

CONFORMED COPY

LOAN NUMBER 2975 BR

(Rio Flood Reconstruction and Prevention Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF RIO DE JANEIRO

Dated September 29, 1988

LOAN NUMBER 2975 BR

STATE PROJECT AGREEMENT

AGREEMENT, dated September 29, 1988, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and STATE OF RIO DE JANEIRO (the State).

WHEREAS (A) by the Loan Agreement of even date herewith between Caixa Economica Federal-CEF (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred seventy-five million dollars (\$175,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the State agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement (the State SLA) to be entered into between the Borrower and the State, part of the proceeds of the Loan provided for under the Loan Agreement will be made available to the State on the terms and conditions set forth in said State SLA; and

WHEREAS the State, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) The State declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out Part A of the Project and cause, under the Municipal SLAs, the Municipalities to carry out Part C of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Parts A and C of the Project.

(b) Without limitation to the foregoing, the State shall select the specific investments and technical assistance projects and carry out Part A of the Project and cause the Municipalities to select the specific investments and technical assistance projects and carry out Part C of the Project in conformity with the State Operational Manual.

(c) The State shall carry out the State Resettlement Plan in a manner and according to a timetable, satisfactory to the Bank.

(d) Unless the Bank and the Borrower shall otherwise agree, the State shall not amend, abrogate, waive, fail to enforce or repeal the State Operational Manual or the State Resettlement Plan or any provision thereof.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to the Loan Agreement.

Section 2.03. The State shall carry out, and cause the Municipalities to carry out, the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Parts A and C of the Project, respectively.

Section 2.04. (a) The State shall, at the request of the Bank, exchange views with the Bank with regard to progress of Parts A and C of the Project, the performance of its obligations under this Agreement, the State SLA, the State-Rio Convenio and each of the Municipal SLAs, and other matters relating to the purposes of the Loan.

(b) The State shall promptly inform the Bank, the Borrower and the Guarantor of any condition which interferes or threatens to interfere with the progress of Parts A and C of the Project, the accomplishment of the purposes of the Loan, or the performance by the State of its obligations under this Agreement, the State SLA, the State-Rio Convenio and each of the Municipal SLAs.

Section 2.05. The State shall relend the proceeds of the Loan allocated to financing Part C of the Project to the Municipalities under agreements (the Municipal SLAs), satisfactory to the Bank, to be entered into between the State and each of the Municipalities.

Section 2.06. The State shall duly perform all its obligations under the State SLA, the State-Rio Convenio and each of the Municipal SLAs. Except as the Bank shall otherwise agree, the State shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the State SLA, the State-Rio Convenio or any of the Municipal SLAs, or any provision thereof.

Section 2.07. The State shall maintain GEROE with staffing, responsibilities and functions satisfactory to the Bank, and shall provide promptly as needed the funds, staff facilities and other resources required by GEROE to carry out its responsibilities in coordinating the execution of Parts A and C of the Project and supervising the execution of Part B of the Project.

Section 2.08. Not later than March 31, June 30, September 30 and December 31 of each year, the State, through GEROE, shall prepare and furnish to each of the Bank and the Borrower a report of such scope and detail as the Bank shall reasonably request on the progress of the execution of Parts A and C of the Project.

Section 2.09. (a) The State shall at all times operate and maintain, or, through the Municipal SLAs, cause to be operated and maintained, all facilities constructed under, or relevant to, Parts A and C of the Project, and promptly as needed, make or cause to be made all necessary repairs and renewals thereof.

(b) For purposes of the foregoing, the State shall, and through the Municipal SLAs shall cause the Municipalities to establish, maintain or increase, as necessary, taxes, user charges or other levies, satisfactory to the Bank, at such levels or in such amounts as shall be required to cover at least the operating and maintenance costs of such facilities.

ARTICLE III

Financial Covenants

Section 3.01. (a) The State shall maintain and cause the Municipalities to maintain separate records and accounts adequate to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Project of the Municipalities and the departments or agencies of the State responsible for carrying out of Parts A and C of the Project.

(b) The State shall:

(i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts as well as the audit thereof, as the Bank shall reasonably request from time to time.

Section 3.02. (a) The State shall carry out the State Financial Action Program in a manner and according to a timetable satisfactory to the Bank.

(b) Unless the Guarantor and the Bank shall otherwise agree, the State shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the State Financial Action Program or any provision thereof.

ARTICLE IV

Effective Date; Termination;
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of the State thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify the State thereof.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

For the State:

Secretaria de Planejamento e Controle (SECPLAN)
Palacio Guanabara, Edificio Anexo
Rua Pinheiro Machado, s/n
22.231 Rio de Janeiro, R.J., Brasil

Telex:

(021) 21272

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of the State may be taken or executed by the Secretario de Planejamento e Controle or such other person or persons as the Secretario de Planejamento e Controle shall designate in writing, and the State shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in 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/ Everardo Wessels

Acting Regional Vice President
Latin America and the Caribbean

STATE OF RIO DE JANEIRO

By /s/ Wellington Moreira Franco

Authorized Representative

