

LOAN NUMBER 9006-BR

Loan Agreement

(Ceará Water Security and Governance Project)

*(Projeto de Apoio à Melhoria da Segurança Hídrica e Fortalecimento da Inteligência na
Gestão Pública do Estado do Ceará)*

between

STATE OF CEARÁ

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT



LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between STATE OF CEARÁ (“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 one hundred thirty-nine million and eight hundred eighty thousand Dollars (\$139,880,000), 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 Governor or its Secretary of Planning and Management.
- 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.
- 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, through SEPLAG, shall adopt legally applicable measures to ensure that: (i) IPECE shall carry out the Project coordination and management; and (ii) the Project Entities, and Project Partners shall carry out their specific Parts of the Project; 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 consists of the following:
- (a) the Project Operational Manual has been adopted by the Borrower, IPECE, the Project Entities, the Project Partners, and TCE, all in a manner and with contents acceptable to the Bank;
 - (b) the Management Agreement between the Borrower, through SEPLAG, and IPECE and the Technical Cooperation Agreement between the Borrower and TCE, have been duly signed and delivered and all conditions precedent to their effectiveness have been fulfilled, except for the signature of this Loan Agreement, all in a manner and with contents acceptable to the Bank;



- (c) the Implementation Agreements have been duly signed and delivered between IPECE and the Project Entities, and all conditions precedent to their effectiveness or to the right of the Project Entities to make withdrawals under said Implementation Agreements have been fulfilled, except for the signature of this Loan Agreement, all in a manner and with contents acceptable to the Bank; and
 - (d) the Memoranda of Technical Cooperation have been duly signed and delivered between IPECE and the Project Partners, and all conditions precedent to their effectiveness have been fulfilled, except for the signature of this Loan Agreement, 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 Governor.
- 5.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Casa Civil
Palácio da Abolição
Av. Barão de Studart, 505 – Meireles
60.120-000 Fortaleza, CE - Brazil

With copies to:

Secretaria de Assuntos Econômicos Internacionais do
Ministério da Economia - SAIN
Esplanada dos Ministérios - Bloco K - 8º andar
Brasília, DF, 70040-906 - Brazil
Facsimile: (55-61) 2020-5006

and

Secretaria de Estado da Fazenda - SEFAZ
Avenida Alberto Nepomuceno, 2 - Centro
60000-050 Fortaleza, CE - Brazil

Instituto de Pesquisa e Estratégia Econômica do Ceará – IPECE
Centro Administrativo Gov. Virgílio Távora
Av. General Afonso Albuquerque Lima, s / n
Ed. SEPLAG, Térreo. Cambéa
60822-325 Fortaleza, CE - Brazil

Secretaria de Planejamento e Gestão do Estado do Ceará - SEPLAG
Centro Administrativo Gov. Virgílio Távora



Av. General Afonso Albuquerque Lima, s / n
Ed. SEPLAG, 3º. Andar. Cambéba
60822-325 Fortaleza, CE- Brazil

(b) the Borrower's Electronic Address is:

Facsimile: (55-85) 3466-4029 E-mail: casacivil@casacivil.ce.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: panoscasero@worldbank.org

AGREED as of the Signature Date.

STATE OF CEARÁ

By

Ludiana RB. JR
Authorized Representative

Name: Ludiana Rocha

Title: Procuradora do Estado

Date: December 30, 2019

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

[Signature]
Authorized Representative

Name: Arta Zvinien

Title: Acting Country Director

Date: December 30, 2019



SCHEDULE 1

Project Description

The objective of the Project is to strengthen capacity for water resources management in the Borrower's territory, improve reliability of water services in selected municipalities, and improve operational efficiency of water services in the city of Fortaleza.

The Project consists of the following parts:

Part 1. Increasing Water Security

Increasing water security through improved water resources management, expanded bulk water infrastructure and specific investments to ensure the safety of Project-related dams.

- 1.1. **Integrated Water Resources Management.** Contribute to strengthen the Borrower's water resources management and build its resilience to increased droughts by strengthening the technical capacity of key Project Entities and Project Partners involved in water resources management by supporting: (i) COGERH in increasing knowledge on bulk water usage, universalizing water supply metering and regularizing water users; and (ii) FUNCEME in the strengthening of the climate forecasting system and the improvement of water quality and quantity monitoring.
- 1.2. **Water Infrastructure.** Support: (i) the construction of the Banabuiú-Sertão Central Pipeline System to supply treated water from the Banabuiú Dam reservoir to selected municipalities, districts and rural areas in the Banabuiú and middle Jaguaribe river basins through the construction of approximately 670 km pipeline network and a treatment station near the source; (ii) dam-safety related institutional strengthening activities for SRH and COGERH; and (iii) specific measures related to the safety of the Gavião Dam and Banabuiú Dam, following the results of the Dam Safety Assessment.

Part 2. Improving the Efficiency of Water Services

Improve water supply service efficiency in the city of Fortaleza and CAGECE's operational efficiency.

- 2.1. **Water Losses Control and Reduction.** Support CAGECE in improving water supply efficiency by financing water losses control and reduction activities in the city of Fortaleza.
- 2.2. **Technical Assistance to Support CAGECE.** Improve CAGECE's governance capacity and operational efficiency, including the preparation of (i) CAGECE's organization restructuring plan focusing on improving corporate governance through a broader approach, using the turnaround framework for a performance improvement plan, from short to long term; (ii) economic and social studies to revise CAGECE'S tariff structure with the objective of providing CAGECE with a new tariff structure by level of water consumption able to cover its operational and investment costs; and (iii) guidelines for improved infrastructure asset management processes.



Part 3. Strengthening Public Sector Management

Improve public sector governance, particularly in the water sector, through a set of activities aimed at embedding the use of evidence in planning and decision-making, improving service delivery and management of the Borrower's water resources, as well as increasing accountability, by:

- 3.1. **Use of Evidence for Better Planning and Decision-Making**, through data analysis capacity building activities and the establishment of a dedicated and on-demand research group to support the design and management of policies in the water and agribusiness sectors.
- 3.2. **Public Sector Investments and Management**, through the optimization, strengthening and modernization of ARCE's management and regulatory activities, supporting SEDET's ability to assess the efficiency of water usage in the agricultural sector; the preparation of the Borrower's water supply and sanitation plan; and the implementation of a Public Investment Management System in SEPLAG to support decision making throughout the entire public investment cycle.
- 3.3. **Accountability in Public Investment**, through the development and implementation of a contract management system in the CGE to assess performance and compliance across the State; and a public works management system that will enhance the TCE's ability to monitor water infrastructure works.

Part 4. Contingent Emergency Response Component

Supporting the Borrower, following an Eligible Crisis or Emergency, to respond to emergency situations associated with natural disasters that affect water systems.



SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower, through SEPLAG, shall adopt legally applicable measures to ensure that IPECE will carry out the overall Project coordination and management and 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 Management Agreement and in the Project Operational Manual.
2. The Borrower shall maintain at all times during the implementation of the Project, the Intersectoral Committee, with representatives from IPECE, the Project Entities, and the Project Partners, with regular meetings and sufficient resources, all acceptable to the Bank and as set forth in the Project Operational Manual.
3. The Borrower shall adopt legally applicable measures to ensure that IPECE, the Project Entities, the Project Partners, and TCE implement their 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 their respective Management Agreement, Implementation Agreements, Memoranda of Technical Cooperation, and/or Technical Cooperation Agreement, as the case may be.

B. Project Operational 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 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 management and implementation activities for IPECE and the detailed institutional arrangements of the Project, including Project Entities, and Project Partners; (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 grievance mechanisms and the code of conduct for the Project; and (e) the ESMF and the RPF; 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. Management Agreement.

1. To facilitate the carrying out of the overall management and coordination of the Project, the Borrower, through SEPLAG, shall maintain the Management Agreement with IPECE during the implementation of the Project, on terms and conditions acceptable to the Bank, including, *inter alia*: (a) SEPLAG's obligation to carry out its respective Parts of the Project; (b) the Borrower's obligation to make parts of the proceeds of the Loan allocated to Category (1) available to IPECE in order to assist the Borrower in the carrying out of IPECE's overall management and coordination of the Project; all in accordance with the Anti-Corruption Guidelines, the Procurement Regulations, the ESMF, RPF and DSA, and the Project Operational Manual; and (c) IPECE's obligations as Project coordinating entity, within the scope of its responsibilities to: (i) comply with all obligations established in this Agreement and carry out the overall management and coordination of the Project; (ii) monitor and operate, at all times during Project implementation, staff, functions, capacity and resources in a manner satisfactory to the Bank in order to perform such functions under the Project; (iii) carry out, at all times during Project implementation, measures that aim at ensuring that Project Entities and Project Partners perform their specific parts of the Project in accordance with all appropriate administrative standards and practices, technical and financial resources; and (iv) prepare and report on the activities and actions under this Agreement in a timely manner, including submission of financial, progress and safeguards reports, in collaboration with Project Entities and Project Partners.
2. The Borrower, through SEPLAG, shall adopt legally applicable measures to ensure that IPECE will exercise its rights or carry out its obligations under the Management Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce the Management Agreement, or any of its provisions.
3. SEPLAG shall, within the scope of its responsibilities, provide support and guidance to IPECE for: (a) the preparation and management of the Project planning and budget instruments of the Project; (b) the preparation of Project financial reports through corporate systems; (c) the registration of biddings and suppliers in Licitaweb; and (d) the follow-up with COGERF in relation with counterpart financial resources.

D. Implementation Agreements.

1. To facilitate the carrying out of the Project, the Borrower shall adopt legally applicable measures to ensure that IPECE maintains Implementation Agreements with Project Entities during the implementation of the Project, on terms and conditions acceptable to the Bank, including, *inter alia*: the Borrower's obligation to make parts of the proceeds of the Loan allocated to Category (1) available to Project Entities in order to assist the Borrower in the carrying out of said Project Entities' respective parts of the Project in accordance with the Anti-Corruption Guidelines, the Procurement Regulations, the ESMF, RPF and DSA and the Project Operational Manual.
2. The Borrower shall adopt legally applicable measures to ensure that IPECE exercises its rights or carry out its obligations 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 Project. Except as the Bank shall otherwise agree, the Borrower shall adopt legally applicable measures to ensure that IPECE will not assign, amend, abrogate, waive, terminate or fail to enforce the Implementation Agreements, or any of their provisions.

E. Memoranda of Technical Cooperation.

1. To facilitate the carrying out of the Project, the Borrower shall adopt legally applicable measures to ensure that IPECE maintains Memoranda of Technical Cooperation with Project Partners during the implementation of the Project, on terms and conditions acceptable to the Bank, to assist the Borrower in the carrying out of said Project Partners' respective parts of the Project in accordance with the Anti-Corruption Guidelines, the Procurement Regulations, the ESMF, RPF and DSA, and the Project Operational Manual.
2. The Borrower shall adopt legally applicable measures to ensure that IPECE exercises its rights or carries out its obligations under the Memoranda of Technical Cooperation in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project. Except as the Bank shall otherwise agree, the Borrower shall adopt legally applicable measures to ensure that IPECE will not assign, amend, abrogate, waive, terminate or fail to enforce the Memoranda of Technical Cooperation, or any of their provisions.

F. Technical Cooperation Agreement.

1. To facilitate the carrying out of the Project, the Borrower shall maintain a Technical Cooperation Agreement with TCE during the implementation of the Project, on terms and conditions acceptable to the Bank, in order to assist the Borrower in the carrying out the Project's audits in accordance with the Anti-Corruption Guidelines, the Procurement Regulations, the ESMF, RPF and DSA, and the Project Operational Manual.
2. The Borrower shall exercise its rights or carry out its obligations under the Technical Cooperation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce the Technical Cooperation Agreement, or any of its provisions.

G. Implementation Arrangements for Part 4 of the Project.

1. In order to ensure the proper implementation of Part 4 of the Project after the occurrence of an Eligible Crisis or Emergency, and prior to the carrying out of any activities under said Part of the Project, the Borrower shall take the following measures, all under terms and in a manner satisfactory to the Bank:
 - (a) determine or provide evidence that a competent entity has determined that an Eligible Crisis or Emergency has occurred, and the Bank has agreed with said determination;



- (b) prepare and furnish to the Bank an official request to finance the Eligible Expenditures under Category (1)(b) in order to respond to said Eligible Crisis or Emergency;
- (c) prepare, consult and disclose all safeguards instruments required for said activities, in accordance with the provisions of Section I.D of this Agreement; and
- (d) prepare and furnish to the Bank a manual (the CERC Manual), for the implementation of Part 4 of the Project, including: (i) a list of proposed emergency response and reconstruction activities to be carried out; (ii) financial management arrangements; (iii) procurement methods and procedures; (iv) documentation required for withdrawals of Eligible Expenditures under Category (1)(b); (v) safeguard instruments for environmental and social management consistent with the Bank's Safeguard Policies then in force on the matter; and (vi) any other arrangements necessary to ensure proper coordination and implementation of Part 4 of the Project.

H. Safeguards and Dam Safety.

The Borrower shall:

1. Implement the Project in accordance with the provisions of the ESMF, RPF and the DSA.
2. Ensure that all measures for carrying out the recommendations of the ESMF, RPF and the DSA are taken in a timely manner and that all necessary plans prepared in accordance with said ESMF, RPF and DSA have received the Bank's written no-objection prior to the start of any works or services.
3. Ensure that the terms of reference of any consultancy in respect to the Project shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank's Safeguard Policies then in force, as applied to the advice conveyed through such consulting services.
4. On or before one year after the Effective Date, or such other date as the Bank shall agree upon, hire and maintain during the implementation of all dam safety activities under the Project, the Dam Safety Panel of Experts consisting of three or more experts, with expertise in the various technical fields relevant to the safety aspects of dams, all in form and substance satisfactory to the Bank.
5. On or before three years after the Effective Date, or such other date as the Bank shall agree upon, complete the Gavião Dam Safety Periodic Review and the complementary studies of Banabuiú Dam in accordance with the recommendations of the DSA, all in form and substance satisfactory to the Bank.
6. On or before four years after the Effective Date of this Loan Agreement, or such other date as the Bank shall agree upon, complete the Gavião and Banabuiú Dams Safety Plans (including the instrumentation plans and the operation and maintenance plans, and the



EPPs) in accordance with the DSA and the terms of reference agreed with the Bank, all in form and substance satisfactory to the Bank.

7. On or before five years after the Effective Date, or such other date as the Bank shall agree upon, carry out the rehabilitation works of the Banabuiú Dam in accordance with the DSA, all in form and substance satisfactory to the Bank.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

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: (i) the Front-end Fee; and (ii) 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)(a) Goods, works, non-consulting services, consulting services, Training and Operating Costs for Parts 1, 2 and 3 of the Project | 139,530,300 | 100% |
| (1)(b) Goods, works, non-consulting services, consulting services, Training and Operating Costs for Part 4 of the Project | 0 | 100% |
| (2) Front-end Fee | 349,700 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| TOTAL AMOUNT | 139,880,000 | |



B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Section III 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 \$27,976,000 may be made for payments made prior to this date but on or after the date falling twelve months prior to the Signature Date, for Eligible Expenditures; or
 - (b) under Category (1)(b) until the Borrower has: (i) determined or provided evidence that a competent entity has determined that an Eligible Crisis or Emergency has occurred; (ii) prepared, consulted and disclosed all safeguards instruments required; and (iii) prepared and furnished the CERC Manual; all in a manner satisfactory to the Bank.
2. The Closing Date is December 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.

Section IV. Other Undertakings

1. By three years after the Effective Date , or such other date as the Bank shall agree upon, the Borrower shall: (i) carry out, jointly with the Bank and IPECE, a mid-term review of the implementation of the Project with Project Entities, Project Partners and TCE, 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.
2. On or before three years after the Effective Date, or such other date as the Bank shall agree upon, the Borrower shall establish an action plan, within its constitutional and administrative responsibilities, that will be implemented for the establishment of Institutional Arrangements for the Banabuiú-Sertão Central Pipeline System, covering its operation and maintenance, in form and substance satisfactory to the Bank, as agreed with the Borrower.



SCHEDULE 3

1. Subject to the provisions of Section 3.03 of the General Conditions, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each February 15 and August 15, the first installment to be payable on the eleventh (11th) Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the fiftieth (50th) Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one-fortieth (1/40) of the Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of the Disbursed Amount.
2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after August 15, 2050, the Borrower shall also pay on such date the aggregate amount of all such installments.
3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.



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. “ARCE” means *Agência Reguladora de Serviços Públicos Delegados do Estado do Ceará*, the Borrower’s State Delegated Public Services Regulatory Agency, as established and operating under the Borrower’s Law No 12.786, dated December 30, 1997 and Law No. 25.059, dated July 15, 1998, or any successor thereto acceptable to the Bank.
3. “Banabuiú Dam” means the dam which forms the reservoir where the water intake of the Banabuiú-Sertão Central Pipeline System will be located.
4. “Banabuiú-Sertão Central Pipeline System” means the infrastructure of water intake, bulk water mains, treated water mains, elevation stations, treatment plant and service reservoirs servicing selected municipalities in the Borrower’s territory.
5. “Bank’s Safeguard Policies” means the Operational Policies (OPs) and Bank Procedures (BPs) of the Bank, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.03 (Performance Standards for Private Sector Activities), OP/BP 4.04 (Natural Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), OP/BP 4.37 (Safety of Dams), OP/BP 7.50 (International Waterways), OP/BP 7.60 (Disputed Areas); which can be found at <https://policies.worldbank.org>.
6. “CAGECE” means *Companhia de Água e Esgoto do Ceará*, the Borrower’s Water and Sanitation Utility, as established and operating under the Borrower’s Law No. 9.499, dated July 20, 1971, or any successor thereto acceptable to the Bank.
7. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
8. “CERC” means Contingent Emergency Response Component.
9. “CERC Manual” means the manual prepared by the Borrower for the implementation of Part 4 of the Project, as referred to in Section I C of Schedule 2 to this Agreement, and as the same may be amended from time to time in a manner and with contents acceptable to the Bank.
10. “CGE” means *Controladoria e Ouvidoria Geral do Estado*, the Borrower’s General State Controller’s Office, as established and operating under the Borrower’s Law 14.305, dated March 2, 2009, or any successor thereto acceptable to the Bank.



11. “COGERF” means *Comitê de Gestão por Resultados e Gestão Fiscal*, the Borrower’s result-based management and fiscal management committee as established and operating under the Borrower’s Decree No. 32.173 dated March 22, 2017.
12. “COGERH” means *Companhia de Gestão dos Recursos Hídricos*, the Borrower’s Water Resources Management Company, as established and operating under the Borrower’s Law No. 12.217 dated November 18, 1993, or any successor thereto acceptable to the Bank.
13. “Dam Safety Assessment” or “DSA” means the Borrower’s dam safety assessment acceptable to the Bank, dated November 2018, which contains the assessment on the safety of dams under the Project and guidelines for site-specific measures to be carried out by the Borrower, in agreement with the Bank as part of the Project implementation.
14. “Dam Safety Panel of Experts” means the panel of international level experts to be hired by the Borrower, with qualification and terms of reference found satisfactory to the Bank, in form and substance, in charge of the oversight of all activities related to dam safety under Part 1.2 of the Project.
15. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic, environmental and/or social impact associated with natural or man-made crises or disasters.
16. “EPPs” means Emergency Preparedness Plans for the Banabuiú Dam and the Gavião Dam to be prepared by the Borrower under Part 1.2 of the Project, in accordance with terms of reference and with contents, form and substance satisfactory to the Bank.
17. “ESMF” means the Borrower’s environmental and social management framework dated - December 5, 2018 acceptable to the Bank, as published and available to the public on <http://www.srh.ce.gov.br/projeto-de-apoio-a-melhoria-da-seguranca-hidrica-e-fortalecimento-da-inteligencia-na-gestao-publica-do-estado-do-ceara-ipf-ce/> and <https://www.ipece.ce.gov.br/projeto-em-preparacao/>, or any other website as duly informed by the Borrower to the Bank, which contains guidelines for undertaking site-specific environmental and social measures (in relation to environmental assessment, natural habitats, forests, physical cultural resources, and safety of dams) for individual investments under the Project, including: (i) guidelines for the identification of existing environmental and social conditions and potential direct and indirect environmental and social impacts and risks resulting from the carrying out of the Project; (ii) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (iii) recommendation of mitigation measures for each negative impact identified; (iv) measures for enhancing each identified positive impact; and (v) guidelines for the preparation of environmental and social monitoring plans for tracking the application of the mitigation measures, as said framework may be amended from time to time with the Bank’s prior approval.
18. “FUNCEME” means *Fundação Cearense de Meteorologia e Recursos Hídricos*, the Borrower’s Foundation for Meteorology and Water Resources, as established and operating under the Borrower’s Law No 9.618, dated September 26, 1972, as amended



through the Borrower's Laws No. 13.875, dated February 7, 2007 and No. 15.773 March 10, 2015, or any successor thereto acceptable to the Bank.

19. "Gavião and Banabuiú Dams Safety Plans" means the dam safety plans, including the instrumentation plans, the operation and maintenance plans and the emergency preparedness plans for the Gavião and Banabuiú Dams to be prepared by the Borrower under Part 1.2 of the Project, in accordance with terms of reference and with contents, form and substance satisfactory to the Bank.
20. "Gavião Dam" means the dam which forms the reservoir where the water intake of the Fortaleza water supply system is located.
21. "Gavião Dam Safety Periodic Review" means the dam safety review of the Gavião Dam to be carried by the Borrower under Part 1.2 of the Project, in accordance with terms of reference and with contents, form and substance satisfactory to the Bank.
22. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated December 14, 2018.
23. "Implementation Agreements" means the agreements referred to in Section I.D of Schedule 2 to this Agreement and signed with the Project Entities.
24. "Institutional Arrangements for the Banabuiú-Sertão Central Pipeline System" means the arrangements to be established by the Borrower for the operation and maintenance of said system.
25. "Intersectoral Committee" means a committee referred to in Section I.A.2 of Schedule 2 to this Agreement, established and operating under the Project Operational Manual.
26. "IPECE" means *Instituto de Pesquisa e Estratégia Econômica do Ceará*, the Borrower's Economic Research and Strategy Institute, under the administrative authority of SEPLAG, as established and operating under the Borrower's Law No 13.301, dated April 14, 2003, or any successor thereto acceptable to the Bank.
27. "Licitaweb" means *Sistema Informatizado de Gestão Corporativa de Licitações/Aquisições*, the Borrower's electronic procurement system, as established and operating under the Borrower's Decree No. 32.901, dated November 17, 2018.
28. "Management Agreement" means the agreement referred to in Section I.C of Schedule 2 to this Agreement and signed with IPECE, as further detailed in the Project Operational Manual.
29. "Memoranda of Technical Cooperation" means the memoranda referred to in Section I.E of Schedule 2 to this Agreement and signed with the Project Partners, as further detailed in the Project Operational Manual.



30. “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, vehicle operation and maintenance costs, local contractual staff working on Project, and logistics services, but excluding the Borrower’s regular staff.
31. “PMU” means the Project Management Unit located in IPECE referred to in Section I.A.1 of Schedule 2 to this Agreement, as established and operating under the *Portaria* No. 24/2019, dated May 22, 2019.
32. “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.
33. “Project Entities” means collectively ARCE, CAGECE, CGE, COGERH, FUNCEME, SCIDADES, SRH and TCE, or any successors thereto acceptable to the Bank.
34. “Project Operational Manual” means the manual referred to in Section I B of Schedule 2 to this Agreement, as the same may be amended from time to time in a manner and with contents acceptable to the Bank.
35. “Project Partners” means collectively CGE and SEDET, or any successors thereto acceptable to the Bank.
36. “Public Investment Management System” means a system established under SEPLAG to improve the public investment cycle (proposal, design, implementation and evaluation), and the management and monitoring of investments, as established and operating under the Borrower’s Decree No. 32.216 dated May 8, 2017.
37. “Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, adversely affected temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
38. “RPF” means the Resettlement Policy Framework prepared by the Borrower dated December 5, 2018, and published and available to the public on <http://www.srh.ce.gov.br/projeto-de-apoio-a-melhoria-da-seguranca-hidrica-e-fortalecimento-da-inteligencia-na-gestao-publica-do-estado-do-ceara-ipf-ce/> and <https://www.ipece.ce.gov.br/projeto-em-preparacao/>, or any other website as duly informed by the Borrower to the Bank, which outlines general implementation procedures, mitigation measures and monitoring procedures for Resettlement under the Project, including the procedures for the preparation and implementation of resettlement action



plans, as said framework may be amended from time to time with the Bank's prior approval.

39. "SCIDADES" means *Secretaria das Cidades*, the Borrower's State Secretariat for Cities, as established and operating under the Borrower's Law No. 13.875, dated February 7, 2007, or any successor thereto acceptable to the Bank.
40. "SEDET" means *Secretaria do Desenvolvimento Econômico e Trabalho*, the Borrower's State Secretariat for Economic Development and Labor, as established and operating under the Borrower's Law 16.720, dated December 21, 2018, or any successor thereto acceptable to the Bank.
41. "SEPLAG" means *Secretaria do Planejamento e Gestão*, the Borrower's State Secretariat for Planning and Management, as established and operating under the Borrower's Law No. 13.875, dated February 7, 2007, or any successor thereto acceptable to the Bank.
42. "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.
43. "SRH" means *Secretaria dos Recursos Hídricos*, the Borrower's Secretariat for Water Resources, as established and operating under the Borrower's Law No. 11.306, dated April 1, 1987, or any successor thereto acceptable to the Bank.
44. "TCE" means *Tribunal de Contas do Estado*, the Borrower's State Court of Accounts, as established and operating under the Borrower's Law No. 124, dated September 20, 1935 or any successor thereto acceptable to the Bank.
45. "Technical Cooperation Agreement" means the agreement referred to in Section I.F of Schedule 2 to this Agreement and signed with TCE, as further detailed in the Project Operational Manual.
46. "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.

