

**LOAN NUMBER 9410-BR**

# **Loan Agreement**

**(Rio de Janeiro Adjustment and Sustainable Development Policy Loan)**  
*(Projeto de Ajuste e Desenvolvimento  
Sustentável do Rio de Janeiro – Rio de Janeiro Sustentável)*

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**THE MUNICIPALITY OF RIO DE JANEIRO**

## **LOAN AGREEMENT**

AGREEMENT dated as of the Signature Date between THE MUNICIPALITY OF RIO DE JANEIRO (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) 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: (1) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; (2) the Guarantor’s maintenance of an adequate macroeconomic policy framework; and (3) the Borrower’s maintenance of: (i) an adequate expenditure program; (ii) sustainable debt; and (iii) adequate 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 Section II of Schedule 1 to this Agreement, for purposes of supporting the Program and in compliance with Legislative Decree No. 1,529, dated December 15, 2021) into an account to be designated by the Borrower, the Borrower will: (i) strengthen fiscal management to improve medium-term fiscal sustainability; and (ii) accelerate the transition towards a low-carbon, resilient and inclusive urban development.

The Borrower and the Bank therefore hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.1. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.2. 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 the amount of one hundred thirty-five million two hundred thirty-eight thousand two hundred forty-five Dollars (USD 135,238,245), as such amount may be converted from time to time through a Currency Conversion (“Loan”).
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) 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 Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, 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 5.05 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 adequate expenditure program, sustainable debt, and adequate fiscal arrangements with the Guarantor; (iii) and 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 paragraph (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially 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; and
  - (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 I of Schedule 1 to this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 (b) 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 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; and
  - (b) the Bank is satisfied with the Borrower's maintenance of an adequate expenditure program, sustainable debt and adequate fiscal arrangements with the Guarantor.
- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its mayor.
- 6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

Prefeitura da Cidade do Rio de Janeiro  
Municipality of Rio de Janeiro  
Rua Afonso Cavalcanti, 455, 13º andar, Cidade Nova  
20211-110 Rio de Janeiro, RJ  
Brazil; and

(b) the Borrower's Electronic Address is:

E-mail:

[gabinetedoprefeito@rio.rj.gov.br](mailto:gabinetedoprefeito@rio.rj.gov.br)

- 6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex:

Facsimile:

E-mail:

248423(MCI) or  
64145(MCI)

1-202-477-6391

[jzutt@worldbank.org](mailto:jzutt@worldbank.org)

AGREED as of the Signature Date.

**MUNICIPALITY OF RIO DE JANEIRO**

**By**



\_\_\_\_\_  
**Authorized Representative**

**Name:** Eduardo da Costa Paes

**Title:** Mayor

**Date:** 26-Jan-2023

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

**By**



\_\_\_\_\_  
**Authorized Representative**

**Name:** Johannes Zutt

**Title:** Country Director

**Date:** 26-Jan-2023

## 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:

#### **Pillar I – Strengthening the Borrower’s Fiscal Management to Improve Medium-Term Fiscal Sustainability**

1. The Borrower has enacted legislation to improve fiscal sustainability by: (i) joining the Guarantor’s plan for the fiscal recovery of subnational entities (*Plano de Promoção do Equilíbrio Fiscal*), and committing to reduce current savings and improve liquidity; and (ii) adopting a new fiscal framework with revenue and expenditure adjustment measures that are triggered in case of fiscal distress, as evidenced by (a) Complementary Law (*Lei Complementar*) No. 235, dated November 3, 2021, published in the Borrower’s official Gazette on November 4, 2021, and (b) an official letter from the Mayor (*Ofício GBP*) No. 406, dated December 14, 2021 with the attached Borrower’s *Plano de Promoção do Equilíbrio Fiscal*.
2. The Borrower has enacted legislation and decrees to mobilize tax revenues and improve its business environment by: (i) allowing taxpayers to regularize ISS (Tax on Services) debts wrongfully paid to other municipalities via debt write-offs (program popularly known as *De Volta para Casa*); (ii) improving its settlement mechanism for tax administrative disputes between the tax authority and the tax debtors (*transação tributária*); (iii) simplifying ISS withholding rules; and (iv) revoking certain ISS exemptions, as evidenced by (a) Chapters I and V of Title I, Chapter I of Title II, and Title III of Law No. 7,000, dated June 23, 2021, published in the Borrower’s official Gazette on July 26, 2021, and (b) regulated by (i) Decree No. 50032, dated December 16, 2021, published in the Borrower’s official Gazette on December 17, 2021, and (ii) Decree No. 50039, dated December 20, 2021, published in the Borrower’s official Gazette on December 21<sup>st</sup>, 2021.
3. The Borrower has enacted legislation to reduce the public pension deficit by: (i) increasing the contribution rate to civil servants (active and inactive ones, pensioners, and beneficiaries of the special pension) from 11 percent to 14 percent; and (ii) establishing a contribution-based complementary pension scheme for civil servants from the executive and legislative branches of the government, as well as from the Audit Office (*Tribunal de Contas*), which would reduce medium-term public pension liabilities, as evidenced by (a) Article 6, Paragraph 1 of Law No. 6,852, dated April 14, 2021, published in the Borrower’s official Gazette on April 15, 2021; and (b) Law No. 6,982 dated June 29, 2021, published in the Borrower’s official Gazette on June 30, 2021, and regulated by Decree No. 49370, dated September 1, 2021, published in the Borrower’s official Gazette on September 2<sup>nd</sup>, 2021.

## **Pillar II – Accelerating the Borrower’s Transition Towards a Low-Carbon, Climate-Resilient and Inclusive Urban Development**

4. The Borrower has enacted legislation to improve service efficiency and safety of the BRT system, thereby reducing modal shift to high-emission private vehicles by: (i) separating the system’s fare collection management from the bus operation, thereby facilitating the digitalization of the electronic ticketing system and intermodal integration, and increasing data transparency; (ii) instituting a gender program to prevent and address sexual harassment in its public transport system, as evidenced by (a) Law No. 6,848, dated March 25, 2021, published in the Borrower’s official Gazette on March 26, 2021; (b) Decree No. 48580, dated March 5, 2021, published in the Borrower’s official Gazette on March 8<sup>th</sup> 2021; and (c) Law No. 6,938, dated June 14, 2021, published in the Borrower’s official Gazette on June 16<sup>th</sup> 2021, whereas the two latter are regulated by the joint Resolutions No. 52, 53, and 54, dated December 29, 2021, published in the Borrower’s official Gazette on December 30, 2021.
5. The Borrower has enacted regulations that incentivize the use of active mobility rather than high-emission vehicles, thereby reducing transport related greenhouse gas emissions by: (i) expanding its Mobility System by Bicycles, which includes earmarking public land to increase the number of cycleways connecting to neighborhood centers, key public facilities, and structural transport stations; and (ii) establishing the program On the Way to School 2.0 (*A Caminho da Escola 2.0*), to improve the walking and cycling safety conditions in the surroundings of schools, as evidenced by (a) Decree No. 49461, September 21, 2021, published in the Borrower’s official Gazette on September 22, 2021; and (b) joint Ordinance SMTR/CET-RIO No. 1, dated January 26, 2022, published in Borrower’s official Gazette on January 27, 2022.
6. The Borrower has enacted legislation to establish a low emission district in the city center that promotes, *inter alia*, low- and zero-emissions mobility, urban afforestation, climate-resilient infrastructure, building energy efficiency, and sustainable solid waste management, as evidenced by Section I of Chapter VI and Annex I of the Complementary Law (*Lei Complementar*) No. 229, dated July 14<sup>th</sup>, 2021, published in the Borrower’s official Gazette on July 15<sup>th</sup>, 2021.
7. The Borrower has issued a decree to, *inter alia*, promote the transition toward electric mobility, incentivize the use of renewable energy and promote energy efficiency, and enhance the disaster risk prevention and preparedness by establishing its Sustainable Development and Climate Action Plan in line with the United Nation’s Sustainable Development Goals and the Paris Agreement, as evidenced by Decree No. 48940, dated June 4, 2021, published in the Borrower’s official Gazette on June 7, 2021.

### **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 shall be authorized to make only one withdrawal of the Loan

proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>
(1) Single Withdrawal Tranche	135,238,245
<b>TOTAL AMOUNT</b>	<b>135,238,245</b>

**C. Withdrawal Tranche Release Conditions.**

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

- (a) with the Program being carried out by the Borrower;
- (b) with the adequacy of the Guarantor’s macroeconomic policy framework; and
- (c) that the Borrower is maintaining an adequate expenditure program, sustainable debt and adequate fiscal arrangements with the Guarantor.

2. Notwithstanding the provisions of Sections 2.02 of the General Conditions, the Borrower shall furnish to the Bank, in support of the withdrawal application, evidence that the Guarantor is satisfied with all legal requirements for the withdrawal request to be submitted.

**D. Deposit of Loan Amounts.**

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:

- (a) the Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, and thereafter maintain a dedicated account in BRL (“Local Currency Dedicated Account”); and
- (b) all withdrawals from the Loan Account shall be deposited by the Bank into the Local Currency Dedicated Account.

2. The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the Local Currency Dedicated Account; and (b) the record that said exact sum has been accounted for in the Borrower’s budget management systems.

**E. Audit.**

1. The Borrower shall:

- (a) have the Local Currency Dedicated Account audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;
- (b) furnish to the Bank as soon as available, but in no case later than four months after the last withdrawal from the Local Currency Dedicated Account by the Borrower or four



months before the Closing Date, whichever happens first, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Bank; and

(c) furnish to the Bank such other information concerning the Local Currency Dedicated Account and their audit as the Bank shall reasonably request.

**F. Closing Date.** The Closing Date is December 31, 2024. The Bank may grant an extension of the Closing Date only after the Guarantor's Ministry of Economy has informed the Bank that it agrees with such extension.

## SCHEDULE 2

### Commitment-Linked Amortization Repayment Schedule

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”).

#### Level Principal Repayments

<b>Principal Payment Date</b>	<b>Installment Share</b>
On each May 15 and November 15 Beginning November 15, 2023 through May 15, 2043	2.44%
On November 15, 2043	2.40%

## APPENDIX

### Section I. Definitions

1. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
2. “Local Currency Dedicated Account” means the account referred to in Part D of Section II of Schedule 1 to this Agreement.
3. “Mobility System by Bicycle” (*Rede de Mobilidade por Bicicleta*) means the Borrower’s network composed of cycling infrastructure and supporting equipment to encourage regular bicycle use, as further defined in the Borrower’s Sustainable Urban Mobility Plan (*Plano de Mobilidade Urbana Sustentável do Município do Rio de Janeiro - PMUS-Rio*), established by Decree RIO No. 45781, dated April 03, 2019.
4. “*Plano de Promoção do Equilíbrio Fiscal*” means the Guarantor’s plan for the fiscal and credit worthiness recovery of subnational entities stating the set of goals and commitments agreed upon between the Guarantor and each subnational entity that joins the plan, established by Law No. 178, dated January 13, 2021.
5. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated April 07, 2022, 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 and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the Program’s objectives.
6. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
7. “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.
8. “Sustainable Development and Climate Action Plan” (*Plano de Desenvolvimento Sustentável e Ação Climática da Cidade do Rio de Janeiro - PDS*) is the Borrower’s public policy plan for its medium- and long-term sustainable development and climate action which integrates documents, studies, and other materials setting forth actions and goals to be executed and accomplished by 2030.