Loan Agreement

(Enhancing Public Management for Service Delivery in Rio de Janeiro Development Policy Loan)
(Programa de Melhoramento da Qualidade e Integração dos Transportes de Massa Urbanos – PROMIT)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF RIO DE JANEIRO

Dated December 3, 2013
LOAN AGREEMENT

Agreement dated December 3, 2013, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and STATE OF RIO DE JANEIRO ("Borrower") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS (A) The Bank has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; (b) the Guarantor's maintenance of an adequate macroeconomic policy framework; and (c) the Borrower's maintenance of: (i) an appropriate expenditure program; (ii) sustainable debt; and (iii) appropriate fiscal arrangements with the Guarantor.

WHEREAS (B) the Borrower has informed the Bank that, upon deposit by the Bank of the proceeds of the Loan (on the terms set forth in the Section II of Schedule 1 to this Agreement and for purposes of supporting the Program) into an account to be designated by the Borrower, the Borrower's financial capacity will be strengthened by expanding its fiscal space to finance further public investments in accordance with the Borrower's budgetary laws.

The Bank and the Borrower therefore 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 five hundred million Dollars ($500,000,000), 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").

2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement. The Borrower's
Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Borrower's Secretary of Finance.

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

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate 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 amortization schedule set forth in Schedule 2 to this Agreement.

2.07. (a) The Borrower may at any time, in each case with the prior non-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 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.

2.08. Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 3 of Section II of the Appendix to this Agreement and relating to Cooperation and Consultation), the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.08 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on: (i) the Guarantor's macroeconomic policy framework; (ii) the Borrower's maintenance of an appropriate expenditure program, sustainable debt, and appropriate fiscal arrangements with the Guarantor, as referred to in the Whereas Clause (A) of this Agreement; and (iii) the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially: (i) impairing the Borrower's ability to maintain an appropriate expenditure program, sustainable debt and/or fiscal arrangements with the Guarantor; or (ii) reversing the objectives of the Program or any action taken under the Program including any action specified in Section I.A of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following, namely that an action has been taken or a policy has been adopted by the Borrower to reverse any action or policy under the Program, including any action listed in Section I.A
of Schedule 1 to this Agreement, in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Guarantor’s macroeconomic policy framework.

(b) The Bank is satisfied with the Borrower’s maintenance of an appropriate expenditure program, sustainable debt and appropriate fiscal arrangements with the Guarantor.

5.02. The Additional Legal Matter consists of the following, namely, that the Loan has been registered with the Guarantor’s Central Bank.

5.03. 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 21, 2015.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. 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, 22 238-900
Brazil

Facsimile: (55-21) 2334-3773

With copies to:

Secretaria de Estado de Fazenda
Av. Presidente Vargas, 670 – 19º andar. Centro
Rio de Janeiro - RJ, 20 071-001
Brazil

Facsimile: (55-21) 2334-4513
Secretaria de Estado de Transporte
Rio de Janeiro - RJ, 22 031-000
Brazil

Facsimile: (55-21) 2333-8603

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: Telex: Facsimile:
INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)

AGREED at Brasilia, Federative Republic of Brazil, as of the day
and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By Authorized Representative

STATE OF RIO DE JANEIRO

By Authorized Representative
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:

1. Instituting policies for improved medium-term planning and monitoring of public expenditures

   (a) The Borrower has taken the following actions to adopt sound financial and debt management policies and practices:

      (i) The Borrower has adopted the legal framework to implement its treasury’s operational risk policy, which policy provides for, *inter alia*, mandatory disclosure of related documents on the internet and the Borrower’s submission to yearly external audits of said policy, as evidenced by the Borrower’s Decree no 44.428 of October 11, 2013, published in the Official Gazette on October 14, 2013.

      (ii) The Borrower has established the legal basis for the use of sound financial and debt management tools, such as budget and financial quotas, minimum and average cash balance, and procedures for making payments to its suppliers, as evidenced by the Borrower’s Decree no 44.429 of October 11, 2013, published in the Official Gazette on October 14, 2013.

   (b) The Borrower has taken the following action to strengthen the definition of the budget resource envelope under a medium-term expenditure framework:

      (i) The Borrower has adopted the following budget preparation practices to improve its accountability and fiscal discipline including: (A) preparation, publication and regular updating of detailed revenue estimates including subsequent years estimates; and (B) issuance of an annual budget directive setting appropriate sectorial budget ceilings which shall be consistent with the medium term revenue forecasts and targets for public indebtedness, as evidenced by the Borrower’s Decree no 44.431 of October 11, 2013, published in the Official Gazette on October 15, 2013.

   (c) The Borrower has taken the following action to implement a framework to deal with fiscal commitments originated from PPPs:

      (i) The Borrower has adopted the following institutional practices to improve its transparency and accountability: (A) regular publication of a
comprehensive estimate of fiscal commitments, including explicit and contingent payments from effective and prospective PPP contracts, which estimates shall be updated at least annually together with the annual budget law; and (B) publication of all documents and analysis relating to PPP projects through a specialized website, as evidenced by the Borrower's Decree no 44.430 of October 11, 2013, published in the Official Gazette October 14, 2013.

2. Enhancing the accessibility, quality and affordability of urban mobility services for the poor

(a) The Borrower has taken the following actions to foster modal and regional integration in urban transport systems:

(i) The Borrower has: (A) adopted the Urban Transport Master Plan (PDTU) as the policy framework for the planning and development of an integrated transport system in the RJMR; and (B) established a formal coordination mechanism to enable the Borrower, the academia, civil society institutions and RJMR municipal governments to participate in the implementation of the PDTU, as evidenced by the Borrower’s Decree no 44.433, dated October 11, 2013, published in the Official Gazette on October 14, 2013.

(ii) The Borrower has taken a first step to initiate the implementation of a policy to physically integrate municipal and state-managed mass transit systems in the RJMR, as evidenced by the Memorandum of Understanding entered into between the Borrower and Supervia on August 22, 2013 for the implementation of multimodal integration projects.

(iii) The Borrower has adopted a new policy to promote non-motorized transport (NMT) through which it will: (1) ensure that secured bicycle parking will be available at all major transit stations in the RJMR; and (2) provide technical assistance to RJMR municipalities in developing high quality NMT access to major public transport stations, as evidenced by SETRANS’s Resolution nº 1.114 dated October 10, 2013 and published in the Official Gazette on October 14, 2013.

(b) The Borrower has taken the following action to enhance the performance and transparency of inter-municipal bus services:

(i) The Borrower has adopted a policy to: (A) replace existing permission-based route licenses for inter-municipal bus routes with competitively awarded concessions; (B) institute a performance-based system for managing said concessions; and (C) increase transparency in bus service performance for the public, as evidenced by the Borrower’s Decree 44.432, dated October 11, 2013, published in the Official Gazette on October 14, 2013.
(c) The Borrower has taken the following action to ensure the long-term sustainability and effectiveness of the Borrower’s urban transport subsidy and affordability programs:

(i) The Borrower has adopted a technical evaluation platform for periodic monitoring of the financial viability and cost-effectiveness of all transport programs requiring ongoing subsidies in an effort to ensure their financial sustainability, as evidenced by SETRAN’s Resolution nº 1.113 dated October 10, 2013 and published in the Official Gazette on October 14, 2013.

3. Increasing the availability of targeted social services to reduce gender-based violence in the RJMR

(a) The Borrower has taken the following actions to implement the Maria da Penha Law by leveraging transport infrastructure for improved delivery and targeting of services:

(i) The Borrower has established the Sub-secretariat of Policies for Women (“SPM-RJ/SEASDH”), as evidenced by the Borrower’s Decree No. 44.076, dated February 20, 2013 and published in the Official Gazette on February 21, 2013.

(ii) The Borrower has: (A) adopted a policy to promote gender equality in the transport sector specifically focused on the women users of the transport system operated by Supervia; and (B) committed to implement the “Programa Supervia e Teleférico Lilás”, as evidenced by: (1) Joint Resolution SEFAZ/SETRANS/SEASDH Nº167 dated October 14, 2013 and published in the Official Gazette on October 15, 2013; and (2) the allocation of US$15 million (equivalent) to the SPM-RJ/SEASDH in the 2014 Borrower’s Budget Law Proposal published in the Borrower’s Official Gazette on October 1, 2013.

Section II. Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:
<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan Allocated (expressed in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>500,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>500,000,000</td>
</tr>
</tbody>
</table>

C. **Payment of Front-end Fee.** No withdrawal shall be made from the Loan Account until the Bank has received payment in full of the Front-end Fee.

D. **Withdrawal Tranche Release Conditions.**

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied:

   (a) with the adequacy of the Guarantor’s macroeconomic policy framework and the progress achieved by the Borrower in the carrying out of the Program; and

   (b) with the Borrower’s maintenance of an appropriate expenditure program, sustainable debt and appropriate fiscal arrangements with the Guarantor.

E. **Deposits of Loan Amounts.** Except as the Bank may otherwise agree:

1. all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and

2. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower’s budget management system, in a manner acceptable to the Bank.

F. **Excluded Expenditures.** The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

G. **Closing Date.** The Closing Date is January 31, 2015. The Bank will grant an extension of the Closing Date after the Guarantor’s Ministry of Finance has informed the Bank that it agrees with such an extension.
SCHEDULE 2

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>
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<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
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<tbody>
<tr>
<td>On each February 15 and August 15 Beginning February 15, 2024 through August 15, 2039</td>
<td>3.125%</td>
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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: (i) 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 (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions

1. “Excluded Expenditure” means any expenditure:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

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<tr>
<th>Group</th>
<th>Sub-group</th>
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<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
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<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
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<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
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<tr>
<td>525</td>
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<td>Radioactive and associated materials</td>
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<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
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<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
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<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
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<td>897</td>
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<td>Jewelry of gold, silver or platinum group metals (except</td>
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(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

2. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

3. “Maria da Penha Law” means the Guarantor’s law No. 11.340, dated August 7, 2006, which establishes the legal framework governing domestic violence prevention, including protection and support for women who are at risk of, or victims of, violence.


5. “PDTU” means Plano Diretor de Transportes Urbanos the Borrower’s Urban Transport Master Plan referred to in the Borrower’s Decree nº 44,433, dated October 11, 2013, which is the guiding document for integrated planning and management of investment policies for the public transport system in the RJMR.

6. “PPP” means public-private partnerships.
7. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated October 17, 2013, from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.

8. “Programa Supervia e Teleférico Lilás” means the Borrower’s program referred which aims to: (i) increase women’s access to information and to social and legal services as per the provisions of the Maria da Penha Law; (ii) provide selected social and economic inclusion services to women users of the Supervia transport systems, and (iii) promote permanent and temporary information dissemination and campaign activities on anti-domestic and gender-based violence.

9. “RJMR” means the Rio de Janeiro Metropolitan Region which includes the following municipalities of the Borrower: (i) Rio de Janeiro; (ii) Belford Roxo; (iii) Duque de Caxias; (iv) Guapimirim; (v) Itaborai; (vi) Itaguaí; (vii) Japeri; (viii) Mangaratiba; (ix) Maricá; (x) Magé; (xi) Mesquita; Nilópolis; (xii) Niterói; (xiii) Nova Iguaçu; (xiv) Paracambi; (xv) Queimados; (xvi) São Gonçalo; (xvii) Sao Joao de Meriti; (xviii) Seropédica; and (xix) Tanguá.

10. “SEASDH” means Secretaria de Assistência Social e Direitos Humanos, the Borrower’s Secretariat of Social Assistance and Human Rights or its successor.

11. “SEFAZ” means Secretaria da Fazenda, the Borrower’s Finance Secretariat or its successor.

12. “SETRANS” means Secretaria de Transporte, the Borrower’s Secretariat of Transport or its successor.

13. “SPM-RJ/SEASDH” means Sub-Secretaria de Políticas para as Mulheres”, the Borrower’s Sub-secretariat of Policies for Women or its successor.

14. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule I to this Agreement.

15. “Supervia” means the operator of the Teleférico (as hereinafter defined) and the concessionaire of the suburban railway network in the RJMR (as herein defined) which operates: (i) five main broad gauge electrified corridors (Deodoro, Japeri, Santa Cruz, Leopoldina and Belford Roxo); (ii) three non-electrified in meter gauge corridors (Vila Inhomirim, Guapimirim and Niterói-Visconde de Itaborai); and (iii) the Teleférico.
16. "Teleférico" means the aerial cable car line located in the municipality of Rio de Janeiro (also known as the Teleférico do Alemão).

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 5.01 (Project Execution Generally), and 5.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.

4. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   "Section 5.06. Plans; Documents; Records

   ... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank's representatives to examine such records."

6. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   "Section 5.07. Program Monitoring and Evaluation

   ... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan."
7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“Eligible Expenditure’ means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

(b) The term “Financial Statements” and its definition are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows (and all references to “Project” throughout these General Conditions are deemed to be references to “Program”):

“Program’ means the program referred to in the Loan Agreement in support of which the Loan is made.”