

LOAN NUMBER 9069-BR

Loan Agreement

**(Improving Mobility and Urban Inclusion in the
Amazonas Corridor in Belo Horizonte Project)**

Programa de Mobilidade e Inclusão Urbana de Belo Horizonte

between

MUNICIPALITY OF BELO HORIZONTE

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between MUNICIPALITY OF BELO HORIZONTE (“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 eighty million Dollars (\$80,000,000), 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. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is its Mayor or any secretary of the Borrower designated as legal representative.
- 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 April 15th and October 15th 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 non-objection of the Guarantor, through its Secretariat of the National Treasury of the Guarantor’s Ministry of Economy.
- 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 subparagraph (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 SMOBI and the Project Entities, all 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 Conditions of Effectiveness consist of the following:
- (a) the Project Operational Manual has been adopted by the Borrower through SMOBI and the Project Entities, all in a manner and with contents acceptable to the Bank; and
 - (b) the Implementation Agreements have been duly signed and delivered between the Borrower through SMOBI and the Project Entities, and all conditions precedent to their effectiveness, except for the signature of this Loan Agreement, have been met, all in a manner and with contents acceptable to the Bank.
- 4.02. The Effectiveness Deadline is the date a hundred twenty (120) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Mayor.

5.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Prefeitura de Belo Horizonte
Av. Afonso Pena, 1212 – Centro
31.130-908 Belo Horizonte, MG - Brazil

With copies to SMOBI:

Rua Guajajaras, 1107 – Lourdes
30.180-100 Belo Horizonte, MG - Brasil

(b) the Borrower's Electronic Address is:

Facsimile:	E-mail:
(55-31) 3277-5152	leandroc.pereira@pbh.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:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	jzutt@worldbank.org

AGREED as of the Signature Date.

MUNICIPALITY OF BELO HORIZONTE

By Fuad Jorge Noman Filho

Authorized Representative

Name: Fuad Jorge Noman Filho

Title: Mayor

Date: 14-set-2022

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By 

Authorized Representative

Name: Johannes Zutt

Title: Country Director

Date: 13-Sep-2022

SCHEDULE 1

Project Description

The objectives of the Project are to improve: (i) the quality of service and accessibility to opportunities for public transport users in the area of influence of the Amazonas Express; and (ii) the urban living conditions of the poor in selected precarious settlements.

The Project consists of the following parts:

Part 1. Implementation of the Amazonas Express

Implementation of a public transport corridor (Amazonas Express) including, *inter alia*: (i) restoration and building of urban roads, sidewalks and bus stations; (ii) implementation of cycle paths; (iii) installation of equipment and technology to support corridor security and safety; as well as (iv) related engineering studies and designs, supervision, and technical assistance to implement the ESCP activities.

Part 2. Urban Upgrading of Vila Cabana do Pai Tomás

Urban upgrading of *Vila Cabana do Pai Tomás*, including, *inter alia*: (i) the development of designs and infrastructure works; (ii) construction and rehabilitation of roads and alleys; (iii) construction of housing and commercial units for relocating families and businesses; (iv) interventions to mitigate geological and/or geotechnical risks in selected areas of *Vila Cabana do Pai Tomás*; as well as (v) related technical support, supervision, and technical assistance to implement the ESCP activities.

Part 3. Strategic Planning for Urban Mobility and Upgrading of Informal Settlements

Development of, *inter alia*: (i) a strategic urban development plan for the Jatobá Region; (ii) technical studies and engineering designs for increased resilience and to provide road and sanitation services in selected precarious settlements and to interconnect them to the public transport network; (iii) strategic mobility and technology studies; as well as (iv) technical assistance to implement the ESCP activities.

Part 4. Project Management and Institutional Strengthening

Provision of overall support for Project management, technical assistance and supervision to address, *inter alia*: (i) compliance with the ESCP; (ii) implementation of the Project's communication strategy; (iii) development and monitoring of a gender action plan; (iv) implementation of the grievance redress mechanisms; (v) administrative and fiduciary activities of the PMU; (vi) implementation of the SEP; (vii) training initiatives and impact evaluations for the Project; and (viii) carrying out project audits.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower, through SMOBI, 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 Project Operational Manual.
2. The Borrower shall adopt measures to ensure that SMOBI implements its respective parts 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 Project Operational Manual and the Implementation Agreements.

B. Project Operational Manual.

1. The Borrower shall: (i) adopt and carry out the Project, or/and adopt measures to ensure that the Project will be carried out, in accordance with the Project Operational 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, including the implementation activities for SMOBI and the Project Entities; (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 Project's communication and gender strategy; (e) the grievance mechanisms and the code of conduct for the Project; and (f) the ESCP and the SEP; and (ii) not amend, suspend, abrogate, repeal or waive any provision of said Project Operational Manual without the prior written approval of the Bank.
2. In case of any conflict between the terms of the Project Operational Manual and this Agreement, the terms of this Agreement shall prevail.

C. Implementation Agreements.

1. To facilitate the carrying out of the Project, the Borrower shall maintain Implementation Agreements between SMOBI and the Project Entities during the implementation of the Project, on terms and conditions acceptable to the Bank, to assist the Borrower, through SMOBI, in the carrying out of the Project Entities' respective parts of the Project in accordance with the Anti-Corruption Guidelines, the Procurement Regulations, the ESCP, the SEP and the Project Operational Manual.
2. The Borrower, through SMOBI shall exercise its rights under the Implementation Agreements 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 or waive the Implementation Agreements or any of their provisions.

D. Environmental and Social Standards.

1. The Borrower, through SMOBI, shall, and shall cause the Project Entities to, 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 SMOBI, shall, and shall cause the Project Entities to 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, through SMOBI, shall, and shall cause the Project Entities to, 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; policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and
 - (c) the ESCP or any provision thereof, shall only be amended, revised or waived, if the Bank agrees in writing and the Borrower discloses 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, through SMOBI, shall, and shall cause the Project Entities to:
 - (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 issues, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.
4. The Borrower, through SMOBI, shall maintain and publicize, and shall cause the Project Entities to 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, through SMOBI, 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 Operational 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 each Interest Rate Cap or Interest Rate Collar premium; 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, Training and Operating Costs	80,000,000	100%
(2) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	80,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payment made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed sixteen million Dollars (\$ 16,000,000) may be made for payments finalized up to twelve months prior to this date for Eligible Expenditures.
2. The Closing Date is October 31, 2026. 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 April 15 and October 15 Beginning April 15, 2025 through April 15, 2043	2.63%
On October 15, 2043	2.69%

APPENDIX

Definitions

1. “Amazonas Express” means approximately 43 km of dedicated exclusive bus lanes and stations in the Borrower’s territory, a portion of which to be upgraded under the Project.
2. “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.
3. “BHTrans” means *Empresa de Transportes e Trânsito de Belo Horizonte*, the Borrower’s Municipal Company for Transport and Traffic, as established and operating pursuant to the Borrower’s Law No. 5.953, dated July 31, 1991, or any successor thereto acceptable to the Bank.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “CTGM” means *Controladoria-Geral do Município*, the Borrower’s Municipal Controller Office, as established and operating pursuant to the Borrower’s Law No. 11.065, dated August 1, 2017, or any successor thereto acceptable to the Bank.
6. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the Borrower’s Environmental and Social Commitment Plan, acceptable to the Bank, dated January 22, 2020 as approved at negotiations, 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.
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 at <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework>

8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018.
9. “Implementation Agreements” means the agreements referred to in Section I.C of Schedule 2 to this Agreement and signed between the Borrower, through SMOBI and the Project Entities, as they may be amended from time to time with the prior and written approval of the Bank.
10. “Jatobá Region” means a poor urban region consisting of informal settlements and approximately 38,000 inhabitants located in the Borrower’s territory.
11. “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, utilities, printing services, communication costs, utilities, maintenance and rental of office or 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.
12. “PMU” means Project Management Unit referred to in Section I.A.1 of Schedule 2 to this Agreement, within SMOBI, established and operating in accordance with the Operational Manual, or any successor thereto acceptable to the Bank.
13. “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.
14. “Project Entities” means collectively BHTrans, URBEL, SUDECAP, SMPU, and CTGM, or any successor or successors thereto acceptable to the Bank.
15. “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.
16. “SEP” means the Borrower’s Stakeholder Engagement Plan, acceptable to the Bank, dated November 2019 as published and made available to the public on December 9, 2019, which sets out procedures and approaches for consultations of stakeholders during Project implementation; as the SEP 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.
17. “SMOBI” means *Secretaria Municipal de Obras e Infraestrutura*, the Borrower’s Municipal Secretariat for Urban Infrastructure and Works, as established and operating pursuant to the Borrower’s Law No. 11.065, dated August 1, 2017, or any successor thereto acceptable to the Bank.

18. “SMPU” means *Secretaria Municipal de Política Urbana*, the Borrower’s Municipal Secretariat for Urban Policy, as established and operating pursuant to the Borrower’s Law No. 11.065, dated August 1, 2017, or any successor thereto acceptable to the Bank.
19. “SUDECAP” means *Superintendência de Desenvolvimento da Capital*, the Borrower’s Municipal Super-intendency for Urban Development, as established and operating pursuant to the Borrower’s Law No. 1747, dated December 9, 1969, or any successor thereto acceptable to the Bank.
20. “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.
21. “URBEL” means *Companhia Urbanizadora e de Habitação de Belo Horizonte*, the Borrower’s Municipal Urban and Housing Company, as established and operating pursuant to the Borrower’s Law No. 898, dated October 30, 1961, or any successor thereto acceptable to the Bank.
22. “*Vila Cabana do Pai Tomás*” means a slum area with approximately 20,000 inhabitants located in the Borrower’s territory.