TO: The President, International Bank for Reconstruction and Development

Report of the Committee under Section 4 (iii) of Article III of the Articles of Agreement on the Proposed Loan (Rio Grande do Sul Strengthening Fiscal And Water Resources Management Development Policy Loan - Programa de Consolidação do Equilibrio Fiscal para o Desenvolvimento do Estado do Rio Grande do Sul - II) to the State of Rio Grande do Sul to be guaranteed by the Federative Republic of Brazil.

The undersigned Committee constituted under Section 7 of Article V of the Articles of Agreement of International Bank for Reconstruction and Development (the Bank) hereby submits its report pursuant to Section 4 (iii) of Article III of said Articles in respect of the proposal that the Bank grant to the State of Rio Grande do Sul (the Borrower) a loan in an amount of two hundred and eighty million Dollars ($280,000,000), which loan is to be guaranteed by the Federative Republic of Brazil. The purpose of said loan is to improve the Borrower’s capacity to mitigate economic volatility by supporting measures to increase resources available to the Borrower and to reinforce the integrated water resource management framework.

1. The Committee has carefully studied the merits of the proposal to grant such a loan, and of the purpose to which the proceeds of the loan are to be applied.

2. The Committee is of the opinion that the Program toward the financing of which the proceeds of such loan are to be applied comes within the purposes of the Bank as set forth in Article I of said Articles of Agreement, and that said Program is designed to promote the development of the productive facilities and resources of the Federative Republic of Brazil and is in the interest of the Federative Republic of Brazil and of the members of the Bank as a whole.

3. Accordingly, the Committee finds that said Program merits financial assistance from the Bank, and hereby recommends said Program for such assistance.

COMMITTEE

Senior Vice President and Group General Counsel

[Signature]

Expert Selected by Governor for Federative Republic of Brazil

[Signature]

Regional Vice President Latin America and the Caribbean

[Signature]

Vice President, World Bank Group Chief Risk Officer

[Signature]

Senior Vice President and Chief Economist

Dated at Washington, D.C.

MAY 29, 2014