

**LOAN NUMBER 9071-BR**

# **Loan Agreement**

**(Southern Brazil Urban Resilience Program Project –  
*Linha de Crédito para Resiliência Urbana no Sul do Brasil*)**

**between**

**BANCO REGIONAL DE DESENVOLVIMENTO DO EXTREMO SUL**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

## **LOAN AGREEMENT**

AGREEMENT dated as of the Signature Date between BANCO REGIONAL DE DESENVOLVIMENTO DO EXTREMO SUL (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). 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) 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-four million eight hundred thousand Euros (€44,800,000), 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 Fixed 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.
- 2.08. The Borrower may request the Conversions of Loan terms, in each case with the prior no-objection of the Guarantor, through its Secretariat of the National Treasury of the Guarantor’s Ministry of Finance.
- 2.09. (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.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project and cause the Project to be carried out by Selected Municipalities in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

### **ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that the Operations Manual has been adopted by the Borrower, all in a manner and with contents acceptable to the Bank.
- 4.02. The Effectiveness Deadline is the date a hundred and twenty (120) days after the Signature Date.

### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Borrower’s Representatives are its President and its Director of Planning, acting severally.
- 5.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower’s address is:

General Direction  
Banco Regional de Desenvolvimento do Extremo Sul  
Rua Uruguai No. 155, 4 andar  
Porto Alegre – RS – CEP 90.010-140

Federative Republic of Brazil

With copies to:

Secretariat of International Affairs and Development  
(Secretaria de Assuntos Internacionais e Desenvolvimento - SEAID)  
Ministry of Planning and Budget  
Esplanada dos Ministérios  
Bloco K, 8 andar  
Brasília – DF – 70040-906  
Federative Republic of Brazil

(b) the Borrower's Electronic Address is:

Facsimile:  
(5551 32155280)

E-mail:  
[diretoria/brde@brde.com.br](mailto:diretoria/brde@brde.com.br)

With copies to:

[seaid@economia.gov.br](mailto:seaid@economia.gov.br)

5.03. 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:

Telex:  
248423(MCI) or  
64145(MCI)

Facsimile:  
1-202-477-6391

E-mail:  
[jzutt@worldbank.org](mailto:jzutt@worldbank.org)

AGREED as of the Signature Date.

**BANCO REGIONAL DE  
DESENVOLVIMENTO DO EXTREMO  
SUL**

By

*Wilson Bley Lipski*

**Authorized Representative**  
Name: wilson Bley Lipski

Title: Diretor-Presidente

Date: 23-Mar-2023

By

**OTOMAR OLEQUES VIVIAN**

**Authorized Representative**  
Name: OTOMAR OLEQUES VIVIAN

Title: Diretor Planejamento/Operações

Date: 23-mar-2023

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By

*Johannes Zutt*

**Authorized Representative**

Name: Johannes Zutt

Title: Country Director

Date: 22-Mar-2023

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to promote urban resilience in Selected Municipalities in Southern Brazil to address natural disaster and extreme climate-related events.

The Project consists of the following parts:

#### **Part 1. Investments to Promote Urban Resilience**

Support the Borrower to finance eligible Sub-Projects for Selected Municipalities to promote urban resilience through the construction or the upgrading of existing infrastructure aimed at mitigating the impacts of natural disaster and climate-related risks, such as floods, flash-floods, landslides and other erosion processes, including, *inter alia*: (i) macro and micro drainage systems and integrated urban water management solutions to allow for storage, detention and infiltration; (ii) dredging; (iii) slope stabilization; (iv) riverbank protection; (v) urban and linear parks; (vi) solutions for coastal erosion mitigation and prevention; (vii) construction and/or rehabilitation of roads in association with other disaster risk prevention or mitigation interventions; (viii) urban upgrading to reduce exposure to disasters; (ix) solid waste collection and treatment in coordination with drainage systems solutions; and (x) housing solutions for the resettlement of families resettled from disaster prone areas or impacted by the Project, and other forms of resettlement-related compensation.

#### **Part 2. Institutional Strengthening of Selected Municipalities for Urban Resilience**

Support the Borrower to improve the institutional capacity of Selected Municipalities to design, implement, execute, and monitor Sub-Projects, including their sustainability and replicability over time, through technical assistance, services and/or procurement of equipment and software, including, *inter alia*: (i) technical and environmental sector studies; (ii) detailed Sub-Project designs; (iii) disaster risk, susceptibility and/or vulnerability mapping; (iv) drainage plans; (v) solid waste management plans; (vi) municipal disaster risk management and/or contingency plans; (vii) training to municipal staff; and (viii) procurement of systems and/or equipment for natural hazards monitoring, early warning systems, emergency response, civil defense, and protection equipment.

#### **Part 3. Project Management and Institutional Strengthening**

Support the Borrower to build its institutional capacity to manage, implement and supervise the Project, including technical, fiduciary, social, and environmental risk management, communication and outreach, monitoring and evaluation through, *inter alia*, operating costs, training, technical assistance, services, and equipment, as required.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Borrower, through SUPLA and DEPEN, shall maintain a Project Management Unit (the "PMU") at all times during the implementation of the Project with sufficient resources, decision making capacity, competent staff in adequate numbers and responsibilities, all acceptable to the Bank and as set forth in the Operations Manual.

##### B. Operations Manual

1. The Borrower shall: (i) adopt and carry out the Project, or/and adopt legally applicable measures to ensure that the Project will be carried out, in accordance with the Operations Manual acceptable to the Bank, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following: (a) the detailed description of Project activities and the detailed institutional arrangements of the Project; (b) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (c) the monitoring indicators for the Project; (d) the selection and eligibility criteria for the Sub-Projects and the Selected Municipalities as well as the model form for the Sub-Loans; (e) the grievance mechanisms and the code of conduct for the Project; and (f) the ESCP; and (ii) not amend, suspend, abrogate, repeal or waive any provision of said Operations Manual without the prior written approval of the Bank.
2. In case of any conflict between the terms of the Operations Manual and this Agreement, the terms of this Agreement shall prevail.

##### C. Sub-Projects

1. For purposes of carrying out Part 1 and/or Part 2 of the Project, the Borrower, upon the selection of the specific Sub-Project under Part 1 and/or Part 2 of the Project to be financed by Sub-Loans, and prior to the carrying out of any said activities by the Selected Municipalities, the Borrower shall enter into an agreement with each relevant Selected Municipality (the Sub-Loan Agreement) under the terms and conditions acceptable to the Bank, as further detailed in the Operations Manual, which shall include, *inter alia*, the following:
  - (i) the Borrower's right to protect its interests and those of the Bank;
  - (ii) require each relevant Selected Municipality to:
    - (a) carry out the pertinent activities with due diligence and efficiency and in accordance with: (i) sound technical, economic, financial, and managerial standards acceptable to the Bank; (ii) the ESCP; and (iii) all the relevant

terms and conditions of this Agreement (including the provisions of the Anti-Corruption Guidelines);

- (b) when applicable, provide promptly as needed, the resources required for the purpose of carrying out the pertinent activities;
- (c) procure the goods, works and consultants' services to be financed out of the pertinent Sub-Loan in accordance with the Procurement Regulations;
- (d) maintain policies and procedures adequate to enable the Borrower to monitor and evaluate the pertinent activities under Part 1 and/or Part 2 of the Project in accordance with indicators acceptable to the Bank, the progress of the pertinent activity and the achievement of its objectives;
- (e) (i) maintain a financial management system and prepare financial statements 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 the activities under Part 1 and/or Part 2 of the Project; and (ii) at the Bank's or the Borrower's request, have such 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;
- (f) enable the Borrower and the Bank to inspect the pertinent activities, their operation and any relevant records and documents;
- (g) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing;
- (h) suspend or terminate the right of the Selected Municipalities to use the proceeds of the Sub-Loan, for the carrying out of the Sub-Project under Part 1 and/or Part 2 of the Project, or obtain a refund of all or any part of the amount of said Sub-Loan then withdrawn, upon the Selected Municipalities' failure to perform any of their obligations under the pertinent Sub-Loan Agreement;
- (i) ensure that the pertinent activities are carried out in accordance with the Environmental and Social Standards;
- (j) ensure that: (i) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP; (ii) sufficient funds are available to cover the costs of implementing the ESCP; (iii) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and (iv) the ESCP or any provision thereof, is not amended, revised or waived, except as the Bank shall otherwise agree in writing and the Borrower has, thereafter, disclosed the revised ESCP; and



- (k) maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Bank to hear and determine fairly and in good faith all complaints raised in relation to the relevant activities, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank; and
  - (iii) in case of any inconsistencies between the ESCP and the provisions of the Loan Agreement, the provisions of the Loan Agreement shall prevail.
- 2. The Borrower shall exercise its rights and carry out its obligations under each Sub-Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project.
- 3. Except as the Bank shall otherwise agree, the Borrower shall not amend, terminate, assign, abrogate, waive or fail to enforce any Sub-Loan Agreement or any provision thereof.
- 4. In the event that any provision of any Sub-Loan Agreement shall conflict with any of the provisions under this Agreement, the terms of this Agreement shall prevail.

**D. Environmental and Social Standards**

- 1. The Borrower 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 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:
  - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;
  - (b) sufficient funds are available to cover the costs of implementing the ESCP;
  - (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and
  - (d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Bank shall otherwise agree in writing and the Borrower has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

- 3. The Borrower shall:
  - (a) take all measures necessary on its part 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 management tools and 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) promptly notify the Bank 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, including gender-based violence, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.
4. The Borrower shall maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Bank to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory 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 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 finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in Euros)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Sub-Loans under Part 1 and Part 2 of the Project	43,000,000	100%
(2) Goods, works, non-consulting services, consulting services, Training and Operating Costs for Part 3 of the Project	1,800,000	100%
<b>TOTAL AMOUNT</b>	<b>44,800,000</b>	

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
  - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed eight million nine hundred sixty thousand Euros (€8,960,000) may be made for payments made twelve months prior to this date for Eligible Expenditures; or
  - (b) under Category (1), until and unless the Borrower has approved at least one Sub-Project all in form and substance satisfactory to the Bank.
2. The Closing Date is June 30, 2026.

**Section IV. Other Undertakings**

1. By June 30, 2023, or such other date as the Bank shall agree upon, the Borrower shall: (i) carry out, jointly with the Bank, a mid-term review of the implementation of the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be agreed by the Bank.

### 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

<b>Principal Payment Date</b>	<b>Installment Share</b>
On each February 15 and August 15 Beginning August 15, 2023 through August 15, 2031	5.56%
On February 15, 2032	5.48%

## APPENDIX

### Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 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.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “DEPEN” means *Departamento de Novos Negócios*, the Borrower’s unit in charge of new business, as established and operating under the Borrower’s Articles of Agreement, dated August 17, 1961, or any successor thereto acceptable to the Bank.
4. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the Borrower’s environmental and social commitment plan, acceptable to the Bank, dated November 3, 2022, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.
5. “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 at <https://www.bancomundial.org/es/projects-operations/environmental-and-social-framework>.
6. “Fixed Spread” means the Bank’s fixed spread for the initial Loan Currency in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of the Loan Agreement and expressed as a percentage per annum; provided, that: (a) for purposes of determining the Default Interest Rate, pursuant to Section 3.02(e), that is applicable to an amount of the Withdrawn Loan Balance on which interest is payable at a Fixed Rate, the “Fixed Spread” means the Bank’s fixed spread in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of the Loan Agreement, for the Currency of denomination of such amount; (b) for purposes of a Conversion of the Variable Rate based

- on a Variable Spread to a Variable Rate based on a Fixed Spread, and for purposes of fixing the Variable Spread pursuant to Section 4.02, “Fixed Spread” means the Bank’s fixed spread for the Loan Currency as reasonably determined by the Bank on the Conversion Date; and (c) upon a Currency Conversion of all or any amount of the Unwithdrawn Loan Balance, the Fixed Spread shall be adjusted on the Execution Date in the manner specified in the Conversion Guidelines. The Fixed Spread on the Signature Date is 0.65%.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018.
  8. “Guarantor” means the Federative Republic of Brazil.
  9. “Operations Manual” means the manual referred to under Section I.B of Schedule 2 to this Agreement.
  10. “Operating Costs” means the reasonable incremental operational costs related to the Project technical and administrative management, preparation, monitoring and supervision required under the Project, including, *inter alia*, office equipment, supplies, travel costs (including accommodations, transportation costs and *per diem*), bank charges, printing services, communication costs, utilities, maintenance and rental of office equipment and facilities, insurance, licensing, vehicle operation and maintenance costs, local contractual staff working on Project, and logistics services, but excluding the Borrower’s regular staff.
  11. “PMU” means Project Management Unit referred to in Section I.A.1 of Schedule 2 to this Agreement located within SUPLA, as established and operating in accordance with the Operations Manual, or any successor thereto acceptable to the Bank.
  12. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
  13. “Selected Municipalities” means municipalities located in states of the Guarantor’s territory which are eligible to receive Sub-Loans under terms and conditions acceptable to the Bank, as further detailed in the Operations Manual.
  14. “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.
  15. “Sub-Loans” means any loan provided out of the Proceeds of the Loan to Selected Municipalities, under Part 1 and/or Part 2 of the Project, to finance goods, works, non-consulting services, consulting services, Training and Operating Costs for Sub-Projects, as referred to in Section I.C of Schedule 2 to this Agreement and as further detailed in the Operations Manual.
  16. “Sub-Loan Agreements” means any or all of the agreements to be signed between the Borrower and the Selected Municipalities for Sub-Projects under Part 1 and/or Part 2 of

the Project, under terms and conditions acceptable to the Bank and as further detailed in the Operations Manual.

17. “Sub-Projects” means any or all of the subprojects carried out under Part 1 and/or Part 2 of the Project by Selected Municipalities based on selection and eligibility criteria established and detailed in the Operations Manual; all in form and substance satisfactory to the Bank.
18. “SUPLA” means *Superintendência de Planejamento e Sustentabilidade*, the Borrower unit in charge of planning and sustainability, as established and operating under the Borrower’s Articles of Agreement, dated August 17, 1961, or any successor thereto acceptable to the Bank.
19. “Training” means reasonable expenditures (other than those for consulting services) incurred in connection with the carrying out of training, seminars, and workshops, including the reasonable travel costs (e.g. accommodations, transportation costs and per diem) of trainees and trainers (if applicable), catering, study tours, technical exchange visits, tuition fees, rental of training facilities and equipment, logistics and printing services, as well as training materials and equipment required under the Project.