November 1, 2011

His Excellency
Sérgio Cabral
Governor
Government of the State of Rio de Janeiro
Rua Pinheiro Machado, S/Nº - Palácio Guanabara
22231-090, Rio de Janeiro, RJ
BRAZIL
Fax: (21) 2334-3559

Re: BRAZIL - Rio de Janeiro Sustainable Rural Development Project (Projeto de Desenvolvimento Rural Sustentável em Microbacias Hidrográficas- Rio Rural (Loan 7773-BR)
Amendment to the Loan Agreement

Dear Sir:

Please refer to the Loan Agreement between the International Bank for Reconstruction and Development (the Bank) and the State of Rio de Janeiro (the Borrower) and the Guarantee Agreement entered into between the Federative Republic of Brazil (the Guarantor) and the Bank, both dated December 14, 2009, for the above-referenced Project (the Loan Agreement).

Pursuant to your request as confirmed in the letter from the Guarantor’s National Treasury Secretariat dated June 3, 2011, the Bank hereby agrees to amend the Loan Agreement as follows:

1. Section 3.01 is hereby amended to read as follows:

   “3.01 The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through SEAPEC in accordance with the provisions of Article V of the General Conditions.”

2. Schedule 1 of the Loan Agreement is amended to read as per Attachment I to this Amendment Letter.

3. The term “SEAPPA” is hereby replaced by “SEAPEC” throughout the entire Loan Agreement.

4. A new Section I.A.3 is included in Schedule 2 (and the following paragraphs on said section are renumbered accordingly), to read as follows:
3. The Borrower shall maintain, until the completion of the execution of the emergency activities described in Component 1 of the Project, an Emergency Field Task Force with competent staff in adequate numbers with qualifications and experience satisfactory to the Bank and dedicated solely to the implementation of said activities.

5. A new Section I.A.7 is included in Schedule 2, to read as follows:

7. The Borrower shall create and thereafter maintain, until the completion of the execution of the emergency activities described in Component 1 of the Project, the Emergency Rehabilitation Committees to convene at least weekly to approve Emergency Subprojects, and shall promptly submit the minutes of said meetings to the Project Implementation Unit.

6. A new Section I.A.11 is included in Schedule 2, to read as follows:

11. The Borrower shall, commencing on May 2, 2011 and every month thereafter until the emergency activities are completed, prepare and furnish to the Bank, in a format acceptable to the Bank, implementation status reports for the Project’s emergency activities described on Component 1.

7. Section I.C.1 of Schedule 2 of the Loan Agreement is hereby amended to read as follows:

1. The Borrower shall make Grants to Beneficiaries for Subprojects in accordance with eligibility criteria and procedures acceptable to the Bank as further detailed in the Project Operational Manual, including approval procedures to be followed by the Microcatchment Development Committee or the Emergency Rehabilitation Committee as the case may be.

8. The table included in Section IV.A.2 of Schedule 2 of the Loan Agreement is hereby replaced to read in its entirety as follows:

<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, services (other than consultants’ services), consultant services and training under the Project (except as covered by Category (2) below)</td>
<td>11,021,250</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, services (other than consultants’ services), consultant services for Subprojects under Components 1 and 2 of the Project</td>
<td>26,380,000</td>
<td>100% of amounts disbursed as Grants for such goods, works, services (other than consultants’ services), and consultant services</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>98,750</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(4) Operational costs</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>39,500,000</td>
<td></td>
</tr>
</tbody>
</table>
9. Section IV.A.3 of Schedule 2 of the Loan Agreement is amended to read as follows:

"3. For the purposes of this table, the terms:

(a) "training": means expenditures (other than for consultants’ services) incurred in connection with the carrying out of training, seminars, and workshops under the Project, including the reasonable travel and accommodation cost and per-diem of the trainers and trainees, training materials, rental costs and tuitions.

(b) "Operational costs" means expenditures incurred after January 11, 2011 but not later than March 1, 2012, up to a maximum of $2,000,000, for the reasonable transportation costs, *per diem* and the expenditures for operation and maintenance of vehicles in connection with the carrying out of technical assistance, participatory research and road rehabilitation activities."

10. Section IV.B.2 of Schedule 2 of the Loan Agreement is amended to read as follows:

"2. The Closing Date is November 30, 2016. The Bank shall only grant an extension of the Closing Date after the Guarantor’s Ministry of Finance has informed the Bank that it agrees with such extension."

11. The following definitions were added to the Appendix of the Loan Agreement, following their respective alphabetic order:

(i) “Emergency Field Task Force” means the task force established by SEAPEC, EMATER and PESAGRO to coordinate the implementation of emergency rehabilitation activities in rural areas in response to the January 2011 natural disaster in the Serrana Region.”

(ii) “Emergency Rehabilitation Committees” means collectively all or any of the temporary committees to be established in microcatchments without an established Microcatchment Development Committee in the Borrower’s territory (Comité Emergencial da Microbacia), in accordance with the Project Operational Manual in charge of diagnosing, selecting and endorsing of Emergency Subprojects at the local level and follow-up of the implementation of said Emergency Subprojects.”

(iii) “Emergency Subprojects” means eligible subprojects aimed at re-establishing an agricultural productive environment as endorsed by either the Emergency Rehabilitation Committee or the 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 Subcomponent 1.2 of the Project and to be carried out by Beneficiaries within the territory of the Borrower.”

(iv) “SEAPEC” means Secretaria de Estado de Agricultura e Pecuária, the Borrower’s Secretariat for agriculture and livestock, as established and operating under the Borrower’s Decree No. 42777, dated December 30, 2010.”

[Signature]
(v) "Serrana Region" means the administrative region of Borrower’s territory composed of the following 14 municipalities: Bom Jardim, Cantagalo, Carmo, Cordeiro, Duas Barras, Macuco, Nova Friburgo, Petrópolis, Santa Maria Madalena, São José do Vale do Rio Preto, São Sebastião do Alto, Sumidouro, Teresópolis and Trajano de Moraes.

Please confirm your agreement by signing the form of confirmation below and return to the Bank a signed original. This Amendment will become effective upon receipt of: (i) the countersigned original of this Amendment Letter; (ii) a revised Project Operational Manual, satisfactory to the Bank; and (iii) evidence that a revised Environmental Management Framework has been published and made available to the public on the website http://www.microbacias.rj.gov.br/biblioteca_projeto.htm.

Please note that the approved Restructuring Paper dated August ____, 2011 will be disclosed on the Bank’s external website.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Mahttar Diop
Director
Brazil Country Management Unit
Latin America and the Caribbean Region

AGREEED:

STATE OF RIO DE JANEIRO

By: ____________________________

Name: SERGIO CABRAL

Date: ____________________________
Attachment I

SCHEDULE 1

Project Description

The objective of the Project is to increase the adoption of integrated and sustainable farming systems approaches in specific areas of the Borrower’s territory and help re-establish an agricultural productive environment in areas of the Serrana Region affected by the January 2011 natural disaster, thus contributing to the higher-order objective of increasing small-scale farming productivity and competitiveness in those areas.

The Project consists of the following components:

Component 1. Supporting Rural Production and Competitiveness

Provide assistance to rural beneficiaries (Beneficiaries) by working with community groups across local, municipal and regional levels to increase organizational and participation skills for project implementation through capacity-building and planning activities; operate changes in rural production processes within a framework of market-driven agricultural development focused on sustainable and increased productivity of small farmers, value added and market linkages; and help re-establish the agricultural productive environment of small farmers affected by the January 2011 natural disaster in the Serrana Region, by supporting:

1.1 Pre-investment activities to strengthen organization and capacity for agricultural productivity through training and planning activities in favor of Beneficiaries to enable them to identify and diagnose, based on their initial status, key production challenges to transition towards more profitable and sustainable farming systems, and elaborate investment proposals with special emphasis on production and competitiveness to gradually overcome those challenges with the support of technical assistance; and

1.2 Investments to implement rehabilitation of public rural infrastructure and demand-driven activities (Subprojects) through the provision of grants (Grants) aimed at improving sustainable and productive farming systems (Productive Subprojects); compliance with environmental regulation and adoption of agro-ecological and environmentally sound practices (Environmental Subprojects); erosion control and rehabilitation and maintenance of rural roads (Rural Roads Subprojects); and re-establishment of the agricultural productive environment in areas affected by the Serrana Region natural disaster (Emergency Subprojects).

Component 2. Strengthening Institutional Frameworks

Improve the Borrower’s institutional frameworks supporting market-driven agricultural development by:

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 (Institutional Subprojects) 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.
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; promote a better flow of financial resources in favor of Beneficiaries; and facilitate the exchange of information between the parties involved.

2.3 Undertaking participatory research to establish a new and effective operational system (the Sustainable Services Research Network System) to conduct, in general, agriculture-related research and induce innovation and interaction between research bodies and stakeholders in the identification, discussion and prioritization of key issues in the agricultural and food sector in the Borrower’s territory and, specifically, provide direct support to the implementation of short and medium-term research demands identified by Beneficiaries through a participatory process.

Component 3. Project Coordination and Information Management

Support the Borrower’s overall project management, coordination and implementation, monitoring and evaluation as well as dissemination of key sustainable rural development information under the Project by financing:

3.1 Project coordination through the strengthening of the organizational and operational structure of the Project Implementation Unit; and

3.2 Information management through the development and implementation of a management information system that ensures widespread access and adequate information flows to impact stakeholder decision making in support of sustainable rural development as well as through the promotion of the use of digital and other information technology tools among Project stakeholders and Beneficiaries.