Project Agreement

(São Paulo Trains and Signaling Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

COMPANHIA DO METROPOLITANO DE SÃO PAULO - METRÔ

Dated June 12, 2008
PROJECT AGREEMENT

Agreement dated June 12, 2008, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and COMPANHIA DO METROPOLITANO DE SÃO PAULO - METRÔ (“SP METRO”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between the STATE OF SÃO PAULO (“Borrower”) and the Bank. The Bank and the SP METRO hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan 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 Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. SP METRO declares its commitment to the objective of the Project. To this end, SP METRO shall carry out Parts A.2 and B.3 of the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the facilities, services and other resources required for its Respective Parts of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and SP METRO shall otherwise agree, SP METRO shall carry out its Respective Parts of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. SP METRO’s Representative is its President.
3.02. The SP METRO’s Address is:
Companhia do Metropolitano de São Paulo - METRÔ
Rua Boa Vista 175 Bloco B – 7º Andar
São Paulo – SP
CEP: 01.014-001
Facsimile:
00 55 11 3291 2810

3.03. The Bank’s Address is:
International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America
Cable: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Evangeline Javier
Authorized Representative

COMPANHIA DO METROPOLITANO DE SÃO
PAULO - METRÔ

By /s/ José Luiz Portella Pereira
Authorized Representative
SCHEDULE

Execution of the SP METRO’s Respective Parts of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

SP METRO shall maintain, at all times during the execution and until completion of the Project, a unit responsible for the overall coordination of the SP METRO Respective Parts of the Project (the “SP METRO-PMU”), such PMU to have structure and functions satisfactory to the Bank, and with staff in adequate numbers and with adequate qualifications, for the purposes of assisting SP METRO in the carrying out of its responsibilities under the Project, including those related to the procurement of goods, works and consultant services under the Project, loan disbursements, Project financial management and Project monitoring, evaluation and reporting. The SP METRO-PMU shall be headed at all times by a coordinator with qualifications, experience, functions and responsibilities satisfactory to the Bank, who shall report directly to the President of SP METRO.

B. Anti-Corruption

The SP METRO shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

Without limitation to the provisions of Section 5.01 (b) of the General Conditions, SP METRO shall carry out the Project in accordance with the provisions and recommendations of the Environmental Assessment.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. SP METRO shall maintain, during the execution of the Project, a management information system for purposes of tracking the physical progress of the Project, in order to enable SP METRO to carry out the overall financial management and supervision of the Project and produce the reports referred to in Section B below.

2. SP METRO shall monitor and evaluate the progress of its Respective Part of the Project and prepare reports for its Respective Part of the Project on the basis of the Indicators. Each such report shall cover the period of one calendar semester, and shall be furnished to the Borrower not later than forty five days after the end of the period covered by such report for incorporation in the overall Project.
Reports to be prepared and furnished by the Borrower pursuant to Section II.A of Schedule 2 to the Loan Agreement. Such Project Reports shall cover the progress of the Project and the achievement of its objective (as measured against Indicators), the compliance of obligations by SP METRO under this Agreement and the availability of funds as required to meet the obligations set forth in this Agreement.

3. (a) From time to time SP METRO shall, at the reasonable request of the Bank, exchange views with the Bank with regard to the progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Loan.

(b) SP METRO shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of its Respective Part of the Project, the accomplishment of the purposes of the Loan or the performance by SP METRO of its respective obligations under this Agreement.

4. Without limitation to the provisions of Section II.A 3. above, SP METRO shall:

(a) in the month of July of each year during the execution of the Project, review with the Bank and the Borrower the progress in the execution of the Project and in the achievement of its objective, and the performance of the respective obligations of the Borrower and SP METRO under the Loan Agreement and the SP METRO Project Agreement, as the case may be; and

(b) in the twenty-fourth month after the Effective Date, conduct a comprehensive mid-term review with the Bank and the Borrower of the matters referred to in (a) above, and thereafter take all such action which shall have been agreed upon with the Bank, during such review, as necessary for the efficient execution of the Project or the achievement of its objective, such action to be taken in the manner and within the timetable agreed upon during such review.

5. SP METRO shall provide to the Borrower not later than five months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports and Audits

1. SP METRO shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and
financial condition of the SP METRO, including the operations, resources and expenditures related to its Respective Part of the Project.

2. SP METRO shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the SP METRO. The audited financial statements for each period shall be furnished to the Borrower not later than six months after the end of the period. SP METRO shall also furnish to the Bank such other information concerning such statements and such auditors as the Bank may from time to time reasonably request.

3. SP METRO shall prepare and furnish to the Borrower not later than forty five days after the end of each calendar quarter, interim unaudited financial reports for its Respective Part of the Project covering the quarter, in form and substance satisfactory to the Bank.

Section III. Procurement

All goods, works and services required for the SP METRO’s Respective Parts of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

Section IV. Other Undertakings

Within forty-eight months after the Effective Date, SP METRO shall complete the studies referred to in Part B.3. of Schedule 1 to the Loan Agreement.