Loan Agreement

(Paraíba Sustainable Rural Development Project
Projeto Paraíba Rural Sustentável)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF PARAÍBA

Dated March 13, 2019
AGREEMENT dated March 13, 2019 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and STATE OF PARAIBA ("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 fifty million Dollars ($50,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 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. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Secretary of Planning, Budget, Management and Finance.

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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. 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amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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.

2.06. (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.

2.07. The Payment Dates are May 15 and November 15 in each year.

2.08. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.09. (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 unwithdrawn, 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.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through COOPERAR, with the assistance of: (a) Community Associations (CAs) for Parts 1 (b) and 2 (a) and (b) of the Project; (b) Producer Organizations (POs) for Parts 1 (c) and 3 of the Project; (c) AESA for Part 2 (c) of the Project; (d) SEIRHMACT for Part 1 (e) of the Project; and (e) CINEP for Parts 1 (f) and 3 of the Project, 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 shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Legal Matters consist of the following, namely that the Loan has been validly registered with the Guarantor’s Central Bank.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is its Governor.

5.02. The Borrower’s Address is:

Governo do Estado da Paraíba
Palácio da Redenção
Praça Presidente Epitácio Pessoa S/N, Centro
58.013-140, João Pessoa, PB
Brazil
Phone: (55-83) 3216-8015
Facsimile: (55-83) 3214-1891

With copies to:

Projeto Cooperar
BR 230 – KM 14 – Estrada de Cabedelo
58.310-000, PB
Phone: (55-83) 3246-8644
E-mail: gestor.cooperar@gmail.com

Controladoria Geral do Estado da Paraíba
Av. Avenida Rio Grande do Sul, 1280 - Bairro dos Estados
58.030-021, João Pessoa, PB
Phone: (55-83) 3218-7537/7515
E-mail: gecrefi@cge.pb.gov.br
5.03. The Bank’s Address is:

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

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

AGREED at Brasilia, Federal Republic of Brazil, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

STATE OF PARAIBA

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve access to water, reduce agro-climatic vulnerability and increase access to markets of the Borrower’s rural inhabitants.

The Project consists of the following parts:

**Part 1 – Institutional Strengthening**

(a) Carrying out a communication campaign to: (i) inform stakeholders about the scope and rules of the Project; (ii) publish and disseminate the Project; and (iii) promote investments and attract buyers in rural value chains under the Project.

(b) Strengthening the institutional capacity of CAs and Municipal Councils to: (i) improve their governance and managerial skills for operations and maintenance of community infrastructure; (ii) provide hygiene, environmental and nutritional training to CA members; and (iii) provide training to farmers to facilitate adoption of good agricultural and environmental practices, including the use of climate information for decision making.

(c) Strengthening the institutional capacity of POs to: (i) comply with organizational and business regulations; and (ii) improve organizational, managerial, business and risk-management skills.

(d) (i) Provision of training to technical service providers which may provide technical support to CAs, POs, COOPERAR and any other selected public institution, under the Project; and (ii) establish a technical service provider database.

(e) Strengthening the institutional capacity of SEIRHMAC and other selected public institutions to implement a management model for improving rural water and sanitation services, including, *inter alia*, the provision of support to: (i) define and establish sub-sector institutional arrangements; (ii) improve coordination between sub-sector institutions and programs; (iii) establish an information system for registering and monitoring the status of rural water and sanitation systems; (iv) pilot the implementation of technical assistance mechanisms and management models for rural water systems; (v) the federation of CAs; and (vi) provide training and technical assistance to improve the capacities of CAs to manage, operate and maintain rural water systems.

(f) Strengthening of CINEP’s and other selected partners’ capacity for targeting and reaching out to potential investors and buyers, and facilitating their decision to enter into Productive Alliances.
Part 2 – Water Access and Agro-Climatic Vulnerability Reduction

(a) Provision of support for:

(i) identifying water supply investments, including, *inter alia*, construction and rehabilitation of piped and non-piped water systems, desalinization facilities and household rainwater harvesting systems, and Agro-Climatic Vulnerability Reduction Subprojects;

(ii) carrying out pre-investment studies for water supply investments identified under sub-paragraph (a) (i) herein, and for Agro-Climatic Vulnerability Reduction Subprojects; and

(iii) carrying out the water supply investments mentioned under (i) herein.

(b) Provisions of Matching Grants to the CAs for carrying out the Agro-Climatic Vulnerability Reduction Subprojects.

(c) Provision of support to AESA for the establishment of an Agro-Climatic Risk Information System.

Part 3 – Productive Alliances

(a) Provision of support for:

(i) identifying, and implementing Productive Alliances; and

(ii) carrying out pre-investment studies for Productive Alliances, including the formulation of business plans and associated to Productive Alliance Subprojects.

(b) Provision of Matching Grants to the POs for carrying out the Productive Alliance Subprojects.

Part 4 – Project Management, Monitoring and Evaluation

Provision of support to the Borrower for carrying out:

(a) Project coordination and management;

(b) monitoring, results evaluation and impact assessment of Project activities;

(c) Project fiduciary administration, internal controls and audits;

(d) Project safeguards management;
(e) independent financial and technical evaluations of Productive Alliances’ business plans;

(f) a citizen’s engagement mechanism (Ouvidoria); and

(g) Project related studies.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall operate and maintain, throughout the implementation of the Project, a Project coordination unit (COOPERAR), headed by a Project coordinator and with structure, functions and responsibilities acceptable to the Bank, including, *inter alia*: (a) the responsibility of the overall management, planning, coordination, monitoring and evaluation of the Project, including the fiduciary activities and safeguards compliance; and (b) the provision of technical cooperation and support to the CAs and POs during the carrying out of their respective activities under the Project.

2. The Borrower shall: (a) at least once a year during Project implementation and not later than December 7 of each year, commencing on the first such date after the Effective Date, prepare and furnish to the Bank, a plan (the Annual Operating Plan), acceptable to the Bank, for the Project’s operation during the following twelve months; and (b) thereafter, carry out and/or cause to be carried out, the pertinent Annual Operating Plan in accordance with its terms and in a manner acceptable to the Bank.

B. Operational Manual

1. The Borrower shall carry out the Project, and/or cause the Project to be carried out, in accordance with the provisions of a manual (the Operational Manual), satisfactory to the Bank, which shall include, *inter alia*:

   (a) the procedures for the implementing, monitoring and evaluation of the Project (including the technical, procurement, disbursement, financial management, social and environmental requirements thereof);

   (b) the eligibility criteria for the selection of POs and CAs;

   (c) detailed social, economic, financial, technical and environmental criteria for the selecting, evaluation and ranking of Subprojects;

   (d) the functions, responsibilities, structure and key staff composition of the COOPERAR;

   (e) the criteria for selecting the investments under Part 2 (a) of the Project;
(f) the negative list of the type of investments that will not be supported under the Project;

(g) model forms of Subproject Agreements;

(h) indicators to be used for Project monitoring and evaluation; and

(i) the Safeguard Documents.

2. Except as the Bank shall otherwise agree, the Borrower shall not amend, waive or fail to enforce any provision of the Operational Manual without the Bank's prior written approval. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

C. Anti-Corruption

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

D. Technical Cooperation Agreements

1. Prior to the carrying out of any Project activity which requires the assistance of SEIRHMACT, AESA, CINEP, or any other selected public institution, the Borrower, through COOPERAR, shall enter into a cooperation agreement with each of said entities (the “Technical Cooperation Agreement”), under terms and conditions acceptable to the Bank, which shall include, inter alia, the obligation of SEIRHMACT, AESA, CINEP and any other selected public institution to: (a) assist the Borrower in the carrying out of said Project activity or activities; and (b) comply with the pertinent obligations under this Agreement, all as applicable to the corresponding Project activity.

2. The Borrower, through COOPERAR, shall exercise its rights and carry out its obligations under each Technical Cooperation 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 any Technical Cooperation Agreement or any of its provisions.

E. Subprojects

For the purposes of carrying out Parts 2 (b) and 3 (b) of the Project, the Borrower, through COOPERAR, shall:

(a) after having selected any given Subproject in accordance with the guidelines and procedures set forth in the Operational Manual, enter into
an agreement with the relevant PO or CA, 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 the corresponding Matching Grant for the implementation of said Subproject; and

(b) exercise its rights and carry out its obligations under each Subproject 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 any Subproject Agreement or any provision thereof.

F. Safeguards

1. The Borrower shall cause the CAs, POs, AESA, SEIRHMACT and/or CINEP to implement the Project in accordance with the provisions of the Environmental and Social Management Framework (ESMF), the Involuntary Resettlement Policy Framework (IRPF), and the Indigenous and Quilombola Peoples Planning Framework (IQPPF). The Borrower shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated or waived any of the Safeguards Documents or provision thereof, without the prior approval of the Bank.

2. If any Project activity (including any Subproject) requires Resettlement, the Borrower shall: (a) prior to carrying out any such Project activity (including any Subproject), prepare a resettlement action plan in accordance with the IRPF, and disclose said plan in accordance with the procedures set forth in the IRPF; and (b) thereafter implement, or cause to be implemented, all necessary measures under said plan, in accordance with its terms and in a manner acceptable to the Bank.

3. If any Project activity (including any Subproject) involves the presence of Indigenous and/or Quilombola Peoples, the Borrower shall: (a) prior to carrying out any such Project activity (including any Subproject), prepare an indigenous peoples development plan in accordance with the IQPPF, and disclose said plan in accordance with the procedures set forth in the IQPPF; and (b) thereafter implement, or cause to be implemented, all necessary measures under said plan, in accordance with its terms and in a manner acceptable to the Bank.

4. The following activities shall not be eligible to be carried out under and/or to be funded under the Project:

(a) any activities that would lead to conversion or degradation of critical natural habitats or their supporting areas;
(b) any activities that would lead to conversion or degradation of critical forest areas, related critical natural habitats, clearing of forests or forest ecosystems; and

(c) the construction of any Dams that are 10 meters or more in height, all as further described in the Operation Manual.

5. If any activity financed by the Project includes the construction of a Dam that is less than 10 meters in height and/or substantial remedial work of an existing Dam of 10 meters or more in height, the Borrower shall, prior to carrying out any said Project activity, appoint qualified engineers, with qualifications, experience and terms of reference acceptable to the World Bank, to design and supervise said activity and/or remedial works.

6. The Borrower shall ensure, and/or cause the CA, PO, AESA, SEIRHMACI, and/or CINEP to ensure, that the terms of reference for any consultancy in respect of any Project activity shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the applicable Bank Safeguards Policies, 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 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 30 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 forty-five (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 (6) 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**

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.

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.
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>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(b) Quality-based Selection</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Fixed Budget Selection</td>
</tr>
<tr>
<td>(e) Procedures set forth in Section V of the Consultants Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(f) Single Source Selection of consulting firms</td>
</tr>
<tr>
<td>(g) Single Source Selection of Individual Consultants set forth in paragraph 5.6 of the Consultant Guidelines</td>
</tr>
<tr>
<td>(h) Commercial Practices which have been found acceptable to the Bank</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 "Disbursement Guidelines for Investment Project Financing" dated February 2017, as revised from time to time by the World 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 (US Dollars)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works, goods, Non-consulting services, consultant’s Services, Training and Operating Costs under the Project, excluding Categories (2) and (3)</td>
<td>31,641,100</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works, goods, Non-consulting services, and consultant’s Services, under Agro-Climatic Vulnerability Reduction Subprojects</td>
<td>5,172,792</td>
<td>100% of the relevant Matching Grant</td>
</tr>
<tr>
<td>(3) Works, goods, Non-consulting services, and consultant’s services under Productive Alliances Subprojects</td>
<td>13,061,108</td>
<td>100% of the relevant Matching Grant</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (US Dollars)</td>
<td>Percentage of Expenditures to be financed (inclusive of Taxes)</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>125,000</td>
<td>Amount payable pursuant to Section 2.03 of the Loan Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(5) Premium for Interest Rate Caps and Collars</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.09 (c) of the Loan Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>50,000,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For the purposes of this table:

   (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 the Borrower 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), course enrollment fees, catering, rental of training facilities and equipment, logistics and printing services, as well as training materials and equipment needed 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 prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed two million dollars ($2,000,000) equivalent may be made for payments made within one year prior to this date, for Eligible Expenditures.
2. The Closing Date is December 15, 2023. The Bank shall 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>On each May 15 and November 15 Beginning May 15, 2023 through May 15, 2035</td>
<td>4%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

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

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

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

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

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

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

Section I. Definitions

1. "AESA" means Agência Executiva de Gestão das Águas da Paraíba, the Borrower’s Executive Agency for Water Management, created by Law No. 7.779, dated July 7, 2005, and under the administrative jurisdiction of SEIRHM ACT or any successor thereto acceptable to the Bank.

2. "Agro-Climatic Risk Information System" means Sistema Estadual de Informações sobre Riscos Agrohidroclimáticos (SEIRA), an online interactive database that provides access to hydrological and agro-climatic information aimed at supporting decision making and increased resilience to climate related risks.

3. "Agro-Climatic Vulnerability Reduction Subproject" means any eligible investment aimed at improving resilience of farmers and their livelihoods to climate related risk, including, inter alia: (i) water supply for agricultural production; (ii) agriculture diversification and natural resources management; (iii) food security and nutritional improvement; and (iv) improvement of rural roads access, all identified and prioritized by the CAs with support of Municipal Councils and approved by the Borrower in accordance with relevant provisions of the Operational Manual and to be carried out by a CA.

4. "Annual Operating Plan" means each plan referred to in Section I.A.2 of Schedule 2 to this Agreement.


6. "Bank Safeguards Policies" means the Bank’s operational policies and procedures set forth in the Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60.

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

8. "CINEP" means Companhia de Desenvolvimento da Paraíba, the Borrower’s Development Company, created by the Borrower’s law No. 6.037, dated July 2, 1996 or any successor thereto acceptable to the Bank.

9. "Community Association" or "CA" means any civil association formed by members of a community (associação civil), or any private association, all duly established in the Borrower’s territory in accordance with the Guarantor’s laws, including communities of Indigenous and Quilombola Peoples, and which meets
the criteria set forth in the Operational Manual (as hereinafter defined) for participating in the Project.


11. "COOPERAR" means Projeto Cooperar do Estado da Paraíba, the unit referred to in Section I.A.1 of Schedule 2 to this Agreement, linked to SEAFDS and established by the Borrower’s Law No. 10,676, dated September 11, 1997 and amended by Decree No. 15.723, dated January 3, 2015, or any successor thereto acceptable to the Bank.

12. "Dam" means any dam, underground water retention dam, local silt retention dam, farm pond and/or low embankment tank.

13. “Environmental and Social Management Framework” or “ESMF” means the Borrower’s integrated environmental and social impact assessment dated March 28, 2016, acceptable to the Bank, published and made available to the public on the website http://www.cooperar.pb.gov.br, which contains the environmental protection measures in respect of the Project, including: (i) measures for chance findings of physical cultural resources; (ii) protection of natural habitats; (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 and social management plans, when applicable; (v) the recommendation of mitigation measures for each negative impact identified; (vi) measures for enhancing each identified positive impact; (vii) guidance and procedures for the use of pesticides and other chemicals; (viii) guidance and procedures for interventions involving existing Dams and the construction of farm ponds; (ix) guidance and procedures for the restoration of native forests and sustainable management of non-timber forest resources; and (x) the Environmental and Social Manual for Civil Works (containing complementary guidance and procedures for the carrying out and monitoring of civil works, including Subprojects); as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.


15. “Indigenous and Quilombola Peoples Planning Framework” or “IQPPF” means the Borrower’s framework dated March 28, 2016, acceptable to the Bank, published and available to the public on the website
http://www.cooperar.pb.gov.br, detailing measures to mitigate any adverse impact on Indigenous and Quilombola 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 any pertinent plans, as such framework may be amended from time to time with the prior agreement of the Bank.

16. “Involuntary Resettlement Policy Framework” or “IRPF” means the Borrower’s framework dated March 28, 2016, acceptable to the Bank, published and available to the public on the website http://www.cooperar.pb.gov.br, outlining general implementation procedures, mitigation measures and monitoring procedures for Resettlement under the Project, including the procedures for the preparation and implementation of resettlement action plans, as such framework may be amended from time to time with the prior agreement of the Bank.

17. “Matching Grant” means a grant made out of the proceeds of the Loan to a selected PO (for Productive Alliance Subprojects) or a selected CA (for Agro-Climatic Vulnerability Reduction Subprojects), for the partial financing of the cost of the pertinent Subproject, subject to the specific terms and conditions set forth in the Operational Manual and in the relevant Subproject Agreement.

18. “Municipal Council” means a Conselho Municipal de Desenvolvimento Rural Sustentável or any other entity supporting Project follow-up in the Borrower’s territory at the municipal level, and operating in accordance with the Operational Manual.

19. “Non-consulting services” means surveys and other services of non-intellectual and non-advisory nature that can be procured on the basis of performance or measurable physical outputs.

20. “Operational Manual” means the Borrower’s manual referred to in Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.


22. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 20, 2016 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.

23. “Producer Organization” or “PO” means any producer-based organization vested with legal personality and/or any group of rural citizens organized into a legally
established private association, which, upon meeting the criteria set forth in the Operational Manual, is eligible to receive a Matching Grant, for the carrying out of a Productive Alliance Subproject.

24. “Productive Alliance” means any alliance between a Producer Organization and a buyer, which specifies product characteristics, quantity to be produced/bought, delivery modalities and price determination criteria, and which forms the basis for the formulation of a Productive Alliance Subproject.

25. “Productive Alliance Subproject” means any eligible productive and market-oriented investment aimed at supporting POs to comply with market requirements, including, inter alia: (i) minor on-farm infrastructure; (ii) soil and water conservation measures; (iii) provision and utilization of inputs, equipment and tools; (iv) technical assistance services; and (v) off-farm infrastructure for storage, processing and packaging, all identified and prioritized by PO and buyers in the relevant Productive Alliance business plan, and approved by the Borrower in accordance with relevant provisions of the Operational Manual and to be carried out by a PO.

26. “Quilombola Peoples” means any Afro-Brazilian descendent of ex-slaves living in the Borrower’s territory which maintain distinct subcultural traditions and have received recognition, as such, by the Guarantor’s Ministry of Culture’s Fundação Cultural Palmares.

27. “Resettlement” means the impact of: (i) an involuntary taking of land under the Project, which taking causes affected persons to have their: (a) income source or means of livelihood adversely affected (whether or not the affected persons must move to another location); or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; or (ii) an involuntary restriction of access to natural resources in legally designated parks and protected areas (including reserves) which causes an adverse impact on the livelihoods of the affected persons.

28. “Safeguard Documents” means the ESMF, the IQPPF and the IRPF (including any environmental and social management plan, indigenous peoples plan and resettlement action plan), as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.

29. “SEAFDS” means Secretaria da Agricultura Familiar e do Desenvolvimento do Semiárido, the Borrower’s Secretariat of Family Agriculture and Development of the Semi-arid, or any successor thereto acceptable to the Bank.
30. "SEIRHM ACT" means Secretaria de Estado da Infraestrutura, dos Recursos Hídricos, Meio Ambiente e Ciencia e Tecnologia, the Borrower’s Secretariat of Infrastructure, Water Resources, Environment and Science and Technology, or any successor thereto acceptable to the Bank.

31. "Subproject” means any Agro-Climatic Vulnerability Reduction Subproject and/or any Productive Alliance Subproject.

32. "Subproject Agreement” means each agreement to be entered into between the Borrower and a PO (for Productive Alliance Subprojects) or a CA (for Agro-Climatic Vulnerability Reduction Subprojects), as the case may be, as specified in Section I.E.(a) of Schedule 2 to this Agreement.

33. "Technical Cooperation Agreement” means any of the agreements referred to in Section I.D.1 of Schedule 2 to this Agreement.

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

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

   "Section 3.01. Front-end Fee; Commitment Charge

   (a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

   (b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:
“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “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, the Commitment Charge, 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.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.

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