satisfactory to the Bank: (i) of the establishment of a users association, such association to be responsible for participating in the design and installation of its water supply system and supervising routine maintenance; and (ii) that it has entered into an agreement with the municipality where the water supply system is located providing for, inter alia, the arrangements for the assessment and collection of users charges to cover all operating expenses, such charges to be levied by either the municipality or the users association referred to in (i) above.

(b) The State shall cause CAR through the technical unit to be established under Part J of the Project to employ, not later than March 31, 1984, a technician specialized in sanitation systems with adequate qualifications and experience, in charge of supervising the carrying out of this Part of the Project as well as other sanitation projects being carried out in the State.

(8) Part H of the Project. Education.

Executing entity: Secretaria de Educaçao e Cultura (SEC).

(a) The State shall cause SEC to furnish to the Bank, not later than March 31, 1984 a report on the school and canteen mapping exercise for the 16 municipalities where this Part of the Project will be carried out, in terms satisfactory to the Bank.

(b) Prior to initiating the construction of each of the schools included under the Project, the State shall: (i) furnish to the Bank, evidence, satisfactory to the Bank, of the acquisition of the respective construction site; and (ii) enter into an agreement, satisfactory to the Bank, with the Instituto Nacional de Alimentação Escolar and the respective municipality for the provision of lunches (merenda escolar) to the students attending the respective schools.

(c) The State shall, by March 31, 1984, furnish to the Bank, for its review and comments, standard site plans for the schools and canteens included under the Project.

(d) The State shall make arrangements to assure that teachers being trained under the Project:

- (i) have at least 4 years of formal education;
- (ii) be assigned for teaching in schools in the Project Area for a period of at least two years; and
- (iii) be paid a salary in line with the regional minimum wage.

(e) The State shall cause SEC to carry out, by March 31, 1984, the study described in Part H.2 (iv) under terms of reference satisfactory to the Bank.

(9) Part I of the Project. Health and sanitation.

Executing entity: Secretaria de Saude da Bahia (SESAB) and Instituto de Saude da Bahia (ISEB).

(a) The State shall, not later than March 31, 1984, prepare and furnish to the Bank a manual for rural health attendants in terms satisfactory to the Bank.

(b) Prior to the initiation of construction of each of the health posts or health centers included under Part I of the Project, the State shall furnish to the Bank evidence, satisfactory to the Bank, of the acquisition of the respective construction site.

(c) The State shall furnish to the Bank, not later than June 30, 1984, an evaluation report on the health attendants' work methods which have been put into effect under the Project.

(10) Part J of the Project. Project management, coordination and evaluation.

Executing entity: Secretaria de Planejamento, Ciencia e Tecnologia and CAR.

(a) The State shall cause CAR to: (i) establish and thereafter maintain, (A) by March 31, 1984, the technical unit referred to under Part J (i) of the Project and two regional offices in the Municipalities of Cipo and Juazeiro, (B) by March 31, 1985, the regional office in Paulo Afonso, (C) by March 31, 1986, the regional office in Senhor do Bonfim; and (ii) appoint to such unit and regional offices personnel with adequate qualifications and experience.

(b) The State shall cause CAR to: (i) establish by March 31, 1984, under the technical unit referred to in (a) above, a system to keep statistics and monitor the credit activities referred to in Section 4.02 of the Loan Agreement; and (ii) furnish to the Bank, not later than June 30 in each year, an evaluation of the credit activities performed during the previous fiscal year in the Project Area.

(c) The State shall (i) not later than March 31, 1984, carry out and furnish to the Bank the conclusions of a study on the current social and economic conditions of the small-scale farmers to be benefited by the Project, in terms satisfactory to the Bank; and (ii) not later than December 31, 1986, carry out and furnish to the Bank the conclusions of a mid-term review of the Project execution, in terms satisfactory to the Bank.

Annex

Design Standards for 'Spot Improvements'  
under Part F (i) of the Project

<u>Description</u>	<u>Spot Improvements</u>
Design speed (km/h)	Not Applicable.
Minimum radius for horizontal curves (m)	No improvements unless exceptional conditions required widening at curves.
Maximum grade %	No improvements unless road-bed material and grade combine to make ascent impossible.
Minimum platform width (m)	4.00 m plus ditches.
Stream crossing	Culverts and fords unless depth and duration of high water dictates a bridge.
Surfacing 10 to 15 cm thick	Spot selected materials where essential for vehicular passage.
Right of Way (m)	Existing width (10 to 20 m) to be maintained.
Minimum culvert diameter (m)	0.80 (0.60 in exceptional cases).
Bridges	Reinforced concrete or metallic structure (DNER or DERBA standards).

## SCHEDULE 2

### Procurement

#### A. Competitive Bidding

Except as provided in Paragraph C hereof, goods and civil works shall be procured under contracts awarded in accordance with procedures satisfactory to the Bank on the basis of competitive bidding locally advertised.

#### B. Review of Procurement Decisions by the Bank

##### 1. Review of invitations to bid and of proposed awards and final contracts:

With respect to: (i) all contracts estimated to cost the equivalent of \$500,000 or more; (ii) all contracts for photographic surveys under Part A of the Project; and (iii) all contracts for equipment under Part F of the Project:

(a) Before bids are invited, the State shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the State shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and the State and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification was invited.



(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the furnishing to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

2. For bidding purposes, civil works under Part F (1) of the Project shall be divided into construction lots of about 40 kilometers with estimated contract costs of \$500,000.

3. With respect to each contract not governed by the preceding paragraph the State shall furnish to the Bank, promptly after its execution and prior to the delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and the State and state the reasons for such determination.

4. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 15% of the original price, the State shall inform the Bank of the proposed modification, waiver, extension or change order and the reasons therefor. The Bank, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and the State and state the reasons for its determination.

C. Procurement Without Contracting

1. Civil works under Part F of the Project may be carried out by municipalities with administrative and financial capacity acceptable to the Bank by the use of force account, up to an aggregate estimated amount not to exceed \$3,000,000 equivalent, pursuant to agreements to be entered into in each case between the respective municipalities and Consorcio Rodoviario Inter-municipal de Bahia, in terms satisfactory to the Bank.

2. Civil works under Part F of the Project may be carried out by the Secretaria de Transportes e Comunicações by use of force

account, up to an aggregate estimated amount not exceeding \$1,500,000 equivalent, if there are no contractors bidding for the carrying out of the works or the respective municipality does not qualify pursuant to paragraph 1 above.

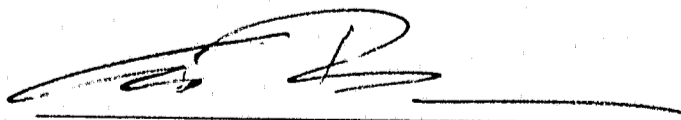
3. Civil works under Parts C (i), E (iii), G, H (i) and (ii) and I (i) of the Project may be carried out by use of force account.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Bank for Reconstruction and Development.

In witness whereof I have signed this Certificate and affixed the Seal of the Bank thereunto this 23rd day of May, 198 3.



FOR SECRETARY