



LOAN NUMBER 2249 BR

# Loan Assumption Agreement

(Water Supply and Sewerage Sector Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

CAIXA ECONOMICA FEDERAL - CEF

Dated *November 18*, 1987

LOAN ASSUMPTION AGREEMENT

AGREEMENT, dated *November 18*, 1987, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CAIXA ECONOMICA FEDERAL - CEF (hereinafter called CEF).

WHEREAS (A) By a loan agreement, dated March 30, 1983, between the Bank and Banco Nacional da Habitacao (hereinafter called BNH), (such agreement as amended to this date, hereinafter called the Loan Agreement), the Bank made a loan (hereinafter called the Loan) to BNH in an amount in various currencies equivalent to three hundred two million three hundred thousand United States dollars (US\$302,300,000) in the terms and conditions set forth in the Loan Agreement;

(B) By a guarantee agreement dated March 30, 1983, between the Federative Republic of Brazil (hereinafter called the Guarantor) and the Bank (hereinafter called the Guarantee Agreement), the Guarantor guaranteed the obligations of BNH in the Loan Agreement contained, in the terms and conditions set forth in the Guarantee Agreement;

(C) By Decree Law No. 2.291 of the Guarantor of November 21, 1986, BNH was merged into CEF, a public enterprise established by Decree Law No. 759 of the Guarantor dated August 12, 1969, being provided that CEF was to succeed BNH in all of its rights and obligations, including BNH's obligations under the Loan Agreement;

(D) The Guarantor and CEF have requested the Bank to agree to the undertaking by CEF of all of BNH's covenants, agreements and obligations in the Loan Agreement contained or referred to, and for that purpose, to enter into this Agreement and into the agreement with the Guarantor referred to below;

(E) The Guarantor has agreed to confirm its obligations in the Guarantee Agreement contained with respect to CEF in a supplemental guarantee agreement (hereinafter called the Supplemental Guarantee Agreement) of even date herewith;

(F) The Bank has agreed to the Guarantor's and CEF's requests based on the representations made by the Guarantor and CEF about the finances and operations of CEF; and

WHEREAS, upon the basis, inter alia, of the foregoing, the Bank and CEF have agreed to enter into this Agreement (hereinafter

called the Loan Assumption Agreement) upon the terms and conditions hereinafter set forth, which include amendments to the Loan Agreement;

NOW THEREFORE, it is hereby agreed as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. Except as otherwise provided in Section 3.01 of this Agreement, wherever used in this Agreement, unless the context requires otherwise, the several terms defined in the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated October 27, 1980, and in the Loan Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Other Loan Assumption Agreements" means the agreements of even date herewith between the Bank and CEF by which CEF assumed the rights and obligations of BNH under Loans 1009-BR (Minas Gerais Water Supply and Sewerage Project), 1309-BR (Second Minas Gerais Water Supply and Sewerage Project), 1525-BR (Greater Sao Paulo Sewage Collection and Treatment Project), 1654-BR (Sites and Services and Low-cost Housing Project), 1656-BR (Northeast Water Supply and Sewerage Project), 1823-BR (Southern States Water Supply and Sewerage Project), 1850-BR (Third Minas Gerais Water Supply and Sewerage Project) and 1970-BR (Water Supply and Sewerage Project); and

(b) "Other Supplemental Guarantee Agreements" means the agreements of even date herewith between the Guarantor and the Bank by which the Guarantor confirmed, supplemented and maintained its guarantee and other obligations in respect of Loans 1009-BR (Minas Gerais Water Supply and Sewerage Project), 1309-BR (Second Minas Gerais Water Supply and Sewerage Project), 1525-BR (Greater Sao Paulo Sewage Collection and Treatment Project), 1654-BR (Sites and Services and Low-cost Housing Project), 1656-BR (Northeast Water Supply and Sewerage Project), 1823-BR (Southern States Water Supply and Sewerage Project), 1850-BR (Third Minas Gerais Water Supply and Sewerage Project) and 1970-BR (Water Supply and Sewerage Project).

## ARTICLE II

### Loan Assumption

Section 2.01. CEF hereby assumes, and agrees to carry out and fulfill, all of the covenants, agreements and obligations of BNH in the Loan Agreement contained or referred to, and the Bank hereby recognizes the succession of CEF to the rights of BNH under the Loan Agreement, and, consequently, CEF is hereby substituted for BNH as a party to and Borrower under the Loan Agreement.

Section 2.02. All action taken under the Loan Agreement by BNH shall be valid and binding on CEF as though CEF had been BNH and the coming into effect of this Agreement shall not affect any right acquired or obligation incurred or the consequences of action taken or omitted to be taken by the Bank or BNH under the Loan Agreement.

Section 2.03. (a) Not later than December 31, 1987, CEF shall furnish to the Bank the results of the review of its organization being carried out by the University of Sao Paulo and Fundação Getulio Vargas.

(b) CEF shall afford the Bank a reasonable opportunity to comment on the proposals of the above-referred review relating to the CEF's sanitation sector organizational arrangements and procedures.

## ARTICLE III

### Amendments to the Loan Agreement

Section 3.01. The Loan Agreement is hereby amended as follows:

1. The Preamble is amended by:

(a) substituting "Banco Nacional da Habitacao" in the first paragraph by "Caixa Economica Federal-CEF";

(b) adding after the letter (A) in paragraph (A) of the words "Banco Nacional da Habitacao (hereinafter called BNH), which has been succeeded by;"

(c) deleting paragraph (c);

(d) adding the word "and" at the end of paragraph (B); and

(e) designating paragraph (D) as paragraph (C).

2. Section 1.02 is amended by:

(a) substituting the words "under the direction of" in paragraph (h) by "by BNH and is being carried out by";

(b) substituting the words "the Borrower's" in paragraph (j), (k) and (r) by "BNH's" and adding after the words "thereof)" in the same paragraphs "and being carried out by the Borrower";

(c) substituting the words "'COSAN" means Carteira de Operacoes do Sistema Financeiro de Saneamento, an office" in paragraph (l) by "'DESAN" means Departamento Central de Saneamento, a department";

(d) substituting the word "cruzeiro" in paragraph (p) by "cruzado";

(e) deleting paragraph (q);

(f) designating paragraphs (r) and (s) as paragraphs (q) and (r), respectively; and

(g) by adding the following new paragraphs (s) and (t):

"(s) "FCVS" means Fundo de Compensação de Variações Salariais, the Guarantor's Salary Equivalency Fund established by Resolution No. 25/67, dated June 16, 1967 of the Board of Directors of BNH; and

(t) "FGTS" means Fundo de Garantia do Tempo Serviço, the Guarantor's Employee Indemnity Fund established by the Guarantor's Law No. 5.107, dated September 13, 1966."

3. Section 2.02 is amended by:

(a) deleting the word "and" after sub-paragraph (a) (iv) and adding the word "and" after sub-paragraph (a) (v);

(b) adding the following new sub-paragraph (iv) to paragraph (c) thereof:

"(iv) Any expenditures incurred between November 30, 1986 and January 31, 1987;"

(c) substituting the words "cruzeiros" and "cruzeiro" in paragraph (f) by the words "cruzados" and "cruzado", respectively; and

(d) substituting the date December 31, 1986 in paragraph (k) by December 31, 1987.

4. Section 2.03 is amended by substituting the date December 31, 1986 in paragraph (c) by November 30, 1987.

5. Section 2.04 is amended by substituting the word "COSAN" in paragraph (b) with the word "DESAN".

6. Section 3.01 is amended by deleting sub-paragraph (g) (i) (c) and its substitution by the following:

"not later than December 31, 1987, a plan to meet the financial performance referred to in Section 4.06 of this Agreement not later than in year 1989;"

7. Article III is amended by adding the following Section 3.08:

"Section 3.08. (a) The Borrower shall maintain organizational arrangements satisfactory to the Bank for purposes of the management, monitoring and coordination of the execution of the Project and PLANASA, such arrangements to include a central unit in charge of planning, supervision and control of PLANASA and evaluating Sub-projects to be financed with the proceeds of the Loan.

(b) The Borrower shall staff the unit referred to in paragraph (a) above with an adequate number of officials with suitable qualifications and experience.

(c) The Borrower shall not change the organizational arrangements referred to in this Section without the Bank's prior concurrence."

8. Section 4.01 is amended by substituting the words "Laws No. 4,380 of August 21, 1964 and No. 5,762 of December 14, 1971, and Decree No. 75,512 of July 23, 1973, as amended from time to time" by "the Guarantor's Decree Law No. 2291 of November 21, 1986, and Decree No. 93,600 of the same date and its Annex."

9. Section 4.06. is amended by:

(a) deleting paragraph (a) and its substitution by the following:

"(a) The Borrower shall cause the Project Companies and States to take all such action (including timely action with respect to the setting or adjustment of each Project Company's rates for its water supply and sewerage services) as shall be necessary to cause, in each calendar year, each Project Company's revenues from water supply and sewerage services together with all its other operating revenues to reach not less than the sum of its operating costs, depreciation charges and debt service, provided however, that the timetable for the implementation of this Section shall be in accordance with each Project Company's plan referred in Section 3.01 (g) (i) (C), as approved by the Borrower and the Bank;" and

(b) deleting the words ", as provided in the Legislation" in sub-paragraph (b) (ii).

10. The following new Section 4.09 is added to the Loan Agreement:

"Section 4.09. Not later than December 31, 1987, the Borrower shall prepare and furnish to the Bank a reconciliation satisfactory to the Bank of the accounts of the FGTS funds administered by the Borrower, in calendar years 1985 and 1986."

11. Section 7.01 is amended by deleting the address of Banco Nacional da Habitacao and its substitution by the following:

Caixa Economica Federal  
Setor Bancario Sul  
Quadra 4, Lote 34  
CEP 70070, Brasilia, D.F.  
Brasil

Telex:

(061) 1365  
(061) 3864

12. Schedule 5 is amended by deleting the words "the Tariff Law and" in paragraph B. (14).

Section 3.02. A full text of the Loan Agreement as amended to this date, including the amendments herein contained, is set forth in the Annex to this Loan Assumption Agreement.

#### ARTICLE IV

##### Effective Date

Section 4.01. (a) This Loan Assumption Agreement and the amendments to the Loan Agreement herein contained shall become effective on the date upon which the Bank dispatches to CEF and the Guarantor notice of its acceptance of evidence that: (i) the Loan Assumption Agreement has been registered with Banco Central do Brasil; (ii) the execution and delivery of the Loan Assumption Agreement and the Supplemental Guarantee Agreement on behalf of the parties thereto have been duly authorized or ratified by all necessary governmental and corporate action; and (iii) the execution and delivery of the Other Loan Assumption Agreements on behalf of CEF and the Other Supplemental Guarantee Agreements on behalf of the Guarantor have been duly authorized or ratified by all necessary governmental and corporate action and all other conditions precedent to the effectiveness of the Other Loan Assumption Agreements and the Other Supplemental Guarantee Agreements pursuant to the provisions of such agreements have been met, except for the effectiveness of this Loan Assumption Agreement and the Supplemental Guarantee Agreement.

(b) As part of such evidence, there shall be furnished to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing: (i) on behalf of CEF that the Loan Assumption Agreement has been duly authorized or ratified, and executed and delivered on behalf of CEF and is legally binding upon CEF in accordance with its terms; and (ii) on behalf of the Guarantor, that the Supplemental Guarantee Agreement has been duly authorized or ratified by and delivered on behalf of the Guarantor and is legally binding upon the Guarantor in accordance with its terms.

#### ARTICLE V

##### Addresses

Section 5.01. The following addresses are specified for the purposes of any notice required or permitted to be given pursuant to this Agreement:



For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT)  
48423 (RCA) or  
64145 (WUI)

For CEF:

Caixa Economica Federal  
Setor Bancario Sul  
Quadra 4, Lote 34  
CEP 70070 Brasilia, D.F.  
Brasil

Telex:

(061) 1365  
(061) 3864

IN WITNESS WHEREOF, the parties hereto, acting through their representative thereunto duly authorized, have caused this Agreement to be signed in their respective names in Brasilia, Brazil, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By

*151 P. C. Muresinghe*

Authorized Representative

CAIXA ECONOMICA FEDERAL - CEF

By 151 *Franco Viotto de Barros*  
Authorized Representative

151 *Joaquim dos Santos Filho*