Dear Mr. Kelman,

Loan No. 7662-BR (Integrated Water Management in Metropolitan São Paulo – Programa de Saneamento Ambiental dos Mananciais do Alto Tietê – Programa Mananciais - SABESP Project)

Amendment to the Loan Agreement

We refer to the Loan Agreement for the above-captioned Project between the International Bank for Reconstruction and Development (“Bank”), and Companhia de Saneamento Básico do Estado de São Paulo – SABESP (“Borrower”), dated October 28, 2009 (“Loan Agreement”). Please note that capitalized terms used in this letter (“Amendment Letter”) and not defined herein have the meaning ascribed to them in the Loan Agreement.

We also refer to: (i) the Borrower’s request of May 2015; (ii) the National Treasury Secretariat’s fax dated August 25, 2015; and (iii) the Committee for External Financing’s (COFIEX) Recommendation No. 02/0263 dated July 22, 2015. In this correspondence a request was made to amend the Loan Agreement in order to: (1) replace SSE by SSRH - Secretaria de Saneamento e Recursos Hídricos; (2) exclude and/or modify certain activities under Parts I, II and III of the project; (3) eliminate CDHU as one of the Program Executing Agencies of the Project; (4) eliminate the CDC Committee; and (5) extend the Closing Date for 18 months.

We are pleased to inform you that the Bank agrees to amend the Loan Agreement as follows:

1. Article III, Section 3.01 is amended to read in its entirety as follows:

   “3.01. The Borrower declares its commitment to the objectives of the Project and the Program. To this end, the Borrower shall carry out the Project, with the assistance of the State (through SSRH) for overall coordination of the Project as set forth in the Implementation Agreement all in accordance with the provisions of Article V of the General Conditions.”

2. Part I.1(a) and (c) of Schedule 1 to the Loan Agreement are deleted and the remaining items are renumbered and amended to read as follows:

   “(a) design and implementation of hydrodynamic models and related activities for the Guarapiranga, Billings, Jacareí, and Jaguari reservoirs to enable preventive and
remedial action to be undertaken to ensure their continued operation through modeling, simulating, measuring and monitoring;

(b) publishing of materials on the Project’s and the Program’s accomplishments and findings;

(c) provision of technical assistance and acquisition of equipment to improve the capacity of the UGL for project management including administration, procurement, financial management, safeguards, monitoring and evaluation of the Project and undertaking of Project audits; and

(d) final evaluation of Project and Program results and impact.”

3. Part II of Schedule 1 to the Loan Agreement is amended to read in its entirety as follows:

“Recovery of environmental protection areas; management of wildlife; suppression of vegetation, stump removal and cleaning of the flooded area for the Taíacupeba reservoir.”

4. Part III. of Schedule 1 to the Loan Agreement is amended to read in its entirety as follows:

“1. **Wastewater System Improvements**

Improvements to the wastewater management systems in the Program Area including, *inter alia*: studies and engineering designs, construction, extension and/or improvement of: (i) wastewater lifting and pumping stations; (ii) gravity and pumped collector trunk mains and sewerage networks; and (iii) wastewater treatment plants.

2. **Water Supply System Improvements**

Improvements to the water supply systems in the Program Area including, *inter alia*: construction, extension and/or improvement of: (i) water supply systems, including household supplies in low-income areas; and (ii) execution of emergency works to increase resilience, integration and production capacity of the water supply system in the São Paulo Metropolitan Region, including, *inter alia*, interventions in water treatment plants and the pipeline systems.”

5. Section I.A of Schedule 2 to the Loan Agreement is amended to read in its entirety as follows:

“**Section I. Implementation Arrangements**

**A. Institutional Arrangements**

The Borrower shall:

(a) throughout Project implementation maintain a unit (UGL) with the powers and responsibilities set forth in the Operational Manual; and
no later than two months from the Effective Date have said unit fully staffed with personnel with experience and qualifications satisfactory to the Bank, including the following key staff each: a coordinator and experts to handle the technical, procurement, financial management and safeguard aspects of the Project."

6. Section IV.B.2. of the Loan Agreement is hereby amended to read in its entirety as follows:

"2. The Closing Date is March 30, 2017."

7. Section I. Definitions, of the Appendix to the Loan Agreement is hereby amended and the following definitions are deleted, added or modified, and placed in alphabetical order (and existing definitions are consequently renumbered to keep the alphabetical order), as follows:

a. The definitions of “CDC”, “Headwater Protection Area” and “SSE” are deleted;

b. The definition of “SSRH” is added as follows:

""SSRH" means Secretaria de Saneamento e Recursos Hídricos, the State’s Secretariat for Waters and Sanitation."

c. The definitions of “Consultant Guidelines”, “Operation Manual”, “Procurement Guidelines”, “Program Executing Agencies” and “UGP” are amended to read in their entirety as follows:


""Operational Manual” means the manual referred to in Section I.D of Schedule 2 to this Agreement and approved by the Bank on January 30, 2009, as the same may be amended from time to time in agreement with the Bank."

""Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in January 2011, revised in July 2014."

"“Program Executing Agencies” means: the Borrower, SSRH, SMA, SABESP, and the Municipalities of São Bernardo do Campo and any other entity in the São Paulo Metropolitan Region which meets the criteria set forth in the Operational Manual to participate in the Program.”

"“UGP” means “Unidade de Gerenciamento do Programa”, the unit established within the State of São Paulo’s SSRH, pursuant to the Borrower’s Decree No. 52.663 dated January 24, 2008.”

Please confirm your agreement with the foregoing amendment by signing, dating and returning this Amendment Letter to the Bank. This Amendment Letter shall become effective on the
date of its countersignature, upon receipt by the Bank of the original countersigned Amendment Letter.

In addition, please note that the attached Restructuring Paper dated September 28, 2015, will be disclosed on the Bank’s external website.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[Signature]

Martin Raiser
Director
Brazil
Latin America and the Caribbean Region

AGREED:

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

By

Authorized Representative

Name:フ MAN KELMAN
Title:Director Presidente
Date:OCTOBER 06, 2015

Attachments: Restructuring Paper

cc: Mr. Antonio H. Pinheiro Silveira, Executive Director for Brazil, The World Bank
Ms. Rosalia V. De Leon, Alternate Executive Director for Brazil, The World Bank
Mr. João Guilherme Machado, Secretary of International Affairs, SEAIN/MP – seain@planejamento.gov.br
Mr. Paulo Caffarelli, Executive Secretary, MF – gabinete.se.df@fazenda.gov.br
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Cleared w&bcc: Gregor Wolf, Acting Practice Leader (LCC5C), Jonathan S. Kamkwalala, Acting Program Manager (GWADR); Catarina Portelo, Senior Counsel (LEGLE); Tatiana de Abreu, Finance Officer (WFALN); and LC5 Clearance.

Bcc: B. Utria, P. Procee, T. Lettieri; F. Vasconcelos, W. Pedrosa, M. Martins (LCC5C); W. Gichuri, J. Garrido, O. Alvarado, V. Wagner (GWADR); M. Tambucho, P. Melo, J. Conter (WFALN); Project files; WBDocs

Drafter: W. Pedrosa (LCC5)