His Excellency
Mr. Luiz Fernando de Souza Pezão
Governor of the State of Rio de Janeiro
Rua Pinheiro Machado, S/N - Palácio Guanabara
22231-090 Rio de Janeiro – RJ
Brazil
Email: pezaogabgovernador.ri.gov.br

His Excellency
Mr. Henrique Meirelles
Minister of Finance
Procuradoria Geral da Fazenda Nacional - PGFN
Esplanada dos Ministérios, Bloco P – 8° Andar
70048-900, Brasilia, DF
Brazil
Email: apoioconfdf.pgfngpfngov.br

Second Amendment to the Loan Agreement

Excellencies,

We refer to the Loan Agreement entered into between the State of Rio de Janeiro (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”), with a guarantee from the Federative Republic of Brazil (the “Guarantor”), dated August 19, 2013, as amended on June 30, 2015, (the “Loan Agreement”), for the above-captioned project (the “Project”). Please note that capitalized terms used in this letter (the “Amendment Letter”) not defined herein have the meaning ascribed to them in the Loan Agreement.

Pursuant to your request to: (a) eliminate the Institutional and Structuring Subprojects from the Project; (b) reallocate funds among disbursement Categories; (c) eliminate the establishment of the municipalities consortia; and (d) cancel US$ 40 Million from the Loan; as endorsed by the Guarantor through: (i) the Legal Opinion PARECER PGFN/COF/Nº 1121/2017 dated August 3, 2017; and (ii) COFIEX letter of Recommendation No 06/283 dated June 21, 2017, the Bank hereby agrees to amend the Loan Agreement as follows:

1. Components 1.2.(a) and 2.2 of Schedule 1 to the Loan Agreement are modified to eliminate the “Structuring Subprojects”, and shall read in its entirety as follows:

SCN Quadra 2 Lote A - Ed. Corporate Financial Center, 7º Andar - 70712-900 – Brasília – DF, BRASIL
Tel 55 (61) 3329-1000 Fax 55 (61) 3329-1010
"1.2 Investments to implement

(a) through the provision of grants (Grants), demand driven activities aimed at: (i) improving sustainable and productive farming systems and developing value-chains and access to market (Productive Subprojects; and (ii) improving compliance with environmental regulations and adoption of agro-ecological and environmentally sound practices, and improving sanitation, disaster risk management, and integrated landscape management and conservation (Environmental Subprojects; and (iii) improving water supply and conservation (Water Management Subprojects); and"

"2.2 Improving public and private financial support mechanisms through the enhancement of linkages between the supply and the demand of financial resources for sustainable rural development activities by the development of an economic sustainability system, with participation of public and private sector representatives, to promote awareness of, and access to, the existing supply of public and private financial support resources to Beneficiaries of Productive Subprojects, and Environmental Subprojects, and a better flow of financial resources in favor of such Beneficiaries; and facilitate the exchange of information between the parties involved.”

2. Component 2.1 of Schedule 1 to the Loan Agreement is modified to eliminate “Institutional Subprojects”, and shall read in its entirety as follows:

"2.1 Strengthening rural institutions and coordination mechanisms through capacity-building for the Borrower’s agencies (Beneficiaries) to more quickly and effectively respond to rural sector demands, providing better services and coordination with other public and private sector stakeholders through, in the short term, the implementation of specific activities identified in an institutional sustainability plan (the Institutional Sustainability Plan) and, in the long term, by contributing to the implementation of a national policy in support of territorial development.”

3. Section I.C.2(a) of Schedule 2 of the Loan Agreement is modified to eliminate “Component 2.1”, and shall read in its entirety, as follows:

"2. The Borrower shall, through SEAPPA, enter into:

(a) Grant Agreements appropriate for the carrying out of Component 1.2 (a) of the Project with the pertinent Beneficiaries, and “

4. The table in Section IV.A.2 of Schedule 2 to the Loan Agreement is amended to eliminate Component 2.1 from category (2) “Grants for Subprojects”, reallocate proceeds among categories, and add the cancellation of US$ 40 Million, as set forth below:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services and</td>
<td>7,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training under the Project (except as covered by Category (3) below)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Grants for Subprojects in respect of Component 1.2 (a) of the</td>
<td>31,000,000</td>
<td>100% of the amounts disbursed for Grants for Component 1.2 (a)</td>
</tr>
<tr>
<td>Project</td>
<td></td>
<td>of the Project</td>
</tr>
<tr>
<td>(3) Goods, works, non-consulting services and consultants’ services</td>
<td>15,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>for Subprojects under Component 1.2 (b) of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>6,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>Cancellation as of August 3, 2017</td>
<td>40,000,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>100,000,000</td>
<td></td>
</tr>
</tbody>
</table>

5. Section V.3. of Schedule 2 to the Loan Agreement is deleted in its entirety, to eliminate the “consortia of municipalities”.  

6. The following definitions are modified in Section I - Definitions of the Appendix of the Loan Agreement, as follows:

(i) The definition of “Beneficiaries” is modified to eliminate items (c) (Institutional Subproject) and (d) (Structuring Subproject);  

(ii) The definition of “Environmental Subprojects” is modified to eliminate “Structuring Subprojects” and shall read in its entirety as follows:

"Environmental Subprojects" means eligible subprojects aimed at improving the adoption of agro-ecological and environmentally-sound practices as endorsed by the pertinent Micro-catchment Development Committee and as approved by the Borrower through the Project Implementation Unit and the Bank in accordance with relevant provisions of the Project Operational Manual and to be partly financed with a Grant under a Grant Agreement for the activities set forth in Component 1.2 of the Project and to be carried out by Beneficiaries, all within the territory of Borrower.”  

(iii) The definition of “Institutional Subprojects” is deleted and the subsequent definitions are renumbered accordingly;  

(iv) The definition of “Institutional Sustainability Plan” is modified to replace “Subprojects” by “activities”, and shall read in its entirety as follows:
"Institutional Sustainability Plan" means a document found satisfactory in form and substance to the Bank, called *Plano de Sustentabilidade Institucional* to be prepared by the Borrower under Component 2.1 of the Project in accordance with provisions of the Project Operational Manual to design strategies and identify activities to strengthen the capacity of SEAPPA and its agencies."

(v) The definition of “Productive Subprojects” is modified to eliminate “and/or Beneficiaries of Structuring Subprojects”, and shall read in its entirety as follows:

"Productive Subprojects" means eligible subprojects aimed at improving sustainable and productive farming systems as endorsed by the pertinent Microcatchment Development Committee and as approved by the Borrower through the Project Implementation Unit and the Bank in accordance with relevant provisions of the Project Operational Manual and to be partly financed with a Grant under a Grant Agreement for the activities set forth in Component 1.2 of the Project and to be carried out by Beneficiaries of Productive Subprojects."

(vi) The definition of “Project Operational Manual is modified to eliminate subitem (vii) and renumber the subsequent subitem (viii) accordingly, and shall read in its entirety as follows:

"Project Operational Manual" means the operational manual for the Project, satisfactory to the Bank adopted by the Borrower through SEAPPA Resolution No. 66 dated May 14, 2009, as amended, which contains, *inter alia:* (i) the terms of reference, functions and responsibilities for the personnel of the Project Implementation Unit in charge of daily Project coordination and monitoring; (ii) the procedures for procurement of works, goods, non-consulting services and consultants’ services for the Project and for the Subprojects, as well as for the Project financial management audits and procurement audits of the Subprojects; (iii) flow and disbursement arrangements of Project funds, including the Project performance indicators; (iv) the eligibility criteria for the Subprojects, their selection and approval processes, the Restrictive List, as well as model forms for Grant Agreements; (v) the Annual Operating Plan for the first year of the Project; (vi) the Environmental Management Framework and the Involuntary Resettlement Framework; and (vii) the model form for institutional arrangements, and subsequent institutional arrangements as per Section I.A.7 of Schedule 2 to this Agreement."

(vii) The definition of “SEAPEC” is deleted and replaced by the following definition of “SEAPPA”:

"SEAPPA” means *Secretaria de Estado de Agricultura, Pecuária, Pesca e Abastecimento*, the Borrower’s Secretariat of Agriculture, Livestock, Fishing and Supply, as established and operating under the Borrower’s Decree No. 45.896 dated January 27, 2017, or any successor thereto satisfactory to the Bank."

(viii) The definition of “Structuring Subproject” is deleted and the subsequent definitions are renumbered accordingly; and

(ix) The definition of "Subprojects" is modified to eliminate “Structuring Subprojects and/or Institutional Subprojects” and shall read in its entirety as follows:
“Subprojects” means collectively Productive Subprojects, Environmental Subprojects, Water Management Subprojects, and/or Rural Roads Subprojects (as the case may be).

Please confirm your agreement by signing in the spaces provided below and return to the Bank a signed original. This Amendment will become effective as of the first date above-written upon receipt of: (i) the countersigned original of this Amendment Letter; and (ii) a revised Project Operational Manual, satisfactory to the Bank.

Please also note that the Restructuring Paper, a copy of which is attached herewith, will be disclosed on the World Bank’s external website.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Martin Raiser
Country Director – Brazil
Latin America and the Caribbean Region

AGREED:
STATE OF RIO-DE-JANEIRO
By:
Name: LUIZ FERNANDO DE SOUSA
Title: GOVERNOR
Date: OCTOBER 16, 2017

AGREED:
FEDERATIVE REPUBLIC OF BRAZIL
By:
Name: SUELY DIB DE SOUSA E SILVA
Title: Attorney of the National Treasury
Date: DECEMBER 8, 2017
Attachments: Restructuring Paper
Cc: Mr. Otaviano Canuto, Executive Director for Brazil, The World Bank
Ms. Diana Margarita Quintero Cuello, Alternate Executive Director for Brazil, The World Bank
Mr. Eduardo Guardia, Executive Secretary, Ministry of Finance, gabinete.se.df@fazenda.gov.br
Mr. Rogério Antonio Lucca, Chief of Staff, MF, gabinete.ministro@fazenda.gov.br
Mr. Marcello Estevão, Secretary, SAIN/MF, gabinete.df.sain@fazenda.gov.br
Mr. Fabricio da Soller, Attorney General, PGFN/MF, apoioceof.df.pgfn@pgfn.gov.br
Ms. Ana Paula Vescovi, Secretary, National Treasury, STN/MF, gab.df.stn@fazenda.gov.br
Mr. Esteves Pedro Colnago Júnior, Executive Secretary, MP, se@planejamento.gov.br
Mr. Jorge Arbache, Secretary of International Affairs, SEAIN/MP, seain@planejamento.gov.br
Sr. Gustavo Barbosa de Oliveira, State Secretary of Finance and Planning, RJ, gabsefaz@fazenda.rj.gov.br
Mr. Nelson Teixeira Filho, Sustainable Development Superintendent, SEAPPA, RJ, microbacias@agricultura.rj.gov.br, gabinete@agricultura.rj.gov.br