Loan Agreement

(Integrated Water Management in Metropolitan São Paulo – Programa de Saneamento Ambiental dos Mananciais do Alto Tietê – Programa Mananciais - SABESP Project)

between

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 28, 2009
LOAN AGREEMENT

Agreement dated October 28, 2009, between COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO ("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 one hundred million Dollars ($100,000,000), 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 assist in financing 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 the Borrower’s Chief Financial Officer (Superintendente de Finanças).

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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 March 15 and September 15 in each year.
2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time 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 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.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

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 SSE) 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.

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 — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness consists of the following:

The Implementation Agreement has been signed on behalf of the Borrower and the other Program Executing Agencies in form and substance satisfactory to the Bank.

4.02. The Additional Legal Matter consists of the following:
The Loan has been registered with the Guarantor’s Central Bank.

4.03. 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 9, 2011.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. Except as provided in Section 2.02 of this Agreement, the Borrower’s Representative is the President of the Borrower.

5.02. The Borrower’s Address is:

Companhia de Saneamento do Estado de São Paulo
Rua Costa Carvalho, 300 – Pinheiros
CEP: 05429-900
São Paulo – SP – Brasil
Fax: (11) 3388-8669

5.03. 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: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at São Paulo, Brazil, as of the day and year first above written.

COMPANHIA DE SANEAMENTO BÁSICO
DO ESTADO DE SÃO PAULO

By /s/ Gesner José de Oliveira Filho
Authorized Representative

By /s/ Rui de Britto Alvares Affonso
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Makhtar Diop
Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are: (a) to protect and maintain the quality and reliability of São Paulo Metropolitan Region’s water resources and potable water sources; and (b) to improve the quality of life of the poor populations residing in key targeted urban river basins in São Paulo Metropolitan Region.

The Project constitutes part of the Program, and consists of the following parts:

Part I: Institutional Development

1. Expansion and improvement of the Borrower’s operational and management capacity in the Program Area to supervise and control water quality and the hydrodynamic conditions of the reservoirs under its jurisdiction and to improve the operation of the Borrower’s various potable water systems, including, inter alia:

(a) carrying out of studies and diagnoses, and acquisition of equipment, to develop and implement:

(i) water resources monitoring systems, including a decision support system for the operation of reservoirs, automated systems for raw water pumping stations, plans of contingency for reservoirs, silting control and limnology analysis.

(ii) an improved software system to be used in the management of the Borrower’s laboratories for analyzing, controlling and organizing the results of water quality monitoring exercises;

(b) design and implementation of hydrodynamic models and related activities for the Guarapiranga, Rio Grande, Tiaçupéba, Jundiaí, Biritaiba, Paiva Castro and the Atibainha reservoirs to enable preventive and remedial action to be undertaken to ensure their continued operation through modeling, simulating, measuring and monitoring, inter alia, the reservoirs’ eutrophication episodes, the behavior of their sludge layers and their silting tendencies; undertaking of limnological and other specialist laboratory analyses; and carrying out of limnological and silting control studies;

(c) carrying out of environmental and sanitary education programs for different target groups in the Program Area;

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

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

(f) final evaluation of Project and Program results and impact.

**Part II: Environmental Protection and Recovery**

1. Rehabilitation and protection of Reservoirs and water production systems in the Program Area including, *inter alia*:

   (a) conservation of Headwater Protection Areas and other environmentally sensitive regions under SABESP responsibility;

   (b) reduction of pollution loads and other environmental degradation in the tributaries and reservoirs that feed the public water supply systems;

   (c) expansion of green areas and protection of existing vegetation cover in existing green areas;

   (d) preparation of management plans for the following environmentally protected areas: Capivari, Rio Claro and Morro Grande; and

   (e) optimization and/or improvement of the capacity of the Paiva Castro and Isolina reservoirs through desilting and dredging.

**Part III: Integrated Water Supply and Sanitation**

1. **Wastewater Management System Improvements**

   (a) Improvements to the wastewater management systems in the Program Area including, *inter alia*: 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.

   (b) Carrying out of operational improvements to the Borrower’s wastewater management systems in the Program Area, including *inter alia*: (i) installation of operational equipment, automated monitoring systems and software, to enhance the operation, control and efficiency of the existing wastewater systems; and (ii) construction, expansion and/or improvement of installations in the wastewater systems to eliminate sewage overflows.

2. **Water Supply System Improvements**

   Improvements to the water supply systems in the Program Area including, *inter alia*:

   (a) construction, extension and/or improvement of: (i) water supply systems, including household supplies in low-income areas; (ii) water treatment
works to improve their efficiency and reduce the pollution loads emanating from them including system design, operation, maintenance, automation, monitoring and evaluation improvements; and

(b) carrying out of studies and analyses on the use of alternative water treatment technologies to reduce the amount of chemical products used and to minimize sludge production.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall:
   (a) throughout Project implementation maintain a unit (UGL) with the powers and responsibilities set forth in the Operational Manual; and
   (b) 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.

2. The Borrower shall, until completion of the Project, maintain a representative in the CDC with power and responsibility set forth in the Operational Manual.

B. Agreements

1. (a) The Borrower shall enter into an agreement (the Implementation Agreement) with the Program Executing Agencies and PMSP under terms and conditions satisfactory to the Bank, to set forth the cooperation arrangements in the implementation of the Project and the Program.
   (b) Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, abrogate, waive or fail to enforce the Implementation Agreement or any of its provisions.

C. Anti-Corruption

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

D. Operational Manual

Without limitation to the provisions of Article V of the General Conditions, the Borrower shall carry out the Project in accordance with the Operational Manual, satisfactory to the Bank, containing, inter alia:

(a) the functions, responsibilities and training requirements for the personnel responsible for the coordination, monitoring and evaluation of the Project, including the UGL;
(b) procedures for procurement of goods, works and services, as well as for financial management, disbursement and audits of the Project and respective forms, reports and guidelines;

(c) the indicators to be used in the monitoring and evaluation of the Project;

(d) the Environmental Management Plan and the Resettlement Policy Framework; and

(e) the counterpart funding requirements of the Project.

In case of any conflict between the provisions of this Agreement and those of the Operational Manual, the provisions of this Agreement shall prevail.

E. Safeguards

1. The Borrower shall, in respect of Part II and III of the Project, furnish to the Bank for its approval, in accordance with the respective Resettlement Policy Framework and prior to initiating the bidding process for any contract for construction works that call for resettlement, any needed Resettlement Plan, and carry out such Resettlement Plans, in accordance with their terms.

2. The Borrower shall, in respect of Parts II and III of the Project, undertake the related activities in accordance with the Environmental Management Plan, and furnish to the Bank any needed documentation as required by this Environmental Management Plan.

3. The Borrower shall, in respect of Parts II.1 (e) of the Project:

(a) evaluate the related activities in accordance with the Bank’s Operational Policy 4.37 (Safety of Dams);

(b) furnish to the Bank any needed documentation including an action plan to address any issues as called for by the Operational Policy referred to in paragraph (a) above for analysis before initiating the bidding process for any related works; and

(c) if the Bank so indicates, carry out the activities of such action plan.

F. Other Covenants

Without limitation to the provisions of Section 5.10 of the General Conditions, the Bank, the Loan Parties, the Program Executing Agencies, and PMSP shall exchange views on the implementation of the Mananciais Metropolitan Program, as may be relevant for the successful implementation of the Program.
Section II.  Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall 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 set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained 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 shall prepare and furnish to the Bank 45 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 shall 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, Works and Non-Consultants’ Services.** All goods, works and non-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 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, Works and Non-Consultants’ Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consultants’ services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

2. Other Methods of Procurement of Goods, Works and Non-Consultants’ Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding including in respect of goods, works and non-consultant services, convite, tomada de preços and concorrência (set forth in the Guarantor’s Law no. 8666 of June 21, 1993), pregão eletrônico (set forth in the Guarantor’s Law no. 10520 of July 17, 2002), under COMPRASNET, the procurement portal of the Guarantor, or any other e-procurement system approved by the Bank, subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank.</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct contracting</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(b) Least-Cost Selection</td>
</tr>
<tr>
<td>(c) Quality-Based Selection</td>
</tr>
<tr>
<td>(d) Individual Consultants Based on Qualifications</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
</tbody>
</table>
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 Article II of the General Conditions, this Section, and 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works, goods, consultants’ and non-consultants’ services</td>
<td>99,750,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>250,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(3) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount due under Section 2.07 (c) of this Agreement</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>100,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or

   (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $10,000,000 equivalent may be made
for payments made within twelve months prior to the date of this Agreement for Eligible Expenditures.

2. The Closing Date is September 30, 2015.
1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15 Beginning September 15, 2019 through September 15, 2033</td>
<td>3.33%</td>
</tr>
<tr>
<td>On March 15, 2034</td>
<td>3.43%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of
withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance 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, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions


2. “CDC” means the committee established pursuant to the State’s Decree No. 52663, dated January 24, 2008.


7. “Headwater Protection Area” means any environmentally protected area in which headwaters for potable water supplies are located, as defined in the State’s and the Guarantor’s legislation.

8. “Implementation Agreement” means the agreement (Convenio) to be entered into among the Program Executing Agencies and PMSP and referred to in Section I.B.1 of Schedule 2 to this Agreement.

9. “Mananciais Metropolitan Program” means collectively the following programs: Mananciais, Guarapiranga e Billings, Pro-Billings, Corrego Limpo and Orla Guarapiranga as described in the Operational Manual.


“Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

“Procurement Plan” means the Borrower’s procurement plan for the Project, as approved by the Bank on December 14, 2007 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.

“Program” means the program, which is part of the Mananciais Metropolitan Program, and is designed to respond to the land-use and water resources challenges facing the São Paulo Metropolitan Region, all as set forth or referred to in the letters to the Bank from the Borrower dated October 24, 2008, SABESP dated October 22, 2008, the Municipality of São Bernardo do Campo dated August 21, 2008, and the Municipality of Guarulhos dated January 14, 2009.

“Program Area” means the area comprising the municipalities of the São Paulo Metropolitan Region, the area comprising the Alto Tietê River Basin and the area of the Cantareira region’s water system.

“Program Executing Agencies” means: the Borrower, SSE, SMA, CDHU, SABESP, and the Municipalities of São Bernardo do Campo and Guarulhos 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.

“Reservoir” means a physical body of accumulated water used to supply raw water to the São Paulo Metropolitan Region’s potable water treatment and distribution systems.

“Resettlement Policy Framework” means the framework set forth in the Operational Manual defining the procedures for the involuntary resettlement of population in connection with the works to be carried out under the Project.

“Resettlement Plan” means any plan prepared following the requirements of the Resettlement Policy Framework and approved by the Bank.

“SABESP” means Companhia de Saneamento Básico do Estado de São Paulo, the State’s Water and Sanitation Utility established pursuant to the State’s Law No. 119 published in the Official Gazette on June 30, 1973.

“São Paulo Metropolitan Region” means the territory comprising the 39 municipalities listed in the Operational Manual and any other municipality as the Borrower and/or the State may propose based on subsequent administrative subdivisions and the Bank may agree.

“SMA” means the State’s Secretariat for the Environment.

“SSE” means the State’s Secretariat for Water, Sanitation and Energy.

“State” means the State of São Paulo.
26. “UGL” means *Unidade de Gerenciamento Local*, the unit established within the SABESP pursuant to the SABESP’s Board Resolution No. 54/2007 dated February 21, 2007.

27. “UGP” means “*Unidade de Gerenciamento do Programa*”, the unit established within the Borrower’s SSE, pursuant to the Borrower’s Decree No. 52,663 dated January 24, 2008.