

**OFFICIAL
DOCUMENTS**

LOAN NUMBER 8353-BR

Loan Agreement

(Espírito Santo Integrated Sustainable Water Management Project -
Programa de Gestão Integrada das Águas e da Paisagem do Espírito Santo)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

STATE OF ESPÍRITO SANTO

Dated *September 28*, 2015



LOAN AGREEMENT

Agreement dated September 28, 2015, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank") and the STATE OF ESPÍRITO SANTO (the "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 two hundred twenty five million Dollars (\$225,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the 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 its Secretary of 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 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.07. (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 objectives of the Project. To this end, the Borrower shall:



- (a) through C-GIP, coordinate the carrying out of the Project and carry out Part 4 of the Project;
- (b) through SEAMA, carry out Parts 1 (excluding 1 (g)) and 3 (a) of the Project; and
- (c) cause:
 - (i) CESAN to carry out Parts 1 (g) and 2 of the Project; and
 - (ii) INCAPER to carry out Part 3 (b) 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 — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely, that CESAN and/or INCAPER shall have failed to comply with any of its obligations under the pertinent 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 any of the events 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.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Legal Matters consist of the following:
- (a) that the Borrower, through a legal opinion satisfactory to the Bank, issued by the Borrower's counsel acceptable to the Bank, indicates that the CESAN Subsidiary Agreement and the INCAPER Subsidiary Agreement have been duly authorized or ratified by, executed and delivered on behalf of the Borrower and is legally binding upon the Borrower in accordance with its respective terms;



- (b) that CESAN and INCAPER, through a legal opinion satisfactory to the Bank, issued by CESAN and INCAPER's respective counsels, acceptable to the Bank, indicate that its pertinent Subsidiary Agreement has been duly authorized by, and executed and delivered on behalf of CESAN and INCAPER and is legally binding upon CESAN and INCAPER, all as the case may be, in accordance with its respective terms; and
 - (c) that the Loan has been duly registered with the Guarantor's Central Bank.
- 5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Governor.
- 6.02. The Borrower's address is:

Governo do Estado do Espírito Santo
Praça João Clímaco, s/n – Palácio Anchieta
29015-110 Vitória, Espírito Santo
Brazil
Facsimile: (55-27) 3636-1036

With copy to:

Ministério do Planejamento, Orçamento e Gestão
SEAIN - Secretaria de Assuntos Internacionais
Esplanada dos Ministérios - Bloco K - 5º andar
70040-906 Brasília, DF
Brazil
Facsimile: (55-61) 2020-5006

Secretaria da Fazenda
Av. Jerônimo Monteiro, 96 - 7º andar
29010-002 Vitória, Espírito Santo
Brazil
Facsimile: (55-27) 3636-3885



6.03. The Bank's address is:

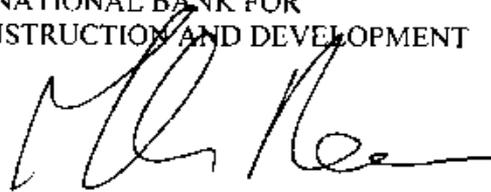
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

STATE OF ESPÍRITO SANTO

By



Authorized Representative



SCHEDULE 1

Project Description

The objectives of the Project are to: (a) improve sustainable water resources management, and (b) increase access to sanitation, in the Borrower's territory.

The Project consists of the following parts:

Part 1: Integrated Water Management and Disaster Risk Management

Improve water resource management and metropolitan coordination and planning mechanisms for the management of urban water, and develop adequate planning and monitoring instruments for risk reduction as well as preparedness and response to adverse natural events in the Borrower's territory, by:

- (a) Developing a State Water Resources Management Plan.
- (b) Developing and/or revising River Basin Management Plans for the River Basins.
- (c) Strengthening the Borrower's hydrological and water quality monitoring network and institutional capacity by, *inter alia*, (i) expanding and upgrading the Borrower's hydrological monitoring network, and (ii) expanding the Borrower's capacity to monitor its water sources and coastal pollution for water resources planning by establishing a water quality analyses laboratory within SEAMA, and strengthening environmental and water resources management.
- (d) Strengthening coastline management by implementing the Borrower's coastline modeling system.
- (e) Mapping groundwater resources by developing an online platform for individual self-reporting of well and groundwater usage in the Borrower's territory.
- (f) Strengthening SEAMA by (i) developing a state environmental management plan, (ii) providing training on environmental and water resources management and on integrated urban water management, (iii) developing studies on, and designs for, the development of an environmental management information system, and (iv) acquiring equipment for SEAMA's environmental management information system.
- (g) Strengthening the Borrower's capacity in formulating state and municipal public policies in integrated urban water management in the GVMR.



- (h) Strengthening the Borrower's disaster risk management capacity by, *inter alia*: (i) developing methodologies and guidelines for assessing hazard, vulnerability and risk; (ii) developing guidelines for incorporating risk into territorial planning and public investments, including the carrying out of workshops; (iii) designing and implementing an integrated information system to identify and monitor risks; (iv) strengthening the State Civil Defense System and the State Monitoring and Alert Center; and (v) establishing an integrated operations center.

Part 2: Efficient Water Supply Services and Increased Access to Sanitation

Increase the efficiency of water supply services and the coverage of sewage collection and treatment services in the Borrower's territory by, *inter alia*:

- (a) Developing an operational efficiency strategic plan for CESAN.
- (b) Carrying out: (i) sewerage investments for wastewater collection and treatment in Selected Urban Areas, and (ii) its Household Sewerage Connection Program, including supervision thereof.

Part 3: Watershed Management and Restoration of Forest Cover

Improve the quality of surface and coastal waters through coordinated interventions in selected watersheds in the Borrower's territory by, *inter alia*:

- (a) Inducing land use change in selected watersheds by supporting and extending implementation of, and strengthening the Borrower's capacity in implementing, *Reflorestar*.
- (b) Implementing the Mangaraí River Pilot aimed at reducing sediment load originating in the Mangaraí River Sub-watershed, by combining reforestation and improved land management (through *Reflorestar*) with interventions that include improvements to roads' construction, operation and management, as well as to water supply, sanitation and solid waste in the Mangaraí River Sub-watershed, including impact evaluations of selected interventions.

Part 4: Project Management, Supervision and Institutional Strengthening

- (a) Strengthening the Borrower's capacity in Project management and implementation, including the provision of training and technical assistance for the carrying out of activities associated with Project execution, monitoring and evaluation of the Project and the provision of technical, administrative and financial management support for Project supervision.



- (b) Strengthening ARSI's capacity by developing an economic and financial regulatory model for water supply and sewerage services.



SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall, until completion of the Project:
 - (a) operate and maintain the Project Steering Committee, with qualified staff in adequate numbers, funds and resources, acceptable to the Bank, to enable it to execute its consultative and decision making powers for carrying out the general supervision of the Project, and for developing strategies during Project implementation;
 - (b) operate and maintain an Executive Secretariat, headed by the Borrower's *Subsecretaria de Captação de Recursos*, to assist the Project Steering Committee the *Coordenação Institucional* and C-GIP in the carrying out of its respective functions under the Project, and to be responsible for accompanying Project implementation and liaising with the Bank on the Borrower's obligations under the Project, including procurement matters and implementation of the Procurement Plan (including the use of SEPA);
 - (c) operate and maintain SEG, with qualified staff in adequate numbers, funds and resources, acceptable to the Bank, to enable it to carry out:
 - (i) the coordination of the Project in its capacity as the *Coordenação Institucional*; and
 - (ii) the necessary budget planning in accordance with the plans approved by the Project Steering Committee and requested by C-GIP and the arrangements for budgeting and transferring funds and resources to enable the execution of the Project pursuant to C-GIP's requests;
 - (d) operate and maintain C-GIP within the *Coordenação Institucional* with qualified staff in adequate numbers headed by a project coordinator, funds and resources, acceptable to the Bank, to enable C-GIP to discharge its responsibilities under the Project which include, *inter alia*, the overall executive coordination of the Project, management, planning, oversight, evaluation and dissemination of results, financial management under the Project; and
 - (e) operate and maintain the Project Management Unit within C-GIP, with qualified staff in adequate numbers (including, *inter alia*, a project



manager, one staff to carry out administrative-financial management responsibilities, one staff to carry out procurement, and one staff to carry out environmental and social supervision), funds and resources, acceptable to the Bank, to enable the Project Management Unit to discharge its responsibilities which include, *inter alia*, the carrying out of the financial management aspects of the Project and the overall management, coordination, execution, procurement, supervision, and monitoring and evaluation of the Project.

2. The Borrower shall, through the Project Steering Committee, establish, and thereafter operate and maintain, until completion of the Project, a Special Bidding Commission, with: (a) functions and responsibilities, acceptable to the Bank, including the responsibility to ensure the carrying out of the procurement aspects under the Project; and (b) adequate professional and administrative assistance, and consisting of representatives from CESAN, SEAMA, SECONT, SEDURB, SEPAM, *Subsecretaria de Estado de Saneamento e Habitação* and the Executive Secretariat.
3. The Borrower shall cause CESAN and INCAPER to maintain adequate staff in sufficient numbers, acceptable to the Bank, to carry out the activities under the Project which fall within their respective administrative jurisdiction, and to operate, at all times during Project implementation, with powers, functions, capacity and resources satisfactory to the Bank to discharge such functions under the Project in accordance with the respective Subsidiary Agreement, the Operational Manual and the pertinent provisions of this Agreement.
4. The Borrower shall carry out Parts 1 (excluding 1 (g)) and 3 (a) of the Project, and shall cause CESAN and INCAPER to carry out the activities under the Project which fall within their respective administrative jurisdiction, in accordance with the Operational Manual, satisfactory to the Bank, which shall include, *inter alia*: (a) detailed description of the roles and responsibilities of CESAN, INCAPER, SEAMA, *Coordenação Institucional*, C-GIP, Executive Secretariat, and Project Steering Committee; (b) specific details on monitoring and evaluation responsibilities under the Project, including data collection requirements, and timing; (c) implementation arrangements, including financial management and procurement arrangements and guidelines; (d) the monitoring indicators for the Project; and (e) a summary of the environmental and social procedures and instruments adopted by the Borrower, CESAN and INCAPER. In the event that any provision of the Operational Manual shall conflict with this Agreement, the terms of this Agreement shall prevail.



5. (a) For the purpose of carrying out Part 3 (a) of the Project, and prior to the provision of any Environmental Services, the Borrower shall, through SEAMA, enter into an Environmental Services Agreement with each Land User on terms and conditions, acceptable to the Bank, which shall include, *inter alia*, the obligation of said Land User to comply with the pertinent provisions set forth in this Agreement, including compliance with the Anti-Corruption Guidelines and the provisions set forth in Section I.C of this Schedule, as applicable.
- (b) The Borrower shall exercise its rights and carry out its obligations under each Environmental Services 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, terminate, waive or fail to enforce any Environmental Services Agreement or any of their provisions thereof.

B. Subsidiary Agreement

1. To facilitate the carrying out of Parts 1 (g) and 2 of the Project by CESAN, and of Part 3 (b) of the Project by INCAPER, the Borrower shall make part of the proceeds of the Loan available to CESAN and to INCAPER, respectively, under a separate Subsidiary Agreement entered into between the Borrower and each CESAN and INCAPER (the "CESAN Subsidiary Agreement" and the "INCAPER Subsidiary Agreement", respectively), all under terms and conditions approved by the Bank, which shall include:
 - (a) the obligation of CESAN and INCAPER to: (i) carry out the activities which fall within its respective administrative jurisdiction under the Project with due diligence and efficiency and in accordance with sound technical, economic, environmental and social standards and practices satisfactory to the Bank (as the case may be), including in accordance with the provisions of the Anti-Corruption Guidelines; (ii) maintain adequate staff in sufficient numbers to carry out its respective parts of the Project, with powers, functions, capacity and resources satisfactory to the Bank to discharge such functions under the Project in accordance with the pertinent Subsidiary Agreement and the Operational Manual; (iii) comply with the pertinent provisions of this Agreement as applicable to CESAN and/or INCAPER; (iv) provide promptly, as needed, the resources required for the carrying out of its respective parts of the Project; (v) (1) carry out certain procurement responsibilities for procuring the goods, works, non-consulting services and consultants' services to be financed out of the proceeds of the Loan transferred to CESAN and/or INCAPER in accordance with the provisions of this Agreement; and (2) have the procurement of those goods, works, non-consulting services and consultants' services audited by independent auditors acceptable to the



Bank, in accordance with terms of reference acceptable to the Bank, and furnish the resulting audit report to the Bank not later than six months after the end of each one fiscal year of the Borrower; (vi) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of their respective parts of the Project and the achievement of its objectives; (vii) (1) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to their respective parts of the Project; and (2) at the Bank's or the Borrower's request, have the resulting financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (viii) enable the Borrower and/or the Bank to inspect the carrying out of its respective parts of the Project, its respective operations and any relevant records and documents; and (ix) prepare and furnish to the Borrower and the Bank all such information as the Borrower and/or the Bank shall reasonably request relating to the foregoing; and

(b) the Borrower's rights to protect its interests and those of the Bank, including the right to suspend or terminate the right of CESAN and/or INCAPER to use the proceeds of the Loan transferred to CESAN and/or INCAPER, or obtain a refund of all or any part of such amount of the Loan then withdrawn, upon CESAN and/or INCAPER's failure to perform any of its obligations under the respective Subsidiary Agreement.

2. The Borrower shall exercise its rights and carry out its obligations under the pertinent 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, terminate, waive or fail to enforce any Subsidiary Agreement or any of their provisions thereof.

C. Anti-Corruption

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

D. Safeguards

1. Environmental Management Framework and Environmental Management Plan

The Borrower shall implement Parts 1 (excluding 1 (g)) and 3 (a) of the Project, and cause CESAN and INCAPER to carry out the activities which fall within its respective administrative jurisdiction under the Project, in accordance with the Environmental Management Framework and Environmental Management Plan, all in a manner acceptable to the Bank.

2. Involuntary Resettlement Framework and Involuntary Resettlement Plan

(a) The Borrower shall implement Parts 1 (excluding 1 (g)) and 3 (a) of the Project, and cause CESAN and INCAPER to carry out the activities which fall within its respective administrative jurisdiction under the Project, in accordance with the Involuntary Resettlement Framework, and implement and/or cause to be implemented, the Involuntary Resettlement Plan or the pertinent resettlement action plan, all in a manner acceptable to the Bank.

(b) The Borrower, shall ensure, and/or cause CESAN and INCAPER 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 Bank Safeguards Policies then in force and as applicable.

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 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 45 calendar 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 calendar days after the end of each calendar year quarter, interim unaudited financial reports for the Project covering the quarter, 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

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:

(a) National Competitive Bidding (including the method known as “ <i>pregão eletrônico</i> ”, 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
(c) Framework Agreements
(d) Direct Contracting
(e) 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:

<u>Procurement Method</u>
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants’ Qualifications
(e) Single Source Selection
(f) Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional

instructions as the Bank may 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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, consulting services, non-consulting services and Training under Part 1 of the Project	44,600,000	75%
(2) Works under Part 2 of the Project	133,400,000	65%
(3) Goods, consulting services, non-consulting services and Training under Part 2 of the Project	8,100,000	80%
(4) Goods, works, non-consulting, consulting services and Training under Part 3 (b) of the Project	8,200,000	75%
(5) Environmental Services Payments under Part 3 (a) of the Project	6,337,500	50%
(6) Goods, consulting services, non-consulting services and Training under Part 4 of the Project	23,800,000	100%
(7) Front-end Fee	562,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(8) Interest Rate Cap or Interest Rate Collar premium		Amount due pursuant to Section 2.07(c) of this Agreement
TOTAL AMOUNT	225,000,000	

3. For the purposes of this Schedule:
- (a) the term "Training" means expenditures, other than those for consultants' services, incurred in connection with the provision of training, including trainers' fees, logistics, materials, and the reasonable recurrent travel costs and per diem of participants; and
 - (b) the term "Environmental Services Payment" means the payments made by SEAMA to Land Users under *Reforestar* in exchange for Environmental Services provided by said Land Users.

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 \$20,000,000 equivalent may be made for payments made prior to this date but on or after October 1, 2013, for Eligible Expenditures.
- 2. The Closing Date is April 30, 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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
February 15, 2015	0.22%
August 15, 2015	0.22%
February 15, 2016	1.02%
August 15, 2016	1.02%
February 15, 2017	1.02%
August 15, 2017	1.02%
February 15, 2024	1.42%
August 15, 2024	1.42%
February 15, 2025	1.42%
August 15, 2025	1.42%
February 15, 2026	1.42%
August 15, 2026	1.42%
February 15, 2027	1.42%
August 15, 2027	1.42%
February 15, 2028	3.64%
August 15, 2028	3.64%
February 15, 2029	3.64%
August 15, 2029	3.64%
February 15, 2030	3.64%
August 15, 2030	3.64%
February 15, 2031	3.77%
August 15, 2031	3.77%
February 15, 2032	3.77%
August 15, 2032	3.77%
February 15, 2033	3.77%
August 15, 2033	3.77%
February 15, 2034	3.77%

Principal Payment Date	Installment Share (Expressed as a Percentage)
August 15, 2034	3.77%
February 15, 2035	4.00%
August 15, 2035	4.00%
February 15, 2036	4.00%
August 15, 2036	4.00%
February 15, 2037	4.00%
August 15, 2037	4.00%
February 15, 2038	4.00%
August 15, 2038	4.12%

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. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and revised in January 2011.
2. "ARSI" means *Agência Reguladora de Saneamento Básico e Infraestrutura Viária do Espírito Santo*, the Borrower's Regulatory Agency for Water, Sanitation and Road Infrastructure related to SEDURB, created pursuant to the Borrower's complementary law No. 477, dated December 29, 2008, as amended to the date of this Agreement, or any successor thereof.
3. "Bank 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. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. "CESAN" means *Companhia Espírito Santense de Saneamento*, the Borrower's sanitation company, created pursuant to the Borrower's law No. 2.282, dated February 8, 1967, as amended to the date of this Agreement.
6. "CESAN Subsidiary Agreement" means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement, or any successor thereof.
7. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
8. "C-GIP" means the Borrower's *Coordenação-Geral de Implementação do Projeto* established pursuant to the Borrower's Decree No. 3450-R, dated December 4, 2013, and referred to in Section I.A.1(d) of Schedule 2 to this Agreement, or any successor thereof.
9. "Coordenação Institucional" means the Borrower's *Coordenação Institucional* established pursuant to the Borrower's Decree No. 3450-R, dated December 4, 2013, and referred to in Section I.A.1(c) (i) of Schedule 2 to this Agreement, or any successor thereof.
10. "Environmental Management Framework" means the framework adopted by the Borrower and CESAN on October 3, 2013, and by INCAPER on October 4, 2013, acceptable to the Bank, as published and available to the public



on the Borrower's website at <http://www.meioambiente.es.gov.br/>, on CESAN's website at <http://www.cesan.com.br/>, and on INCAPER's website at <http://www.incaper.es.gov.br/>, which contains the environmental protection measures in respect of the Project, including: (a) guidelines for works and activities further detailed and identified during Project implementation, related studies and policy work; (b) good practices and procedures for treatment of *Quilombola* communities in accordance to national and local legislation; (c) the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project; (d) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (e) the recommendation of mitigation measures for each negative impact identified; and (f) measures for enhancing each identified positive impact, as said framework may be amended from time to time with the Bank's prior approval.

11. "Environmental Management Plan" means the plan adopted by the Borrower and CESAN on October 3, 2013, and by INCAPER on October 4, 2013, acceptable to the Bank, as published and available to the public on the Borrower's website at <http://www.meioambiente.es.gov.br/>, on CESAN's website at <http://www.cesan.com.br/>, and on INCAPER's website at <http://www.incaper.es.gov.br/>, which contains the environmental protection measures applicable to the Project, including: (a) protection of natural habitats; (b) forests; (c) pest management; and (d) protection of physical cultural resources, as said plan may be amended from time to time with the Bank's prior approval.
12. "Executive Secretariat" means the Borrower's secretariat established pursuant to the Borrower's Decree No. 3450-R, dated December 4, 2013, and referred to in Section I.A.1(b) of Schedule 2 to this Agreement.
13. "Environmental Services" means the services provided by Land Users including, *inter alia*, reforestation, forest conservation, and adoption of environmentally friendly productive land uses such as agroforestry and/or silvopastoral practices.
14. "Environmental Services Agreement" means any of the agreements referred to in Section I.A.5 of Schedule 2 to this Agreement.
15. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012.
16. "GVMR" means the Greater Vitória Metropolitan Region in the Borrower's territory.
17. "Household Sewerage Connection Program" means CESAN's "*Programa se Liga na Rede*" dated May 30, 2012, to increase household sewerage connection in the Borrower's territory.



18. "INCAPER" means *Instituto Capixaba de Pesquisa, Assistência Técnica e Extensão Rural*, the Borrower's Rural Technical Assistance, Research and Extension Institute, created pursuant to the Borrower's law No. 3.006, dated November 11, 1975, as amended to the date of this Agreement, or any successor thereof.
19. "INCAPER Subsidiary Agreement" means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement.
20. "Involuntary Resettlement Framework" means the framework adopted by the Borrower and CESAN on October 3, 2013, and by INCAPER on October 4, 2013, acceptable to the Bank, as published and available to the public on the Borrower's website at <http://www.meioambiente.es.gov.br/>, on CESAN's website at <http://www.cesan.com.br/>, and on INCAPER's website at <http://www.incaper.es.gov.br/>, 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 plans, as said framework may be amended from time to time with the Bank's prior approval.
21. "Involuntary Resettlement Plan" means the plan adopted by CESAN on October 3, 2013, acceptable to the Bank, as published and available to the public on the CESAN's website at <http://www.cesan.com.br/>, for involuntary resettlement under the Project, and/or any other plan, all prepared following the requirements of the Involuntary Resettlement Framework, and adopted by the Borrower, CESAN and/or INCAPER, as the case may be, during Project implementation, acceptable to the Bank.
22. "Land User" means an individual or entity using the land or a land owner providing Environmental Services, according to the criteria set forth in the Operational Manual.
23. "Mangaraí River Pilot" means the Borrower's pilot program to reduce silt loads in the Magaraí River Sub-watershed.
24. "Mangaraí River Sub-watershed" means the sub-watershed of approximately 17,400 hectares in the Borrower's territory, located within the *Santa Maria da Vitória* river basin, with 87 percent of said sub-watershed located in the municipality of *Santa Leopoldina* and 13 percent of said sub-watershed located in the municipality of *Cariacica*.
25. "Operational Manual" means the Borrower's manual dated February 11, 2014, for the operation of the Project referred to in Section I.A.3 of Schedule 2 to this Agreement.



26. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
27. "Procurement Plan" means the Borrower's procurement plan for the Project, dated February 7, 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.
28. "Project Management Unit" means *Unidade de Gerenciamento de Projeto - UGP*, the unit established pursuant to the Borrower's Decree No. 3450-R, dated December 4, 2013, and referred to in Section I.A.1(e) of Schedule 2 to this Agreement.
29. "Project Steering Committee" means *Comitê Diretivo do Programa de Gestão Integrada das Águas e da Paisagem*, the Borrower's committee assigned with consultative and decision making powers for carrying out the general supervision of the Project and for establishing strategies during Project implementation as established pursuant to the Borrower's Decree No. 3450-R, dated December 4, 2013, and referred to in Section I.A.1(a) of Schedule 2 to this Agreement.
30. "*Reflorestar*" means the Borrower's program of payments for environmental services established by the Borrower's law No. 9864, dated July 26, 2012.
31. "River Basins" means the river basins of *São Mateus, Itaúnas and Itapemirim* in the Borrower's territory, and/or any other river basin in the Borrower's territory, acceptable to the Bank, in addition to, or in substitution of, any of the river basins referred to herein.
32. "River Basin Management Plans" means the plans identifying and targeting priority investment needs for water resources infrastructure, and developing water allocation scenarios for River Basins, to be developed or revised under the Project.
33. "SEAMA" means *Secretaria de Estado do Meio Ambiente e Recursos Hídricos*, the Borrower's Secretariat of the Environment and Water Resources, or any successor thereof.
34. "SECONT" means *Secretaria de Controle e Transparência*, the Borrower's Secretariat for Control and Transparency, or any successor thereof.
35. "SEDURB" means *Secretaria de Estado de Saneamento, Habitação e Desenvolvimento Urbano*, the Borrower's Secretariat of Sanitation, Housing and Urban Development, or any successor thereof.



36. "SEG" means *Secretaria de Estado de Governo*, the Borrower's State Secretariat of Government, or any successor thereof, assigned with the institutional coordination of the Project pursuant to the Borrower's Decree No. 3450-R, dated December 4, 2013, and referred to in Section I.A.1(c) of Schedule 2 to this Agreement.
37. "Selected Urban Areas" means the municipalities of *Vila Velha* and *Cariacica* in GVMR, and nine municipalities located in the interior of the Borrower's territory in the *Caparaó* region and the *Santa Maria da Vitória* and *Jucu* river basins, namely, the municipalities of *Ibatiba*, *Irupi*, *Dores do Rio Preto*, *Divino de São Lourenço*, *Íluna*, *Conceição do Castelo*, *Santa Maria de Jetibá*, *Marechal Floriano*, *Santa Leopoldina*, and/or any other municipality in the Borrower's territory, acceptable to the Bank, in addition to, or in substitution of, any of the municipalities referred to herein.
38. "SEPA" means the Bank's procurement plans execution system.
39. "SEPAM" means *Secretaria Extraordinária de Projetos Especiais e Articulação Metropolitana*, the Borrower's State Secretariat of Special Projects and Metropolitan Management, or any successor thereof.
40. "Special Bidding Commission" means *Comissão Especial de Licitação*, the Borrower's commission established by the Borrower's *Portaria* No. 002-S, dated February 6, 2014, and referred to in Section I.A.2 of Schedule 2 to this Agreement.
41. "State Civil Defense System" means the Borrower's institutional and physical infrastructure to prepare for, and respond to, disasters and mitigate risks.
42. "State Monitoring and Alert Center" means the system used for monitoring natural hazards and for alerting the population at risk.
43. "State Water Resources Management Plan" means the plan establishing strategic objectives for the Borrower's water resources sector, including identification of critical areas and specific regional needs in water infrastructure and the necessary institutional arrangements and guidelines for executing the plan.
44. "*Subsecretaria de Estado de Saneamento e Habitação*" means the Borrower's subsecretariat for sanitation and housing, established within SEDURB.
45. "*Subsecretaria de Captação de Recursos*" means the Borrower's subsecretariat for revenue, established within SEPAM.



46. "Subsidiary Agreement" means either the CESAN Subsidiary Agreement or the INCAPER Subsidiary Agreement, as the case may be, pursuant to Section I.B.1 of Schedule 2 to this Agreement.

