
LOAN NUMBER 9435-BR

Loan Agreement

(Progestão Alagoas: Public Sector Management Efficiency Project)
(Programa de Sustentabilidade Fiscal, Eficiência e Eficácia do Gasto Público do Estado de Alagoas - Progestão Alagoas)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

STATE OF ALAGOAS

LOAN NUMBER 9435-BR

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and STATE OF ALAGOAS (“Borrower”). The Bank and the Borrower hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 the amount of forty million Dollars (USD 40,000,000), as such amount may be converted from time to time through a Currency Conversion (“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 III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are February 15 and August 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower, through SEFAZ, shall carry out the Project with the assistance of:

- (i) SEPLAG for Part 1 of the Project;
- (ii) Alagoas Previdência for Part 1(b) of the Project;
- (iii) AMGESP for Part 1(c) of the Project;
- (iv) SEDUC for Part 2(a) of the Project;
- (v) SESAU for Part 2(b) of the Project; and
- (vi) SEADES for Part 2(c) of the Project.

all under the overall coordination of SEFAZ and in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement, the Implementation Agreements, and the Inter-Secretariat Agreement, as applicable.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely that any of the Implementing Agencies shall have failed to perform any of their obligations under the respective Implementation Agreements so as to affect materially and adversely, in the opinion of the Bank, after consultation with the Borrower, the ability of the Borrower to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 90 days after notice of the event has been given by the Bank to the Borrower and Guarantor.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) that the Project Operations Manual referred to in Section I.B of Schedule 2 to this Agreement has been adopted in a manner acceptable to the Bank;
 - (b) that the Implementation Agreements referred to in Section I.A of Schedule 2 to this Agreement have been entered into between the Borrower and each of the Implementing Agencies, in form and substance acceptable to the Bank; and
 - (c) that the Inter-Secretariat Agreement referred to in Section I.A of Schedule 2 to this Agreement has been entered into between the Borrower and the Implementing Secretariats, in form and substance acceptable to the Bank.
- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Governor.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

Secretaria de Estado da Fazenda
Rua General Hermes, 80, Centro
Maceió, Alagoas 57020-904
Brazil; and

With copy to:

Secretaria de Assuntos Internacionais e Desenvolvimento - SEAID
Ministério do Planejamento e Orçamento
Esplanada dos Ministérios Bloco K-7º e 8º andar
70040-906 Brasília, DF
Brazil

(b) the Borrower's Electronic Address is:

E-mail: progestao@sefaz.al.gov.br
dividapublica@sefaz.al.gov.br
supof@sefaz.al.gov.br

With copy to: cofiex@economia.gov.br
gecod.codiv.df.stn@tesouro.gov.br

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

E-mail: jzutt@worldbank.org

With copy to: informacao@worldbank.org

AGREED as of the Signature Date.

STATE OF ALAGOAS

By

Paulo Dantas

Authorized Representative

Name: Paulo Dantas

Title: Governador

Date: 24-Sep-2024

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Johannes Zutt

Authorized Representative

Name: Johannes Zutt

Title: Country Director

Date: 24-Sep-2024

SCHEDULE 1

Project Description

The objective of the Project is to improve efficiency in public resource management in selected Departments of the Borrower.

The Project consists of the following parts:

Part 1. Whole-of-Government Management Systems

- (a) *Human Resource Management.* Provision of support to SEPLAG for, *inter alia*: (i) the development of a strategic workforce planning system; (ii) the implementation of a transactional human resource management information system; (iii) the design and implementation of a management analytics system for automated wage bill audits; (iv) the carrying out of periodic staff surveys to assess reform implementation and support change management; and (v) the development and carrying out communications and capacity building to support the implementation of the above-mentioned activities.
- (b) *Pensions Management.* Provision of support to SEPLAG and *Alagoas Previdência* for, *inter alia*: (i) the design and implementation of a pension fund investment management strategy; (ii) development of a pension management information system; (iii) the procurement of hardware; and (iv) the carrying out communications and capacity building to support the implementation of the above-mentioned activities.
- (c) *Public Procurement.* Provision of support to SEPLAG and AMGESP for, *inter alia*: (i) the development and implementation of (A) A procurement strategy and implementation plan for the Borrower's purchases, (B) a centralized e-procurement system, (C) an integrated digital system for processing and analyzing data and managerial information in public procurement and contract management, (D) artificial intelligence tools using electronic invoices, strategic sourcing methodology and spend analysis tools to plan procurement strategies, (E) digital systems that support contract management functions and the procurement of low value, non-complex goods and services, (F) a system that certifies enterprises and automatizes data aggregation ; (G) an e-marketplace solution for procuring off-the-shelf goods, stationery and products; (H) a communications campaign and capacity building for businesses to support the roll-out of procurement initiatives; (ii) the provision of training in public procurement process; and (iii) the procurement of hardware to support the deployment of the above-mentioned activities.
- (d) *Public Investment Management and Budgeting.* Provision of support to SEPLAG and SEFAZ for, *inter alia*: (i) the development and implementation of (A) a public

investment management system for the Borrower integrating project preparation, screening, and appraisal, (B) a governance strategy to manage the project portfolio execution, (C) a public expenditure reviews to assess policy alignment, effectiveness and efficiency to standardize public expenditures and identify opportunities for savings, (D) the preparation of a portfolio of technically appraised projects, and (E) design and implementation of budgeting systems and practices, including a management system for the transfers of financial resources from the State of Alagoas to municipalities and organizations (ii) the delivery of capacity building for government officials on public investment and expenditure management practices, to support the implementation of the above-mentioned activities; and (iii) the carrying out periodic staff surveys to assess reform implementation and support change management.

- (e) *Asset Management*. Provision of support to SEPLAG for, *inter alia*: (i) the assessment of information of the Borrower's real estate properties; (ii) the development and implementation of (A) a comprehensive public asset management system; and (B) a system for mapping costs of information and communication technologies; (iii) the acquisition and implementation of a system for identification and recording of movable assets; and (iv) the procurement of hardware to support the rollout and implementation of the above-mentioned activities.

Part 2. Management Systems in Strategic Sectors

- (a) *Education*. Provision of support to SEDUC for, *inter alia*: (i) the development and implementation of IT financial systems allowing a more efficient allocation and monitoring of fiscal resources, public assets, planning and expenditure management; and (ii) the carrying out of communication and capacity building to support the implementation of the above-mentioned activities.
- (b) *Health*. Provision of support to SESAU for, *inter alia*: (i) the implementation of an expenditure review to identify cost structure and assess budgeting practices in the Borrower's public hospitals; (ii) the development and implementation of systems to support budgeting and expenditure management in the State's five new regional hospitals and the additional five that are being planned; and (iii) the carrying out of communications and capacity building to support the implementation of the above-mentioned activities.
- (c) *Social Assistance*. Provision of support for SEADES for, *inter alia*: (i) the development and implementation of a financial management system for social assistance co-financing to support the management of transferred funds to municipalities; (ii) the business process remodeling at the Borrower's level to increase efficiency and enable operational and financial analysis; and (iii) the carrying out of communication and capacity building to support the implementation of the above-mentioned activities.

Part 3. Project and Change Management

- (a) *Project Management.* Provision of support to SEFAZ for, *inter alia*: (i) Project management, including procurement, financial management and environmental and social standards; (ii) the development and implementation of a grievance redress mechanism and management information system, in coordination with the Comptroller General (*Controladoria Geral do Estado - CGE*); and (iii) the carrying out of communications and capacity building activities to support Project management functions.

- (b) *Change Management.* Provision of support to SEFAZ for, *inter alia*: (i) the development of a transversal change management strategy; (ii) the carrying out of studies and surveys to support Project implementation; (iii) the carrying out of process reviews before information systems are developed; (iv) just-in-time support, as needed and as agreed with the Bank, including problem solving advisory services to technical teams during implementation, and knowledge exchange activities; (v) the development and implementation of an integrity control system, including data analytics, to identify potential fraud in contracts; and (vi) the carrying out of communications and capacity building activities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower, through SEFAZ, shall:
 - (a) be responsible for the overall implementation, management, coordination and oversight of the Project, including the Project's administrative, procurement, environmental and social requirements, disbursement, financial management and monitoring and evaluation responsibilities, as specified in the Project Operations Manual ("POM"); and
 - (b) maintain, throughout Project implementation, a Project Management Unit ("PMU"), with staffing, functions and responsibilities acceptable to the Bank, for the implementation of the Project, as set forth in the POM.
2. No later than 60 days after the Effective Date, the Borrower shall establish and thereafter maintain throughout Project implementation a Project Steering Committee ("PSC") chaired by SEFAZ, to be an advisory body responsible for the Project oversight, strategic guidance, and coordination, with composition, functions and responsibilities set forth in the POM and acceptable to the Bank.
3. For purposes of carrying out, respectively, Parts 1(b), 1(c), and 2(d) of the Project, the Borrower, through SEFAZ, shall enter into separate agreements with each of the Implementing Agencies (each an "**Implementation Agreement**"), under terms and conditions acceptable to the Bank, including, *inter alia*, the obligation of each Implementing Agency to: (i) carry out the activities which fall within their administrative jurisdiction under the Project; and (ii) comply with the pertinent provisions of this Agreement, including complying with the provisions of the Project Operations Manual and the Anti-Corruption Guidelines.
4. For purposes of carrying out Parts 1 and 2 of the Project, the Borrower, through SEFAZ, shall enter into an agreement (the **Inter-Secretariat Agreement**) with the Implementing Secretariats, under terms and conditions satisfactory to the Bank, which shall include, *inter alia*: (i) the obligation of each Implementing Secretariat to carry out the relevant Project activities that fall under their respective administrative jurisdiction in compliance with the pertinent provisions of this Agreement, including with the provisions of the Anti-Corruption Guidelines, and those of the POM; and (ii) the specific mechanisms for coordination among the Implementing Secretariats.

5. The Borrower shall exercise its right and carry out its obligations under each Implementation Agreement and the Inter-Secretariat 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 in writing, the Borrower shall not assign, amend, abrogate, waive, or fail to enforce the Implementation Agreements nor the Inter-Secretariat Agreement, or any of their provisions, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

B. Project Operations Manual

1. The Borrower, through SEFAZ, shall carry out the Project in accordance with a Project Operations Manual containing detailed guidelines and procedures for the implementation of the Project, including *inter alia*:
 - (a) a detailed description of the activities and institutional arrangements for the Project;
 - (b) the Project administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures;
 - (c) the monitoring indicators for the Project;
 - (d) the composition and functions of the Steering Committee;
 - (e) a detailed description of the mechanisms and systems for Personal Data collection and processing in accordance with international standards and good international practice;
 - (f) any other arrangements and procedures as shall be required for the effective implementation of the Project; and
 - (g) a copy of the Progestão ROP, all in form and substance satisfactory to the Bank, as such manual may be amended by the Borrower from time to time, with the prior written approval of the Bank. For the avoidance of doubt, the Project Operations Manual shall not contradict or go beyond what is provided for in the Progestão ROP.
2. Except as the Bank may otherwise agree in writing, the Borrower shall not amend, waive, or fail to enforce any provision of the Project Operations Manual without the Bank's prior written approval.
3. In case of any conflict between the terms of the Project Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.

C. Environmental and Social Standards.

1. The Borrower, through SEFAZ, shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower, through SEFAZ, shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Borrower shall ensure that:
 - (h) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (i) sufficient funds are available to cover the costs of implementing the ESCP;
 - (j) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (k) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Borrower, through SEFAZ, shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social

instruments referenced therein and the Environmental and Social Standards.

5. The Borrower, through SEFAZ, shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall furnish to the Bank each Project Report not later than sixty (60) days after the end of each calendar semester, covering the calendar semester, as further detailed in the Project Operations Manual.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay the Front-end Fee; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs and Training for the Project	39,900,000	100%
(2) Front-end Fee	100,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	40,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.

2. The Closing Date is March 31, 2028. The Bank may grant an extension of the Closing Date only after the Guarantor's Ministry of Economy has informed the Bank that it agrees with such extension.

SCHEDULE 3**Commitment-Linked Amortization Repayment Schedule**

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”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each February 15 and August 15 Beginning August 15, 2027 through August 15, 2040	3.57%
On February 15, 2041	3.61%

APPENDIX

Definitions

1. “Alagoas *Previdência*” means the Borrower’s civil servants’ pension agency (*Unidade Gestora Única do Regime Próprio de Previdência Social dos Servidores Públicos do Estado de Alagoas*) established by Law No. 7,751, dated November 09, 2015, or any successor thereto.
2. “AMGESP” means the Borrower’s Agency of Modernization and Process Management (*Agência de Modernização e Gestão de Processos*) established by Law No. 6,582, dated March 18, 2005, as amended, or any successor thereto.
3. “Anti-Corruption Guidelines” means, for purposes of paragraph 6 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “Departments” means collectively the Implementing Agencies and Implementing Secretariats.
6. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 10th, 2022, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
7. “Environmental and Social Standards” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social

Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.

8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
9. “Implementation Agreement” means any of the agreements referred to in Section I.A.3 of Schedule 2 to this Agreement to be entered into between the Borrower and each of the Implementation Agencies individually.
10. “Implementing Agencies” means Alagoas Previdência and AMGESP.
11. “Implementing Secretariats” means SEFAZ, SEPLAG, SEDUC, SESAU, and SEADES.
12. “Inter-Secretariat Agreement” means the agreement referred to in Section I.A.4 of Schedule 2 to this Agreement to be entered into SEFAZ and the Implementing Secretariats prior to the Effectiveness Deadline.
13. “Operating Costs” means the incremental operating expenditures incurred by the SEFAZ on account of the Project implementation, management, monitoring and evaluation, including office rent, office materials and supplies, utilities, communication costs, support for information systems, translation costs, bank charges and travel and per diem costs and other reasonable expenditures directly associated with the implementation of the Project activities, all based on an annual budget acceptable to the Bank.
14. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
15. “Procurement Regulations” means, for purposes of paragraph 84 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.

16. “Progestão ROP” means the Guarantor’s Operational Regulations dated April 7, 2020, approved on April 22, 2021, and amended on May 10, 2022, as the same may be amended from time to time with agreement of the Bank.
17. “Project Operations Manual” or “POM” means the manual described in Section I of Schedule 2 to this Agreement, setting forth detailed guidelines and procedures for the implementation of the Project.
18. “SEADES” means the Borrower’s State Secretariat for Social Assistance and Development (*Secretaria de Estado da Assistência e Desenvolvimento Social*), or any successor thereto.
19. “SEDUC” means the Borrower’s State Secretariat of Education (*Secretaria da Educação do Estado de Alagoas*), or any successor thereto.
20. “SEFAZ” means the Borrower’s State Secretariat of Finance (*Secretaria da Fazenda do Estado de Alagoas*), or any successor thereto.
21. “SEPLAG” means the Borrower’s State Secretariat of Planning and Management (*Secretaria de Estado de Planejamento, Gestão e Patrimônio*), or any successor thereto.
22. “SESAU” means the Borrower’s Secretariat of Health (*Secretaria de Estado da Saúde*), or any successor thereto.
23. “Steering Committee” means the advisory committee referred to in Section I.A of Schedule 2 to the Loan Agreement.
24. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
25. “Training” means expenditures (other than those for consulting services) incurred in connection with study tours, training courses, seminars, workshops, and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel, per diem costs for trainees and trainers and trainers’ fees (as applicable), all based on an annual budget satisfactory to the Bank.