

CONFORMED COPY

LOAN NUMBER 7719-BR

Loan Agreement

**(Rio de Janeiro Mass Transit 2 Project –
Programa Estadual de Transportes – PET II)**

between

STATE OF RIO DE JANEIRO

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated September 24, 2009

LOAN NUMBER 7719- BR

LOAN AGREEMENT

Agreement dated September 24, 2009, between the STATE OF RIO DE JANEIRO (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank 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 \$211,700,000 (two hundred eleven million and seven hundred thousand Dollars), 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 partially finance 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 State Secretary of Transportation.
- 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower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 April 15 and October 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time, in each case with the prior no objection of the Guarantor, through its Secretariat of National Treasury of its 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 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 objective of the Project. To this end, the Borrower, through the Subsidiary Agreement, shall cause the Project to be carried out by CENTRAL 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 Event of Suspension consists of the following, namely that CENTRAL shall have failed to perform any of its obligations under the

Subsidiary Agreement to an extent that, in the opinion of the Bank, would materially and adversely affect the achievement of the Project objective.

- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 120 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following: the Subsidiary Agreement has been signed on behalf of the Borrower and CENTRAL.
- 5.02. The Additional Legal Matters consist of the following:
- (a) The Subsidiary Agreement has been duly authorized or ratified by CENTRAL and is legally binding upon CENTRAL in accordance with its terms.
 - (b) The Loan has been validly registered by the Guarantor's Central Bank.
- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on January 10, 2011.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Governor.
- 6.02. The Borrower's Address is:

Palácio Guanabara
Rua Pinheiro Machado, s/n
Rio de Janeiro – RJ, 22 238-900
Brazil

Facsimile: (55-21) 2334-3773

With copies to:

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

Facsimile: (55-61) 3225-4022

Secretaria de Estado de Transportes
Avenida Nossa Senhora de Copacabana, 493 11º andar
Rio de Janeiro – RJ, 22031-000
Brazil

Facsimile: (55-21) 2333-9121

Secretaria de Estado de Fazenda
Rua da Alfândega, 42 – 1º andar
Rio de Janeiro - RJ, 20 070-000
Brazil

Facsimile: (55-21) 2334-4513

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, Brazil, as of the day and year first above written.

STATE OF RIO DE JANEIRO

By /s/ Sérgio Cabral

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Makhtar Diop

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is: (a) to improve the level-of-service provided to the suburban rail transport users in the RJMR in a safe and cost-efficient manner; and (b) to improve the transport management and policy framework in the RJMR.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

Part A: Infrastructure and Equipment

Acquisition of at least thirty (30) trains (EMUs) of four (4) cars each and accessories for a total of at least 120 cars to be operated, on the lines of CENTRAL's System, by the Concessionaire under the terms of the Concessionaire Contract.

Part B: Institutional and Policy Development

1. Provision of technical assistance to SETRANS for the carrying out of studies on policy development, including: (a) consolidating the AMTU-RJ for the RJMR; (b) updating the current integrated transport policy, land use and air quality management master plan (PDTU) for the RJMR to meet both transport and air quality targets and to introduce sound cost-recovery, tariff, regulatory and subsidy policies; and (c) supporting the adoption of Integrated Modal Tariffs.
2. Provision of technical assistance to CENTRAL for the management and supervision of the Project, including the acquisition and reception of the trains (EMUs).

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through SETRANS, shall implement the Project in accordance with the Procurement Plan and shall maintain, at all times during the execution and until completion of the Project, a Project management unit within CENTRAL to be responsible for monitoring of Project implementation and for the overall coordination of the Project (the "PMIG"). The PMIG shall have staff, responsibilities, structure and functions satisfactory to the Bank for the purposes of assisting CENTRAL in the implementation the Project. The PMIG shall be headed at all times by a Project coordinator with qualifications, experience, functions and responsibilities satisfactory to the Bank, who shall report directly to the Director-President of CENTRAL.
2. The Borrower, through SETRANS, shall enter into an agreement with CENTRAL, under terms and conditions satisfactory to the Bank (the "Subsidiary Agreement"), to set forth the respective responsibilities of the Borrower and CENTRAL in the implementation of the Project including, *inter alia*:
 - (a) CENTRAL's responsibility to procure the goods and services under the Project; and
 - (b) the Borrower's responsibility, through its relevant agencies, to comply and/or ensure compliance by the Concessionaire with the safeguard, technical, fiduciary and other requirements of the Loan Agreement applicable to the Project.
3. The Borrower, through SETRANS, shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

B. Anti-Corruption

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

C. Environmental and Social Provisions

Without limitation to the provisions of Section 5.01 (b) of the General Conditions, the Borrower, through SETRANS, shall carry out and shall cause CENTRAL and the Concessionaire to carry the Project in accordance with the provisions and recommendations of the Environmental Management Plan (including provisions regarding pest management).

Section II. Project Monitoring Reporting and Evaluation**A. Project Reports**

1. The Borrower, through SETRANS, shall cause CENTRAL to 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 indicators agreed with the Bank (“Indicators”). Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than three months after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through SETRANS, shall cause CENTRAL to maintain 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 SETRANS, shall cause CENTRAL to prepare and furnish to the Bank not later than forty-five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower, through SETRANS, shall cause CENTRAL to 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.** All goods 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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. 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, non-consultants services and works, <i>convite</i> , <i>tomada de preços</i> and <i>concorrência</i> set forth in the Guarantor's Law No. 8.666 of June 21, 1993, and, <i>pregão eletrônico</i> set forth in the Guarantor's Law No. 10520 of July 17, 2002). Contracts awarded on the basis of National Competitive Bidding are subject to the following additional procedures, namely that the bidding documents shall be acceptable to the Bank. |
| (b) Shopping |

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> |
|---|
| Selection under a Fixed Budget (FBS) |
| Selection Based on the Consultants Qualifications (CQS) |
| Least Cost Selection (LCS) |
| Single-Source Selection (SSS) |
| Quality-based Selection (QBS) |
| Procedures set forth in Paragraphs 5.2 and 5.3 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: (a) Article II of the General Conditions; (b) this Section; and (c) 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.

| <u>Category</u> | Amount of the Loan Allocated (expressed in USD) | Percentage of Expenditures to be financed |
|---|--|---|
| (1) Goods (including warehousing) for Part A of the Project | 206,370,750 | 100% |
| (2) Consultant services for Part B of the Project | 4,800,000 | 100% |
| (3) Front-end Fee | 529,250 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| TOTAL AMOUNT | 211,700,000 | |

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$42,340,000 equivalent may be made for payments made within one year prior to this date but in no case before December 22, 2008, for Eligible Expenditures.
2. The Closing Date is June 30, 2014. 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

The Borrower shall, within the limits of its authority, at all times during the implementation and until the completion of the Project: (i) maintain the AMTU-RJ; and (ii) introduce and maintain a type of Integrated Modal Tariff (IMT), in the present or other format as long as it continues to enhance the mobility and affordability of metropolitan transport to users, particularly those of low-income. In addition, the Borrower shall undertake its best efforts to extend the IMT to other modes of transportation and expand the AMTU-RJ to include other municipalities of the RJMR.

SCHEDULE 3**Amortization Schedule**

1. Subject to the provisions of paragraph 2 of this Schedule, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each April 15 and October 15, the first installment to be payable on the fifteenth (15th) Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the forty-ninth (49th) Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one-thirty-fifth (1/35) of the Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of the Disbursed Amount.
2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after April 15, 2039, the Borrower shall also pay on such date the aggregate amount of all such installments.
3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.
4. Notwithstanding the provisions of paragraphs 1 through 3 of this Schedule, in the event of a Currency Conversion of all or any portion of a Disbursed Amount 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.

APPENDIX**Section I. Definitions**

1. “AMTU-RJ” means *Agência Metropolitana de Transporte Urbano do Estado do Rio de Janeiro*, the urban transport agency for RJMR (as hereinafter defined), established pursuant to an agreement dated December 19, 1997, sponsored by the Borrower and entered or expected to be entered into by the municipalities which are part of the RJMR (as hereinafter defined).
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.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “CENTRAL” means *Companhia Estadual de Engenharia de Transportes e Logística, S.A.*, the Borrower’s transport engineering and logistics company responsible for urban train transportation, established pursuant to the CENTRAL Legislation.
5. “CENTRAL Legislation” means the Borrower’s Decree No. 27.898 dated March 9, 2001 and Borrower’s Decree No. 28.313 dated May 11, 2001, as amended and complemented by the Minutes of the Extraordinary General Assembly of CENTRAL, dated May 30, 2001.
6. “CENTRAL’s System” means the railway network in RJMR (as hereinafter defined) comprising: (a) five main broad gauge electrified corridors (Deodoro, Japeri, Santa Cruz, Leopoldina and Belford Roxo); and (b) three corridors non-electrified, in meter gauge (Vila Inhomirim, Guapimirim and Niterói-Visconde de Itaboraí).
7. “Concession Contract” means the contract entered into between the Borrower and the Concessionaire (as hereinafter defined), dated September 17, 1998, with CENTRAL, a third interested party, governing the concession awarded to such Concessionaire to operate, manage and maintain the CENTRAL’s System (as hereinafter defined).
8. “Concessionaire” means the consortium (which at present is SuperVia) to which the Borrower has awarded the concession to operate, manage and maintain the CENTRAL’s System pursuant to the terms of the Concession Contract.

9. “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.
10. “EMUs” means electrical multiple units.
11. “Environmental Management Plan” means the plan for assessment and management of the Project environmental impacts, dated October 28, 2008, and set forth in the Concessionaire’s Website (which at present is www.supervia.com.br).
12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
13. Indicators” means the impact, performance and implementation indicators agreed with the Bank and set forth in a supplemental letter of even date herewith, as such letter may be amended from time to time with the agreement of the Bank.
14. “Integrated Modal Tariff or “IMT” means an arrangement between transport operators allowing users to be charged a single fare for completing a trip using more than one service or mode within a certain period of time, and costing less than the sum of individual fares.
15. “PDTU” means *Plano Diretor de Transporte Urbano*, the urban transport master plan for the RJMR, a plan that integrates urban transport, land use and air quality management.
16. “PMIG” means the Project management unit (*Coordenadoria Executiva de Gerenciamento e Implantação de Programa/BIRD- CEGIP*) referred to in Section I.A.1 of Schedule 2 to this Agreement, established pursuant to *Resolução de Diretoria Executiva* No. 0179/07, dated March 28, 2007, as amended to the date of this Agreement.
17. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
18. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 29, 2009 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.

19. “RJMR” means Rio de Janeiro metropolitan region, an area comprising the following municipalities of the Borrower: (i) Rio de Janeiro; (ii) Belford Roxo; (iii) Duque de Caxias; (iv) Guapimirim; (v) Itaboraí; (vi) Itaguaí; (vii) Japeri; (viii) Mangaratiba; (ix) Mesquita; (x) Magé; (xi) Nilópolis; (xii) Niterói; (xiii) Nova Iguaçu; (xiv) Paracambi; (xv) Queimados; (xvi) São Gonçalo; (xvii) Sao Joao de Meriti; (xviii) Seropédica; and (xix) Tanguá.
20. “SETRANS” means *Secretaria de Estado de Transportes do Rio de Janeiro*, the Borrower’s Secretariat of Transport.
21. “Subsidiary Agreement” (*Instrumento Particular de Contrato Subsidiário ao Contrato de Empréstimo Externo*) means the agreement to be signed between the Borrower, through SETRANS, and CENTRAL as referred to in Section I.A.2 of Schedule 2 to this Agreement.