

LOAN NUMBER 9188-BR

Loan Agreement

**(First Amazonas Fiscal and Environmental Sustainability Programmatic Development
Policy Loan)**

(Programa de sustentabilidade fiscal, econômica, social e ambiental do Estado do Amazonas)

between

STATE OF AMAZONAS

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN NUMBER 9188-BR

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between STATE OF AMAZONAS (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS (A) the Bank has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; (b) the Guarantor’s maintenance of an adequate macroeconomic policy framework; and (c) the Borrower’s maintenance of: (i) an appropriate expenditure program; (ii) sustainable debt; and (iii) appropriate fiscal arrangements with the Guarantor.

Whereas (B) the Borrower has informed the Bank that, upon deposit by the Bank of the proceeds of the Loan (on the terms set forth in Section II of Schedule 1 to this Agreement, for purposes of supporting the Program and in compliance with Article 1 paragraph 1 of its Law n° 5048/2019, dated December 11, 2019) into an account to be designated by the Borrower, the Borrower will regain fiscal sustainability and increase institutional capacity for sustainable agriculture, forest conservation and climate change mitigation.

The Borrower and the Bank therefore 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 two hundred million Dollars (USD 200,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”).
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. 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.
- 2.05. The Payment Dates are March 1 and September 1 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.
- 2.08. Without limitation upon the provisions of Section 4.01 of the General Conditions, the Borrower may request a Conversion of the terms of the Loan, 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 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 — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;

- (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
- (c) without limitation upon paragraph (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
- (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
 - (b) An action has been taken or a policy has been adopted by the Borrower to reverse any action or policy under the Program including any action listed in Section I of Schedule 1 to this Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) That the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Guarantor's macroeconomic policy framework.
 - (b) That the Bank is satisfied with the Borrower's maintenance of an appropriate expenditure program, sustainable debt and appropriate fiscal arrangements with the Guarantor.
- 5.02. The Effectiveness Deadline is the date 120 (one hundred twenty) 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 do Amazonas
Avenida Brasil, s/n – Compensa II
Manaus, Amazonas, 69036-110 – Brazil; and

- (b) the Borrower's Electronic Address is:
Facsimile: E-mail:
(55-92) 2121-1638 dediv@sefaz.am.gov.br

With copies to:

SAIN - Secretaria de Assuntos Econômicos Internacionais do
Ministério da Economia
Esplanada dos Ministérios, Bloco K - 8º andar
Brasília, DF, 70040-906 - Brazil

Facsimile: (55-61) 2020-5006 E-Mail: seain@planejamento.gov.br

Ministério da Economia
Secretaria do Tesouro Nacional
Coordenação-Geral de Controle da Dívida Pública
Esplanada dos Ministérios, Bloco P, Ed. Anexo, Ala A – 1º andar, sala 121
Brasília, DF, 70048-900 - Brazil

E-mail: codiv.df.stn@tesouro.gov.br
geror.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:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	panoscasero@worldbank.org

AGREED as of the Signature Date.

STATE OF AMAZONAS

By

Wilson Lima

Authorized Representative

Name: Wilson Lima

Title: Governador do Estado

Date: 04-nov-2021

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Paloma Anos

Authorized Representative

Name: Paloma Anos Casero

Title: The world Bank

Date: 04-Nov-2021

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

The actions taken by the Borrower under the Program include the following:

Pillar A – Strengthening the Borrower’s Fiscal Sustainability

1. **Pension:** The Borrower has: (i) enacted legislation increasing civil servants’ pension contributions, as evidenced by the issuance and publication of the Borrower’s complementary law (Law No 201/2019) dated December 11, 2019 as published on the Borrower’s official gazette on December 11, 2019; and (ii) signed Compliance Agreements in May and June 2019 to adhere to the Borrower’s complementary law (Law No. 181/2017 dated November 6, 2017) with the Borrower’s judiciary and legislative powers.
2. **Public Investment Management:** The Borrower has enacted regulation to establish prioritization criteria for public investment projects under the Borrower’s Multiannual Investment Plan, as evidenced by the issuance and publication of the Borrower’s Decree No 42959/2020 dated October 4, 2020 as published on the Borrower’s official gazette on November 4, 2020.

Pillar B – Enhancing the Borrower’s Institutional Capacity for Integrating Forest Conservation and Development

3. **Deforestation Prevention:** The Borrower has enacted regulation to adopt its plan for the prevention and control of deforestation and forest fires (*Plano Estadual de Prevenção e Controle do Desmatamento e Queimadas do Amazonas*), as evidenced by the issuance and publication of Decree 42369/2020, dated June 5, 2020, published on the Borrower’s official gazette on June 5, 2020.
4. **Environmental Regularization:** The Borrower has enacted regulation on the Environmental Regularization Program for rural landholdings to enable full validation of the Rural Environmental Cadaster for said rural landholdings which do not comply with conservation requirements; as evidenced by the issuance and publication of the Borrower’s Decree No 42370/2020 dated June 5, 2020, published on the Borrower’s official gazette on June 5, 2020.
5. **Forest Concessions:** The Borrower has enacted legislation to facilitate forest concessions in formally designated forests, enabling third parties that meet international environmental and social standards to practice low-level selective logging, as evidenced by the issuance and publication of the Borrower’s Law No 5225/2020 dated September 3, 2020 published on the Borrower’s official gazette on September 3, 2020.
6. **Payment for Environmental Services:** The Borrower has proposed legislation to expand the Bolsa Floresta Program providing payments for environmental services to families that actively protect the forest in targeted areas by presenting a bill to amend the Borrower’s

Law No. 5065/2019 dated December 30, 2019 and the Borrower's Multiannual Investment Plan; as evidenced by the Borrower's Bill No 491/2020 dated October 28, 2020.

Section II. Availability of Loan Proceeds

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan is allocated in (a) a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds; and (b) the amounts requested by the Borrower to pay the Front-end Fee. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in USD)
(1) Single Withdrawal Tranche	199,500,000
(2) Front-end Fee	500,000
TOTAL AMOUNT	200,000,000

C. Withdrawal Tranche Release Conditions.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless:
 - (a) the Bank is satisfied: (i) with the Program being carried out by the Borrower; and (ii) with the adequacy of the Guarantor's macroeconomic policy framework; and
 - (b) the Bank is satisfied that the Borrower is maintaining an appropriate expenditure program, sustainable debt and appropriate fiscal arrangements with the Guarantor.

D. Deposit of Loan Amounts.

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:
 - (a) the Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, and thereafter maintain a dedicated account on terms and conditions satisfactory to the Bank; and
 - (b) the withdrawal from the Loan Account shall be deposited by the Bank into said dedicated account.
2. The Borrower, within thirty (30) days after the withdrawal from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (c) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

- E. Closing Date.** The Closing Date is December 30, 2022. 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 2

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”).

Principal Payment Date	Installment Share
On each March 1 and September 1 Beginning March 1, 2024 through September 1, 2033	5%

APPENDIX

Definitions

1. “AmazonPrev” means *Fundo Previdenciário do Estado do Amazonas*, the Borrower’s pension administration, as established and operating under the Borrower’s Law (*Lei Complementar*) No.30/2001 dated December 27, 2001.
2. “Bolsa Floresta Program” means the Borrower’s program to establish payments for environmental products and services to traditional communities for the sustainable use of natural resources, environmental conservation and protection and incentive to voluntary policy of deforestation reduction, as established and operating under the Borrower’s Law No. 3135/2007 dated June 5, 2007, or any successor program thereto acceptable to the Bank.
3. “Compliance Agreements” means the agreements (*Termos de Cumprimento*) signed with the Borrower’s Audit Court (*Tribunal de Contas*) on May 29, 2019; the Borrower’s Supreme Court (*Tribunal de Justiça*) on May 29, 2019 and the Borrower’s Prosecution (*Ministério Público*) on June 25, 2019 in order to comply with the Borrower’s Law No. 181/2017 dated November 6, 2017.
4. “Environmental Regularization Program” means *Programa de Regularização Ambiental*, the Borrower’s program to promote environmental regularization for rural landholdings that do not comply with conservation requirements, as established and operating under the Borrower’s Law No. 4406/2016, dated December 28, 2016 and regulated under the Borrower’s Decree No. 42370, dated June 5, 2020, or any successor program thereto acceptable to the Bank.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020).
6. “Guarantor” means the Federative Republic of Brazil.
7. “Multiannual Investment Plan” means *Plano de investimentos multianual*, the Borrower’s multiannual investment plan for the period 2020-2023, as established and operating under the Borrower’s Law No 5055/2019 dated December 27, 2019.
8. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated November 10, 2020 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
9. “Rural Environmental Cadaster” means *Cadastro Ambiental Rural*, the Borrower’s rural environmental registry established and operating under the Borrower’s Law No. 4406/2016, dated December 28, 2016, or any successor registry thereto acceptable to the Bank.

10. “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.
11. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.