Loan Agreement


between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF RIO DE JANEIRO

Dated August 19, 2013
LOAN AGREEMENT

Agreement dated August 19, 2013, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and STATE OF RIO DE JANEIRO ("Borrower") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this agreement).

The Bank and the Borrower hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred million Dollars (US$100,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("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 IV 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 Agriculture.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of
the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are February 15 and August 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time, in each case with the prior no objection of the Guarantor, through the Secretariat of the National Treasury of the Guarantor’s Ministry of Finance, request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through SEAPCEC in accordance with the provisions of Article V of the General Conditions.
3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

   (a) The Project Implementation Unit’s Regulation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to perform any of its obligations under this Agreement.

   (b) The Technical Cooperation Agreements have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower, or respectively EMATER and PESAGRO to perform any of their obligations under this Agreement and/or under the Technical Cooperation Agreements.

4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 90 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Project Operational Manual has been duly amended by the Borrower to enable the carrying out of the Project.

5.02. The Additional Legal Matters consist of the following:

   (a) the amendment to the Project Operational Manual has been duly signed, authorized and/or ratified by the Borrower, and is legally binding upon the Borrower in accordance with said manual’s respective terms; and

   (b) that the Loan has been registered with the Guarantor’s Central Bank.

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank’s approval of the Loan which expire on May 6, 2014.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Borrower’s Representative is its Governor.

6.02. The Borrower’s Address is:

Palácio Guanabara
Rua Pinheiro Machado, s/n
Rio de Janeiro, RJ, 22238-900
Brazil
Facsimile: (55-21) 2334-3773

With copies to:

Secretaria de Estado de Fazenda
Av. Presidente Vargas, 670 – 15º andar
Centro, Rio de Janeiro, RJ, 20071-001
Brazil
Facsimile: (55-21) 2334-4535

SEAPEC – Secretaria de Estado de Agricultura e Pecuária
Alameda São Boaventura, 770
Fonseca
Niterói, RJ, 24120-191
Brazil
Facsimile: (55-21) 3607-6003 and (55-21) 3607-5398

Ministério do Planejamento, Orçamento e Gestão
Secretaria de Assuntos Internacionais
Esplanada dos Ministérios, Bloco “K” - 5º andar
Brasília, DF, 70040-906
Brazil
Facsimile: (55-61) 2020-5006 and 2020-5015
6.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

AGREED at *Rio de Janeiro, Brazil*, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By

[Signature]
Authorized Representative

STATE OF RIO DE JANEIRO

By

[Signature]
Authorized Representative

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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 included in the Original Project, as amended solely for purposes of the Loan:

Component 1. Supporting Rural Production and Competitiveness

Provide assistance to rural producers 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; to 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 to help re-establish the 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, planning and technical assistance 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; and

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 Structuring Subprojects depending on the Beneficiary); 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 Structuring Subprojects depending on the Beneficiary); and
(b) demand-driven activities aimed at erosion control and rehabilitation and maintenance of rural roads (Rural Roads 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 of Productive Subprojects, Environmental Subprojects, and Structuring Subprojects and a better flow of financial resources in favor of such Beneficiaries; and facilitate the exchange of information between the parties involved.

2.3 Undertaking participatory research to develop 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 under Components 1 and 2 of the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall carry out the Project through SEAPEC, and cause any partners implementing parts of or activities under the Project to carry out their respective part or activity under the Project, all in accordance with the Project Operational Manual, including the Procurement Plan, the Annual Operating Plan, the Environmental Management Framework and the Involuntary Resettlement Framework and other arrangements as per paragraph 7 below. Except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of these documents without the Bank’s prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.

2. The Borrower shall maintain, until the completion of the execution of the Project, a Project implementation unit (the Project Implementation Unit) within SEAPEC and with competent staff in adequate numbers with qualifications and experience satisfactory to the Bank and, as applicable, selected in accordance with the provisions of Section III of this Schedule, including the following key staff: a Project coordinator, a technical coordinator, an administrative coordinator, a procurement specialist and a financial management specialist.

3. The Borrower shall cause EMATER and PESAGRO to maintain, until the completion of the execution of the Project, competent staff responsible for the implementation of the Project in adequate numbers with qualifications and experience satisfactory to the Bank and, as applicable, selected in accordance with the provisions of Section III of this Schedule.

4. The Borrower shall maintain, until the completion of the execution of the Project, an advisory council (the State Sustainable Rural Development Council) to convene as needed to discuss issues affecting Project implementation, and shall promptly submit the minutes of said meetings to the Bank.

5. The Borrower shall create and thereafter maintain, until the completion of the execution of the Project, the committees (the Microcatchment Development Committees) to prepare the micro-catchment development plans, convene to approve the pertinent Subprojects, supervise the implementation of said Subprojects, and shall promptly submit the minutes of said meetings to the Project Implementation Unit.

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6. The Borrower shall create and thereafter maintain, until the completion of the execution of the Project, the regional development councils (the Regional Development Councils) and the municipal councils (the Municipal Councils).

7. The Borrower shall, through SEAPEC, prior to the carrying out of any Project activities with partners which will provide SEAPEC assistance in the implementation of the Project, finalize the institutional arrangements containing terms and conditions approved by the Bank as further specified in the model form included in the Project Operational Manual for the implementation of the respective Project Components or subcomponents. Said arrangements will be incorporated in the Project Operational Manual and the Borrower shall cause the partners within their responsibilities to comply with said arrangements until the end of the execution of their respective Components of the Project. Except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of these arrangements once incorporated in the Project Operational Manual so as to affect materially and adversely, in the opinion of the Bank, the ability of any partner or the ability of the Borrower to perform any of their obligations under this Agreement or said institutional arrangements. In case of any conflict between the terms of said arrangements and those of this Agreement, the terms of this Agreement shall prevail.

8. The Borrower shall, at least once a year during Project implementation, on or about December 1, commencing on the first such date after the Effective Date, prepare and furnish to the Bank a plan (the Annual Operating Plan) for the Project operation during the following twelve months.

9. The Borrower shall: (a) have all the procurement records and documentation for the Subprojects for each fiscal year of the Project audited in accordance with appropriate procurement auditing principles by independent auditors acceptable to the Bank; (b) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such fiscal year, the procurement audit report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (c) furnish to the Bank such other information concerning said procurement records and documentation and the procurement audit thereof as the Bank shall from time to time reasonably request.

10. The Borrower shall amend the Project Operational Manual on terms and conditions acceptable to the Bank, and, thereafter shall maintain said manual in full force and effect, until completion of the Project.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
C. **Subprojects**

1. The Borrower shall provide 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.

2. The Borrower shall, through SEAPEC, enter into:

   (a) Grant Agreements appropriate for the carrying out of Components 1.2 (a) and 2.1 of the Project with the pertinent Beneficiaries, and

   (b) Implementation Agreements appropriate for the carrying out of Component 1.2 (b):

      such agreements to be made in accordance with the terms of the respective draft set forth in model forms approved by the Bank and included in the Project Operational Manual, in which the Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to:

      (I) suspend or terminate the right of Beneficiaries to use the proceeds of the Grant or the allocated financing, or obtain a refund of all or any part of the amount of the Grant or financing then withdrawn, upon the Beneficiaries’ failure to perform any of its obligations under the Grant Agreement or the Implementation Agreement; and

      (II) require each Beneficiary to:

         (i) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, agricultural, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, the Project Operational Manual, the Environmental Management Framework and the Involuntary Resettlement Framework;

         (ii) provide, promptly as needed, the resources required for the purpose;
(iii) procure the goods, works, non-consulting services and consultants' services to be financed out of the Loan in accordance with the provisions of this Agreement;

(iv) maintain procedures adequate to enable the Borrower to monitor and evaluate, in accordance with indicators acceptable to the Bank, the progress of the Subproject and the achievement of its objectives;

(v) provide information in a timely manner upon request to reflect the operations, resources and expenditures related to the Subproject;

(vi) enable the Borrower and the Bank to inspect the Subproject, its operation and any relevant records and documents; and

(vii) prepare and furnish to the Project Implementation Unit and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

3. The Borrower shall, through SEAPEC, exercise its rights and carry out its obligations under each Grant Agreement and/or Implementation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall, through SEAPEC, not assign, amend, abrogate, waive, terminate or fail to enforce any Grant Agreement and/or Implementation Agreement or any of its provisions.

D. Technical Cooperation Agreements

1. To carry out the Project, the Borrower, through SEAPEC, shall comply with the Technical Cooperation Agreements containing terms and conditions approved by the Bank as further specified in the Project Operational Manual with, respectively, EMATER and PESAGRO. The Borrower shall cause SEAPEC and respectively EMATER and PESAGRO within their responsibilities to comply with said Technical Cooperation Agreements until the end of the execution of their respective Components of the Project.

2. The Borrower shall, through SEAPEC, exercise its rights and carry out its obligations under each Technical Cooperation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce any Technical Cooperation Agreement or any of its provisions.
E. Safeguards

1. Environmental Management

The Borrower shall, through SEAPEC: (a) implement the Project, and when applicable cause the Subprojects to be implemented, in accordance with the Environmental Management Framework (including provisions for natural habitats, pest management, forests and chance finding of cultural property); (b) when applicable, furnish to the Bank for its approval a specific environmental assessment for each Subproject; and (c) cause Beneficiaries to carry out the requirements specified by such specific environmental assessment in accordance with its terms.

2. Involuntary Resettlement

The Borrower shall, through SEAPEC: (a) implement the Project and, when applicable cause the Subprojects to be implemented, in accordance with the provisions of the Involuntary Resettlement Framework; (b) when applicable, furnish to the Bank for its approval a specific involuntary resettlement plan for each Subproject; and (c) cause Beneficiaries to carry out the requirements specified by such specific involuntary resettlement plan in accordance with its terms.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower, through the Project Implementation Unit, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the performance indicators set forth in the Project Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty-five days after the end of
each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal was made for the Project. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. **Procurement**

A. **General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used.
### Procurement Method

(a) National Competitive Bidding (including the method known as “pregão eletrônico”, as provided in the Guarantor’s Law nº 10520, of July 17, 2002, under any e-procurement system acceptable to the Bank), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank.

(b) Shopping (including the method know as “pregão eletrônico”, as provided in the Guarantor’s Law nº 10520, of July 17, 2002, under any e-procurement system acceptable to the Bank).

(c) Direct Contracting

(d) Community Participation in Procurement procedures, as set forth in the Procurement Plan

### C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(b) Least-Cost Selection</td>
</tr>
<tr>
<td>(c) Selection Based on the Consultant’s Qualifications</td>
</tr>
<tr>
<td>(d) Single-Source Selection of consulting firms</td>
</tr>
<tr>
<td>(e) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(f) Single Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

### D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.
Section IV. **Withdrawal of Loan Proceeds**

A. **General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<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 Training under the Project (except as covered by Category (3) below)</td>
<td>24,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Grants for Subprojects in respect of Components 1.2 (a) and 2.1 of the Project</td>
<td>65,900,000</td>
<td>100% of the amounts disbursed for Grants for Components 1.2(a) and 2.1 of the Project</td>
</tr>
<tr>
<td>(3) Goods, works, non-consulting services and consultants’ services for Subprojects under Component 1.2 (b) of the Project</td>
<td>10,000,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>100,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3. For the purposes of this table the term "Training" means expenditures (other than for consultants’ and non-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. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made from the Loan Account until the Bank has received payment in full of the Front-end Fee.

2. The Closing Date is November 30, 2018. 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.

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**Section V. Other Undertakings**

1. The Borrower shall maintain the independent auditors needed to comply with Section II.B.3 above, under terms of reference and with qualifications and experience satisfactory to the Bank and in accordance with the provisions of Section III above.

2. Without limitation to the provisions of Section 5.08 (b) of the General Conditions, the Borrower shall by November 30, 2015, or such other date as the Bank shall agree upon:

   (a) carry out jointly with the Bank, a mid-term review of the implementation of operations under the Project (Midterm Review). The Midterm Review shall cover the progress achieved in the implementation of the Project; and

   (b) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by the Bank.

3. The Borrower shall, through SEAPEC, finalize in form and substance satisfactory to the Bank:

   (a) by December 31, 2013, the establishment of at least two consortia of municipalities participating in the Project to jointly prepare and implement rural roads rehabilitation and maintenance plans in the terms and conditions specified in the Project Operational Manual; and

   (b) by June 30, 2014, the transfer of road equipment and machinery acquired under the Project to such consortia.
## SCHEDULE 3

### Amortization Schedule

1. 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"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>Beginning on August 15, 2018 through February 15, 2020</td>
<td>1.0%</td>
</tr>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>Beginning on August 15, 2020 through August 15, 2029</td>
<td>0.5%</td>
</tr>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>Beginning on February 15, 2030 through August 15, 2030</td>
<td>14.0%</td>
</tr>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>Beginning on February 15, 2031 through August 15, 2031</td>
<td>10.0%</td>
</tr>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>Beginning on February 15, 2032 through August 15, 2032</td>
<td>7.5%</td>
</tr>
<tr>
<td>On February 15, 2033</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.5%</td>
</tr>
<tr>
<td>On August 15, 2033</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.0%</td>
</tr>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>Beginning on February 15, 2034 through August 15, 2034</td>
<td>3.5%</td>
</tr>
</tbody>
</table>
2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

   (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

   (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

   (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (a) the exchange rate that reflects the
amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
APPENDIX

Section I. Definitions

1. "Annual Operating Plan" means any annual operating plan referred to in Section I.A.8 of Schedule 2 to this Agreement.


3. "Beneficiaries" means:
   
   (a) for a Productive Subproject and an Environmental Subproject, an individual or group of individuals living in a rural area, a small farmer, an agricultural producer, a rural community organization, or a rural cooperative in the Borrower's territory;

   (b) for a Rural Roads Subproject, a rural municipality in the Borrower's territory;

   (c) for an Institutional Subproject, a Borrower's agency eligible as per the Project Operational Manual; and

   (d) for a Structuring Subproject:

       (i) for a productive activity as those of Productive Subprojects specified in the Project Operational Manual, groups of small producers organized in associations, cooperatives or other legally registered groups across several micro-catchments and/or municipalities, and small and medium enterprises associated with groups of small producers; and

       (ii) for an environmental activity as those of Environmental Subprojects specified in the Project Operational Manual, individual farmers organized in formal or informal groups;

   all with a legal personality in accordance with the Borrower's and the Guarantor's law, whose status as a Beneficiary has been found eligible in accordance with the criteria set forth in the Project Operation Manual.

4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

6. “EMATER” means Empresa de Assistência Técnica e Extensão Rural do Estado do Rio de Janeiro, the Borrower’s agency for rural extension as established and operating under the Borrower’s Decree No. 564, dated January 26, 1976.

7. “Environmental Management Framework” means the Borrower’s document dated October 8, 2008, as revised on February 1, 2012 (satisfactory to the Bank), and published and available to the public on the website http://www.microbacias.rj.gov.br/biblioteca_projeto.htm which contains the environmental principles and policies covering, among others, those to address natural habitats, forest impacts and pest management, and which shall apply to the implementation of the Project, including, when applicable, the preparation and carrying out of any Subproject.

8. “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 and/or Structuring Subproject Beneficiaries, all within the territory of Borrower.


10. “Grants” means grants to be made by the Borrower to Beneficiaries for the financing of Subprojects other than Rural Roads Subprojects.

11. “Grant Agreement” means any of the agreements referred to in Section I.C.2 (a) of Schedule 2 to this Agreement.

12. “Implementation Agreement” means any of the agreements referred to in Section I.C.2 (b) of Schedule 2 to this Agreement.

13. “Institutional Subprojects” means eligible subprojects aimed at effectively responding to rural sector demands, providing better services and coordinating with other public and private sector stakeholders as endorsed by the State Sustainable Rural Development Council and as approved by the Bank for the activities set forth in Component 2.1 of the Project, and to be carried out by Beneficiaries of Institutional Subprojects.
14. "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 Subprojects to strengthen the capacity of SEAPSEC and its agencies.

15. "Involuntary Resettlement Framework" means the Borrower's document dated October 8, 2008, as revised on February 1, 2012 (satisfactory to the Bank) and published and available to the public on the website http://www.microbacias.rj.gov.br/biblioteca_projeto.htm, which contains the resettlement principles and policies that shall apply to the implementation of the Project including, when applicable, preparation and carrying out of any Subproject.

16. "Microcatchment Development Committees" means collectively all or any of the committees to be established in each microcatchment in the Borrower's territory (Comité Gestor da Microbacia) in accordance with the Project Operational Manual in charge of the implementation and follow-up of the Project at the local level, including the selection and approval of Subprojects.

17. "Municipal Councils" means Conselhos Municipais de Desenvolvimento Rural Sustentável or any other entity in charge of Project follow-up in the Borrower's territory at the municipal level, as operating in accordance with the Project Operational Manual.


19. "Original Project" means the Project described in Schedule 1 to the Original Loan Agreement.

20. "PESAGRO" means Empresa de Pesquisa Agropecuária do Estado do Rio de Janeiro, the Borrower's State Agricultural Research Enterprise as established and operating under the Borrower's Decree No 75, dated January 29, 1975.


22. "Procurement Plan" means the Borrower's procurement plan for the Project, dated February 24, 2012, approved by the Bank on March 5, 2012, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
23. “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 and/or Beneficiaries of Structuring Subprojects.

24. “Project Implementation Unit” means the Project implementation unit referred to in Section I.A.2 of Schedule 2 to this Agreement, established within the administrative structure of SDS in charge of the daily implementation of the Project as further detailed in the Project Operational Manual.

25. “Project Implementation Unit’s Regulation” means the Borrower’s Decree No. 41850, dated May 5, 2009, satisfactory to the Bank.

26. “Project Operational Manual” means the operational manual for the Project, satisfactory to the Bank adopted by the Borrower through SEAPEC 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; (vii) the terms and conditions for the transfer of road equipment and machinery (patrulha mecanizada) from SEAPEC to selected consortia of municipalities in the Borrower’s territory as per Section V.3 of Schedule 2 to this Agreement; and (viii) the model form for institutional arrangements, and subsequent institutional arrangements as per Section I.A.7 of Schedule 2 to this Agreement.

27. “Regional Development Council” means Conselhos Regionais de Desenvolvimento Rural Sustentável, in charge of Project follow-up in the Borrower’s territory at the regional or inter-municipal level, to be created by the Borrower in accordance with the Project Operational Manual.
28. "Restrictive List" means a list of activities to be annexed to the Project Operational Manual and detailing all the types of Subprojects which cannot benefit from financing under the Project.

29. "Rural Roads Subprojects" means eligible subprojects aimed at improving the erosion control and rehabilitation and maintenance of rural roads 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 out of the proceeds of the Loan for the activities set forth in Component 1.2 (b) of the Project and to be carried out by Beneficiaries of Rural Road Subprojects.

30. "SDS" means Superintendência de Desenvolvimento Sustentável, the Borrower’s superintendence on sustainable development within the administrative structure of SEAPEC, as established and operating under the Borrower’s Decree No. 40999, October 26, 2007.

31. "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.

32. "Serrana Region" means the administrative region of the 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.

33. "State Sustainable Rural Development Council" means a council (Conselho Estadual de Desenvolvimento Rural Sustentável) created through the Borrower’s Decree No. 27025, dated August 25, 2000, in charge of the general oversight of the Project, including the approval of the Annual Operating Plans.

34. "Structuring Subproject" means an Environmental Subproject or a Productive Subproject as endorsed by the Regional Development Council 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 (a) of the Project and to be carried out by Beneficiaries of Structuring Subprojects.

35. "Subprojects" means collectively Productive Subprojects, Environmental Subprojects, Rural Roads Subprojects, Structuring Subprojects and/or Institutional Subprojects (as the case may be).
36. "Sustainable Services Research Network System" means *Sistema de Pesquisa, Inovações, Tecnologias e Serviços Sustentáveis em Rede*, the Borrower’s network system for research, innovation, technologies and sustainable services to be established under the Project in the Borrower’s territory to facilitate the adoption by small farmers of sustainable and innovative technologies to improve productive systems and overcome value chains bottlenecks.

37. "Technical Cooperation Agreements" means all or any of the agreements referred to in Section I.D.1 of Schedule 2 to this Agreement and executed between the Borrower, through SEAPEC, and respectively EMATER (for the implementation of Components 1, 2 and 3 of the Project) and PESAGRO (for the implementation of Components 1 and 2 of the Project), both dated May 25, 2009.