Loan Agreement

(State of Rio de Janeiro Fiscal Efficiency for Quality of Public Service Delivery Development Policy Loan
Programa de Desenvolvimento Econômico, Social e de Sustentabilidade Fiscal II do Estado do Rio de Janeiro – PRODESF II)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF RIO DE JANEIRO

Dated October 30, 2012
LOAN AGREEMENT

Agreement dated October 30, 2012, entered into between the 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 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.

(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 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 Borrower and the Bank 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 three hundred million Dollars ($300,000,000), 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 its Secretary of Finance.

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 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, 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.

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; and (iii) the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 to this Agreement;

(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 appropriate 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 of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

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

(a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
(b) 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 1 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) That the Bank is satisfied with the Borrower’s maintenance of (i) an appropriate expenditure program, (ii) sustainable debt, and (iii) 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 February 28, 2014.

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, Laranjeiras
Rio de Janeiro – RJ, 22238-900
Brazil
Facsimile: +(55-21) 2334-3773

Secretaria de Estado de Fazenda
Av. Presidente Vargas, nº 670, 19° andar, Centro
Rio de Janeiro – RJ, 20071-001
Brazil
Facsimile: +(55-21) 2334-4539
Copy to:

SEAIN – Secretaria de Assuntos Internacionais do
Ministério do Planejamento, Orçamento e Gestão
Esplanada dos Ministérios, Bloco K – 5° andar
Brasília – DF, 70040-906
Brazil

Facsimile: +(55-61) 2020-5006

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, 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

The actions taken by the Borrower under the Program include the following:

1. Strengthening Tax Administration

   (a) The Borrower has strengthened the implementation of REGIN by:

      (i) establishing the Comité Gestor de Integração do Registro Empresarial, as evidenced by the Borrower’s Decree No. 42.890, dated March 21, 2011, published in the Borrower’s Official Gazette on March 22, 2011; and

      (ii) appointing the principals and deputy members to the Comité Gestor de Integração do Registro Empresarial, as evidenced by JUCERJA’s Portaria No. 1.018/2011, dated April 26, 2011, published in the Borrower’s Official Gazette on April 29, 2011.

   (b) The Borrower has, through SEFAZ, adopted standards to improve collection of state taxes, including ICMS, as evidenced by Resolution SEFAZ No. 468, dated December 27, 2011, published in the Borrower’s Official Gazette on December 29, 2011.

   (c) The Borrower has, through SEFAZ, established a process to implement a results-based management system for tax administration within SEFAZ, as evidenced by Resolution SEFAZ No. 498, dated June 12, 2012, published in the Borrower’s Official Gazette on June 14, 2012.

2. Improving the Efficiency of Public Financial Management

(b) The Borrower has:

(i) piloted a methodology for costing the Borrower’s public policy programs on social and economic development, as evidenced by:

(A) the report issued jointly by SEEDUC, SEPLAG and SEFAZ, in accordance with the joint Resolution SEEDUC/SEPLAG/SEFAZ No. 691, dated January 5, 2012, published in the Borrower’s Official Gazette on January 9, 2012; and

(B) the report issued jointly by SES, SEPLAG and SEFAZ, in accordance with the joint Resolution SES/SEPLAG/SEFAZ No. 31, dated January 6, 2012, published in the Borrower’s Official Gazette on January 10, 2012; and

(ii) selected four of the Borrower’s public policy programs for the purpose of costing in accordance with the piloted methodology mentioned in (i) herein, as evidenced by Resolution SEFAZ No. 502, dated June 19, 2012, published in the Borrower’s Official Gazette on June 25, 2012.

(c) The Borrower has:

(i) restructured its internal audit institutional arrangements, as evidenced by the Borrower’s Decree No. 43.463, dated February 14, 2012, published in the Borrower’s Official Gazette on February 15, 2012; and


3. Increasing the Quality and Efficiency of Public Education and Health Services

(a) The Borrower has:

(i) adopted and implemented a merit-based selection process for regional and school directors within its territory, as evidenced by:
(A) the Borrower's Decree No. 43.451, dated February 3, 2012, published in the Borrower’s Official Gazette on February 6, 2012; and

(B) the Borrower’s Atos de Designação listing the regional and school directors appointed between February 2011 and February 2012 in accordance with the adopted selection process mentioned in (i) herein; and

(ii) adopted annual school-level targets for improving student learning and graduation rates and a bonus pay system for schools that achieved their respective annual school-level targets, as evidenced by:

(A) the Borrower’s Decree No. 43.451, dated February 3, 2012, published in the Borrower’s Official Gazette dated February 6, 2012;

(B) Resolution SEEDUC No. 4.768, dated February 7, 2012, published in the Borrower’s Official Gazette on February 8, 2012; and


(b) The Borrower has adopted a legal and administrative framework to assess social organizations to manage public hospitals and health units and to establish the terms and conditions for the contracts to be entered with such organizations, as evidenced by:

(i) the Borrower’s Law No. 6.043, dated September 19, 2011, published in the Borrower’s Official Gazette on September 20, 2011; and

(ii) the Borrower’s Decree No 43.261, dated October 27, 2011, published in the Borrower’s Official Gazette on October 31, 2011.

(c) The Borrower has, through SES:

(i) adopted regulations defining the evaluation mechanisms to transfer bonuses and monetary incentives to municipalities and municipal hospitals within the Borrower’s territory, under PAH I, as evidenced by:
(A) Resolution SESDEC No. 1.550, dated March 16, 2011, published in the Borrower’s Official Gazette on March 17, 2011; and

(B) Resolution SESDEC No. 1.551, dated March 16, 2011, published in the Borrower’s Official Gazette on March 17, 2011; and

(ii) adopted regulations defining the evaluation mechanisms to transfer bonuses and monetary incentives to regional state hospitals within the Borrower’s territory, under PAHI II, as evidenced by Resolution SESDEC No. 1.552, dated March 16, 2011, published in the Borrower’s Official Gazette on March 17, 2011.

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>Single Withdrawal Tranche</td>
<td>300,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000,000</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 Guarantor’s maintenance of an adequate macroeconomic policy framework;
(b) with the Borrower's maintenance of (i) an appropriate expenditure program, (ii) sustainable debt, and (iii) appropriate fiscal arrangements with the Guarantor; and

(c) with the progress achieved by the Borrower in carrying out the Program.

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, 2014. 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>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 15, 2018</td>
<td>1.0%</td>
</tr>
<tr>
<td>August 15, 2018</td>
<td>1.0%</td>
</tr>
<tr>
<td>February 15, 2019</td>
<td>1.0%</td>
</tr>
<tr>
<td>August 15, 2019</td>
<td>1.0%</td>
</tr>
<tr>
<td>February 15, 2020</td>
<td>1.0%</td>
</tr>
<tr>
<td>August 15, 2020</td>
<td>1.0%</td>
</tr>
<tr>
<td>February 15, 2021</td>
<td>1.0%</td>
</tr>
<tr>
<td>August 15, 2021</td>
<td>0.5%</td>
</tr>
<tr>
<td>February 15, 2022</td>
<td>0.5%</td>
</tr>
<tr>
<td>August 15, 2022</td>
<td>0.5%</td>
</tr>
<tr>
<td>February 15, 2023</td>
<td>0.5%</td>
</tr>
<tr>
<td>August 15, 2023</td>
<td>0.5%</td>
</tr>
<tr>
<td>February 15, 2024</td>
<td>0.5%</td>
</tr>
<tr>
<td>August 15, 2024</td>
<td>0.5%</td>
</tr>
<tr>
<td>February 15, 2025</td>
<td>0.5%</td>
</tr>
<tr>
<td>August 15, 2025</td>
<td>0.5%</td>
</tr>
<tr>
<td>February 15, 2026</td>
<td>0.5%</td>
</tr>
<tr>
<td>August 15, 2026</td>
<td>0.5%</td>
</tr>
<tr>
<td>February 15, 2027</td>
<td>0.5%</td>
</tr>
<tr>
<td>August 15, 2027</td>
<td>0.5%</td>
</tr>
<tr>
<td>February 15, 2028</td>
<td>0.5%</td>
</tr>
<tr>
<td>August 15, 2028</td>
<td>0.5%</td>
</tr>
<tr>
<td>February 15, 2029</td>
<td>0.5%</td>
</tr>
<tr>
<td>August 15, 2029</td>
<td>0.5%</td>
</tr>
<tr>
<td>February 15, 2030</td>
<td>15.0%</td>
</tr>
<tr>
<td>August 15, 2030</td>
<td>15.0%</td>
</tr>
<tr>
<td>February 15, 2031</td>
<td>10.0%</td>
</tr>
<tr>
<td>Date</td>
<td>Interest Rate</td>
</tr>
<tr>
<td>-------------</td>
<td>--------------</td>
</tr>
<tr>
<td>August 15, 2031</td>
<td>10.0%</td>
</tr>
<tr>
<td>February 15, 2032</td>
<td>7.5%</td>
</tr>
<tr>
<td>August 15, 2032</td>
<td>7.5%</td>
</tr>
<tr>
<td>February 15, 2033</td>
<td>5.0%</td>
</tr>
<tr>
<td>August 15, 2033</td>
<td>5.0%</td>
</tr>
<tr>
<td>February 15, 2034</td>
<td>2.5%</td>
</tr>
<tr>
<td>August 15, 2034</td>
<td>2.5%</td>
</tr>
<tr>
<td>February 15, 2035</td>
<td>1.5%</td>
</tr>
<tr>
<td>August 15, 2035</td>
<td>1.5%</td>
</tr>
<tr>
<td>February 15, 2036</td>
<td>1.5%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0%</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: (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. "AGE" means the Borrower's central auditing unit known as Auditoria Geral do Estado.

2. "AGE's Action Plan" means the Borrower's annual plan for calendar year 2012 aiming at strengthening the Borrower's internal auditing, dated February 2012.


4. "Comitê Gestor de Integração do Registro Empresarial" means the Borrower's committee established by the Borrower through the Borrower's Decree referred to in Section I.1(a) of Schedule 1 to this Agreement, aimed at governing and regulating the implementation of REGIN.

5. "Despacho do Secretário" means the official act of the Borrower's secretary.

6. "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:
<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>manufactured, tobacco</td>
</tr>
<tr>
<td></td>
<td></td>
<td>refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(whether or not containing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated</td>
</tr>
<tr>
<td></td>
<td></td>
<td>materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>semiprecious stones,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>thereof; fuel elements</td>
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<tr>
<td></td>
<td></td>
<td>(cartridges), non-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>irradiated, for nuclear</td>
</tr>
<tr>
<td></td>
<td></td>
<td>reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>platinum group metals</td>
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<tr>
<td></td>
<td></td>
<td>(except watches and watch</td>
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<td></td>
<td></td>
<td>cases) and goldsmiths’ or</td>
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<tr>
<td></td>
<td></td>
<td>silversmiths’ wares</td>
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<tr>
<td></td>
<td></td>
<td>(including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(excluding gold ores and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>concentrates)</td>
</tr>
</tbody>
</table>

(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.

7. “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.

8. “ICMS” means the Borrower’s state tax titled “Imposto sobre Operações relativas à Circulação de Mercadorias e Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação”.

9. “JUCERJA” means the Borrower’s Junta Comercial do Estado do Rio de Janeiro for purposes of registering and enabling the necessary acts for the carrying out of business activities, established within the Borrower’s Secretaria de Estado e Desenvolvimento Econômico, Indústria e Serviços, the Borrower’s Secretariat for Economic Development.

10. “PAHI I” means the Borrower’s Programa de Apoio aos Hospitais do Interior 1, which supports improvements on management and infrastructure for hospitals in the Borrower’s municipalities with less than 115,000 inhabitants.

11. “PAHI II” means the Borrower’s Programa de Apoio aos Hospitais do Interior 2, which supports improvements on management and infrastructure of regional state hospitals or hospitals with medium complexity located in the Borrower’s territory providing health services in more than one municipality according the Borrower’s health regionalization plan.

12. “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 June 28, 2012, 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.

13. “REGIN” means the Borrower’s Sistema de Registro Integrado aimed at modernizing and simplifying the registration process for businesses within the Borrower’s territory.

14. “SEEDUC” means Secretaria de Estado de Educação, the Borrower’s Secretariat of Education.

15. “SEFAZ” means Secretaria de Estado de Fazenda, the Borrower’s Secretariat of Finance.
16. "SEPLAG" means Secretaria de Planejamento e Gestão, the Borrower's Secretariat of Planning.

17. "SESDEC" means the Borrower's former Secretaria de Estado de Saúde e Defesa Civil, the Borrower's former Secretariat of Health and Civil Defense.

18. "SES" means Secretaria de Estado de Saúde, the Borrower's Secretariat of Health, which succeeded SESDEC in health matters.

19. "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 1 to this Agreement.

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.”