

PROJECT ABSTRACT
STRUCTURED AND CORPORATE FINANCE (SCF)

I. BASIC FACTS

Date:	January 15, 2008
Country:	Brazil
Project Name:	São Paulo Metro – Linha 4
Project Number:	BR-L1079
Borrower:	<i>Concessionária da Linha 4 do Metro de São Paulo (ViaQuatro).</i>
Sponsor:	Companhia de Concessões Rodoviárias – CCR Montgomery Participações S.A. Mitsui & Co. Ltd.

II. TRANSACTION FUNDAMENTALS

A. Project Structure

- 2.1 The Bank has been approached regarding potential financing for the *São Paulo Metro – Linha 4* (“Line 4”), pursuant to the award of a 30-year Public-Private-Partnership concession (the “Concession” or the “Contract”). The concession is to take place under the responsibility of the Government of the State of São Paulo (“GoSP” or the “Granting Authority”) through the *Secretaria de Estado dos Transportes Metropolitanos* (“SETM”) and in coordination with *Companhia do Metropolitano de São Paulo* (“Metrô”). The Project represents one of the first PPP projects under new Federal and State PPP legal framework. Line 4 is the first in a list of PPP projects contemplated by the State of São Paulo in the short-to-medium term.
- 2.2 Line 4 will be a principal commuter route that runs southwest to northeast through metropolitan São Paulo, connecting residential neighborhoods to important commercial districts. In addition, the line will provide linkage to a number of other public transportation routes, thus increasing the overall network served by bus and metro. The PPP is structured such that the public sector performs the civil works before turning over the supply, operation and maintenance to the private sector under concession. The financing from the Bank would be to support the private sector concessionaire to procure, install and operate rolling stock and control systems for the project. The concessionaire will then operate and maintain the system for the 30-year life of the Concession. (the “Project”).

B. Project rationale

- 2.3 The metro of São Paulo currently serves a large portion of the city, but key areas such as those mentioned above still have no adequate public transportation access. For that reason, commuters use private vehicles or buses to the detriment of traffic flow, street conditions and air quality. The operation of Line 4 is expected to

significantly enhance traffic conditions in this east-west corridor by providing faster access to these important commercial and residential centers and reducing travel times for both users of the metro and the urban roads.

- 2.4 Line 4 will cross metropolitan São Paulo in an southwest-northeast direction with a total extension of 12.8 kilometers; it will connect large business centers such as the *Centro Histórico* and the *Centro Novo (Avenida Paulista)* to more residential areas such as *Pinheiros-Faria Lima* on the southwestern end of the line. Line 4 will also connect with the existing metro and train networks providing linkages to Lines 1, 2 and 3 as well as Lines A,B,C,D and E, respectively. New stations will be built by the GoSP at these intersections, and it will be the responsibility of the Concessionaire to ensure service quality throughout the life of the Concession period.

C. Developmental impact

- 2.5 The Project will provide an important link that will run between densely populated residential areas and some of the key commercial points in Metropolitan São Paulo. As many of the citizens complete daily work commutes by automobile and/or buses, it is expected that the Project will have a positive quality of life impact for users by reducing travel times and reducing the costs of vehicle operation, fuel costs in particular. For the city itself, the existence of another key metro line will have a positive impact on overall congestion levels and related air-quality impacts.
- 2.6 The Project represents one of the first PPP projects in Brazil and will be a demonstration project for a host of PPPs in other states as well as at the Federal level. The Project is consistent with numerous Bank initiatives to support PPP projects region-wide and would be an opportunity for the Bank to catalyze a large portion of the financing from international commercial institutions through the B Loan program.

D. Environmental and social impact

- 2.7 As per IDB's OP 703 Environment and Safeguards Compliance Policy, the Project has been classified as a Category B operation.
- 2.8 IDB's Environmental and Social Strategy for this operation is presented in a separate document (*Environmental and Social Strategy*).