



THE WORLD BANK

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December 15, 2014

His Excellency
Mr. Luiz Fernando de Souza
Governor of the State of Rio de Janeiro
Government of the State of Rio de Janeiro
Avenida Erasmo Braga, 118, 13º andar
20020-000 - Rio de Janeiro, RJ
Brazil
Fax: (55-21) 2333-1716

Brazil - Rio de Janeiro: Renovating and Strengthening Public Management
(PRÓ-GESTÃO) Technical Assistance Project –
Programa de Renovação e Fortalecimento da Gestão Pública - PRÓ-GESTÃO
Loan N° 7955-BR - Amendment and Restatement of the Loan Agreement

Excellency:

We refer to the Loan Agreement entered into between the International Bank for Reconstruction and Development (the Bank) and the State of Rio de Janeiro (the Borrower) dated November 22, 2010, for the above-captioned Project (the Loan Agreement). Please note that capitalized terms used in this letter (Amendment Letter) and not defined herein have the meanings ascribed to them in the Loan Agreement.

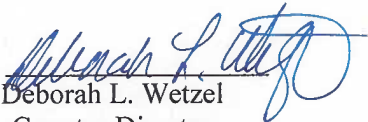
We are pleased to inform you that, pursuant to the request from Mr. Sérgio Ruy Barbosa Guerra Martins, *Secretário de Estado de Planejamento e Gestão, Governo do Estado do Rio de Janeiro*, dated February 11, 2014, as confirmed by the Guarantor on July 29, 2014, the Bank hereby agrees to amend the Loan Agreement in order to: (a) add a new component titled "Development of Institutional and Technological Capacity for Preventing and Performing during High-intensity Weather Events" in the amount of US\$7.1 million; (b) add a new component for Project Management in the amount of US\$ 0.2 million; (c) eliminate selected subcomponents; (d) reduce counterpart funding from US\$ 9.16 to US\$ 0.047 million; (e) transfer US\$ 0.55 million from "Operating Costs" to "Goods, Non-consultant services, consultant services and training"; and (f) extend the closing date from June 30, 2015, to June 30, 2017. Consequently, the Loan Agreement is hereby amended and restated as set forth in the Annex I hereto.

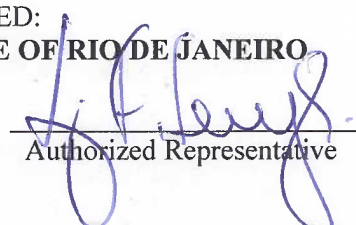
Please confirm your agreement to the foregoing amendment by signing and dating all the originals of this Amendment Letter in the space provided below, and return one fully signed original to us. This Amendment Letter shall become effective upon receipt by the Bank of one fully executed original of this Amendment Letter.

Please note that it is the Bank's policy to make publicly available this Amendment Letter and any information related thereto, such as the respective Restructuring Paper (Annex II), after this Amendment Letter has become fully signed.

Sincerely yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: 
Deborah L. Wetzel
Country Director
Brazil Country Management Unit
Latin America and the Caribbean Region

AGREED:
STATE OF RIO DE JANEIRO
By: 
Authorized Representative
Name: _____
Title: _____
Date: _____

Attachments:

1. Annex I: Amended and Restated Loan Agreement
2. Annex II: Restructuring Paper

cc: Mr. Antonio Henrique Pinheiro Silveira, Executive Director for Brazil, The World Bank
Mr. Roberto B. Tan, Alternate Executive Director for Brazil, The World Bank
Mr. João Guilherme Machado, Secretary of International Affairs, SEAIN/MP
Fax: 2020-5047, seain@planejamento.gov.br
Mr. Paulo Caffarelli, Executive Secretary, MF
Fax: 3412-1824, gabinete.se.df@fazenda.gov.br
Mr. Marcelo Estrela Fliche, Chief of Staff, MF
Fax: 3412-2525, sec.chgabin.gmf@fazenda.gov.br
Ms. Adriana Queiroz de Carvalho, Attorney General, PGFN/MF

Fax: 3412-1740, adriana.carvalho@pgfn.gov.br

Mr. Arno Augustin Filho, Secretary, National Treasury, STN/MF

Fax: 3412-1717, gab.df.stn@fazenda.gov.br

Mr. Carlos Márcio Bicalho Cozendey, Secretary, SAIN/MF

Fax: 3412-1722 , gabinete.df.sain@fazenda.gov.br

Ms. Eva Maria Cella Dal Chiavon, Executive Secretary, MP

Fax: 2020-5003, se@planejamento.gov.br

Mr. Francisco Antônio Caldas Andrade Pinto, Secretary of Planning and Management of the State of Rio de Janeiro Fax:(55-21) 2333-1716, fcaldas@planejamento.rj.gov.br

Mr. Paulo Roberto Lopes Monção, Sub-Secretary of Management Modernization

Fax:(55-21) 2333-1716

Mr. Marco Pacheco, Project Coordinator

Fax:(55-21) 2333-1716; SEPLAG/RJ, marco.pacheco@planejamento.rj.gov.br

ANNEX I

Amendment and Restatement of the Loan Agreement

LOAN NUMBER 7955-BR

Loan Agreement

**(Renovating and Strengthening Public Management
(PRÓ-GESTÃO) Technical Assistance Project –
Programa de Renovação e Fortalecimento da Gestão Pública - PRÓ-GESTÃO)**

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

STATE OF RIO DE JANEIRO

**Dated November 22, 2010
As amended and restated on December 15, 2014**

LOAN NUMBER 7955-BR

LOAN AGREEMENT

Agreement dated November 22, 2010, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and STATE OF RIO DE JANEIRO ("Borrower"). 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 eighteen million six hundred seventy-three thousand dollars (US\$18,673,000.00), 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 Secretary of Planning and Management.
- 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.
- 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 (d) of the General Conditions.

- 2.05. The Payment Dates are May 15 and November 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 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 its Secretariat of the National Treasury, 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 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; and (iii) the setting of limits on the Variable 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.
- (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 objectives of the Project and the Program. To this end, the Borrower shall carry out the Project through SEPLAG, with the assistance of: (a) SEEDUC for Part 2 of the Project; (b) SES for Part 3 of the Project; and (c) INEA for Part 4 of the Project, all 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 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 Program 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.
 - (c) INEA shall have failed to comply with any of its obligations under the INEA Agreement.
 - (d) The INEA Legislation 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.
- 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 Legal Matter consists of the following, namely that the Loan has been registered with the Guarantor's Central Bank.
- 5.02. 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 February 26, 2012.

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:

Avenida Erasmo Braga, 118, 13º andar
20020-000 - Rio de Janeiro, RJ
Brazil.
Facsimile: (55-21) 2333-1716

With copies to:

Secretaria de Estado de Fazenda

Av. Presidente Vargas, nº 670, 19º andar
20071-001 – Rio de Janeiro, RJ
Brazil

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 Washington, D.C.	248423(MCI) or 64145(MCI)	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 /s/ Deborah L. Wetzel

Authorized Representative

STATE OF RIO DE JANEIRO

By /s/ Luiz Fernando de Souza

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the Borrower to introduce performance-based management and information technologies to drive service delivery improvements in key public services, including secondary education and hospital care, all in the Borrower's territory.

The Project consists of the following parts:

Part 1. Core Administrative Systems and Management Tools for Improved Performance and Efficiency

Support: (a) the identification of suitable performance indicators and the design of the Borrower's version of an instrument for result-based management, as well as the acquisition of related information and technology (IT) hardware; (b) data collection for the Borrower's real estate property database; and (c) strengthening of the Borrower's social security management.

Part 2. Strengthening Education Management Capacity, Teacher Instructional Practice and Incentives for School Effectiveness

Support to: (a) build SEEDUC's technical capacity for conducting studies and evidence-based policy; and (b) develop effective in-service training courses for teachers at the Borrower's *Escola SEEDUC*.

Part 3. Health Management and Information Systems

Support: (a) the implementation of a new information system for medical supply-chain management; and (b) a new monitoring system to improve the incentive effects of the Program to Support Municipal Hospitals.

Part 4. Development of Institutional and Technological Capacity for Preventing and Performing during High-intensity Weather Events

Support: (a) the development and implementation of an institutional and operational arrangement for disaster risk management; and (b) the acquisition and installation of two weather radar systems.

Part 5. Project Management

Strengthen the Borrower's capacity in Project management for the carrying out of activities associated with Project execution, monitoring, supervision and evaluation of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. (a) The Borrower shall carry out the Project, or cause the Project to be carried out, in accordance with the Project Operational Manual, the Procurement Plan, and the pertinent Annual Operating Plan; and (b) 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) and with competent staff in adequate numbers with qualifications and experience satisfactory to the Bank, and in accordance, as applicable, with the provisions of Section III of this Schedule, including the following key staff: a general coordinator, a coordinator for institutional relationships, a technical coordinator, a financial management coordinator and a monitoring and evaluation coordinator.
3. The Borrower shall: (a) maintain, until the completion of the execution of the Project, regular meetings between SEPLAG, SEEDUC and SES to convene at least once every quarter; and (b) immediately thereafter, prepare and furnish to the Bank a copy of the minutes of each said meetings.
4. 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), acceptable to the Bank, for the Project's operation during the following twelve months.
5. For purposes of implementing Part 4 of the Project, the Borrower, shall enter into an agreement with INEA (the INEA Agreement), under terms and conditions satisfactory to the Bank, as set forth in the Project Operational Manual, including, *inter alia*: (a) the obligation of the Borrower to: (i) support the implementation of Part 4 of the Project by providing INEA with all the required goods, consultant services and non-consulting services to carry out the Project activities under its responsibility; and (ii) abide by the technical decisions made by INEA with respect to the implementation of Part 4 of the Project; and (b) the obligation of INEA to: (i) provide technical support and leadership for, and coordinate the technical aspects of, the carrying out of Part 4 of the Project, all with due diligence and efficiency in conformity with appropriate administrative, technical, environmental and social standards and practices, and in accordance with the terms of this Agreement, the INEA Agreement, the Project Operational Manual, the Anti-corruption Guidelines;

and (ii) take or permit to be taken all action to enable the Borrower to comply with its obligations under this Agreement.

6. The Borrower shall exercise its rights and carry out its obligations under the INEA Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce the INEA Agreement or any of its provision thereof. In the event of any inconsistency between the provisions of the INEA Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

B. Anti-Corruption

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

C. Safeguards

1. The Borrower shall, and shall cause INEA to: (a) ensure that Part 4 of the Project is carried out in accordance with the Environmental Management Framework; (b) prepare and furnish to the Bank any needed Environment Management Plan, in a manner acceptable to the Bank and in accordance with the provisions of the Environmental Management Framework; and (c) immediately thereafter, implement each Environment Management Plan in accordance with its terms, and in a manner acceptable to the Bank.
2. The Borrower shall, and shall cause INEA to: (a) ensure that Part 4 of the Project is carried out in accordance with the Resettlement Policy Framework; (b) prepare and furnish to the Bank any needed Resettlement Action Plan, in a manner acceptable to the Bank and in accordance with the provisions of the Resettlement Policy Framework; and (c) immediately thereafter, implement each Resettlement Action Plan in accordance with its terms, and in a manner acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. 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 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.

2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through SEPLAG, 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, through SEPLAG, shall prepare and furnish to the Bank not later than thirty days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower, through SEPLAG, 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. 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 and Non-consultant Services .** All goods and Non-consultant 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-Consultant Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and Non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and Non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding, including in respect of goods and non-consultant services, <i>pregão eletrônico</i> (set forth in the Guarantor's Law N° 10520 of July 17, 2002), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank.
(b) Shopping, including in respect of goods and non-consultant services, <i>pregão eletrônico</i> (set forth in the Guarantor's Law N° 10520 of July 17, 2002), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank.
(c) Direct Contracting.

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.

<u>Procurement Method</u>
(a) Selection under a Fixed Budget
(b) Least-Cost Selection
(c) Selection Based on the Consultant's Qualifications
(d) Single-Source Selection
(e) Procedures set forth in Paragraphs 5.1 through 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(f) Sole Source Procedures for the Selection of Individual Consultants set forth in Paragraphs 5.4 of the Consultant Guidelines for the Selection of Individual Consultants

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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, Non-consultant services, consultant services and training under the Project	18,576,317.50	100%
(2) Operating Costs	50,000	100%
(3) Front-end Fee	46,682.50	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	18,673,000	

3. For the purposes of this table:
 - (a) the term "training" means expenditures (other than for Non-consultant services) incurred in connection with the carrying out of training activities, seminars, and workshops under the Project, including the reasonable travel cost,

accommodation and per-diem of the trainers and trainees, training materials, rental costs and scholarships (tuition only);

- (b) the term "Operating Costs" means the operational costs, which would not have been incurred by the Project Implementation Unit, absent the Project, for, *inter alia*, operation and maintenance of vehicles, repairs, fuel, spare parts and insurance, maintenance of the monitoring and information system, travel accommodation and per diem costs for technical staff carrying out supervisory and quality control activities, equipment and computer maintenance, office supplies, utilities, and rent for office facilities, but excluding expenditures for salaries and related benefits; and
- (c) the term "Non-consultant services" means expenditures related to services of technical nature, which do not have an intellectual component, and that can be contracted solely on the basis of price, including, *inter alia*, catering, publications and printing.

B. Withdrawal Conditions; Withdrawal Period

- 1. The Closing Date is June 30, 2017. 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.

Section V. Other Undertakings

Without limitations to the provisions of Section 5.08 (b) of the General Conditions, the Borrower shall by October 31, 2012, 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 the Project, which shall cover the progress achieved in the implementation of the Project; and (b) following such mid-term review, act promptly and diligently to take any corrective action as shall be recommended by the Bank.

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each May 15 and November 15 Beginning May 15, 2014 through November 15, 2029	3.03%
On May 15, 2030	3.04%

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. "Annual Operating Plan" means an annual operating plan to be prepared by the Borrower on or about December 1 each Project year as per Section I. A. 4 of Schedule 2 to this Agreement.
2. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, with the modifications set forth in Section III of this Appendix.
3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004 and revised in October 2006 and May 2010.
5. "Environmental Management Framework" means the Borrower's environmental management framework, acceptable to the Bank, dated December 20, 2011, published and available to the public on the website http://www.progestao.rj.gov.br/salvaguuardas_ambientais.asp, referred to in Section I.C.1 of Schedule 2 to this Agreement.
6. "Environmental Management Plan" means any environmental management plan, acceptable to the Bank, referred to in Section I.C.1 of Schedule 2 to this Agreement.
7. "Escola SEEDUC" means the Borrower's program, as created under the Borrower's Decree Nº 44610, dated February 18, 2014, and operating under the Borrower's Law Nº 5693, dated April 16, 2010, for in-service training of teachers of the Borrower's education network, said training to be delivered through regional training hubs and online courses.
8. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
9. "INEA" means *Instituto Estadual do Ambiente*, the Borrower's environmental institute, as created and operating under INEA Legislation.
10. "INEA Agreement" means the agreement referred to in Section I.A.5 of this Agreement.

11. "INEA Legislation" means the Borrower's Law No. 5.101 dated October 4, 2007.
12. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006 and May 2010.
13. "Procurement Plan" means the Borrower's procurement plan for the Project, dated July 21, 2010, 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.
14. "Program" means PRO-GESTÃO, the Borrower's program to improve public administration and management, as established and operating under the Borrower's Law N° 5282, dated June 30, 2008, as amended by Law N° 5336, dated November 28, 2008.
15. "Program to Support Municipal Hospitals" means *Programa de Apoio aos Hospitais do Interior – PAHI*, the Borrower's program to support municipal hospitals through budget transfers to municipal governments contingent upon reaching specified health sector performance targets, as created and operating under the Borrower's Resolution N° 843 dated September 25, 2009, and Borrower's Resolution N° 845 dated September 30, 2009.
16. "Project Implementation Unit" means the Project implementation unit referred to in Section I.A.2 of Schedule 2 to this Agreement within SEPLAG in charge of the daily implementation of the Project and operating under the Project Implementation Unit Regulation.
17. "Project Implementation Unit Regulation" means the Borrower's Decree N° 42437, dated April 30, 2010.
18. "Project Operational Manual" means the operational manual for the Project, satisfactory to the Bank, adopted by the Borrower through Resolution N° 277, dated April 14, 2010, as amended, which shall contain, *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-consultant services and consultants' services for the Project, as well as for financial management and audits of the Project; (iii) the flow and disbursement arrangements of Project funds; (iv) the staffing plan for the Project Implementation Unit; (v) the Annual Operating Plan for the first year of the Project; and (vi) the criteria to select the area to install the two weather radars to be acquired under Part 4 of the Project.
19. "Resettlement" means: (a) the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their (i) standard of living adversely affected, or (ii) right, title or interest in any house, land (including

premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently, or (iii) access to productive assets, adversely affected, temporarily or permanently, or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons.

20. "Resettlement Action Plan" means any resettlement plan, referred to in Section I.C.2 of Schedule 2 to this Agreement.
21. "Resettlement Policy Framework" means the Borrower's Resettlement framework, acceptable to the Bank, December 20, 2011, published and available to the public on the website http://www.progestao.rj.gov.br/salvaguuardas_ambientais.asp, referred to in Section I.C.2 of Schedule 2 to this Agreement, which sets forth, *inter alia*, the principles and objectives governing Resettlement preparation and implementation, and a description of the process for preparing and approving Resettlement Action Plans under the Project.
22. "SEEDUC" means *Secretaria de Educação*, the Borrower's Secretariat for Education, as created and operating under the Borrower's Decree N° 40486 dated January 1, 2007, or any successor thereto.
23. "SEPLAG" means *Secretaria de Planejamento e Gestão*, the Borrower's Secretariat for Planning and Management, as created and operating under the Borrower's Decree N° 40486 dated January 1, 2007, or any successor thereto.
24. "SES" means *Secretaria de Estado da Saúde*, the Borrower's Secretariat for Health, as created and operating under the Borrower's Decree N° 40486, dated, January 1, 2007, as amended by the Borrower's Decree N° 43017, dated June 9, 2011, or any successor thereto.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

"Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association ("Preparation Advance"), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if

any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (l) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. 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 term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

Section III. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has

engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted

on the Bank's website and otherwise be made known to staff and other stakeholders."

ANNEX II

Restructuring Paper