His Excellency  
Mr. Renato Villela  
Secretary  
Secretariat of Finance of the State of São Paulo  
Av. Rangel Pestana 300, 5º Andar - Centro  
São Paulo-SP, 01017-911  
gahsec@fazenda.sp.gov.br

Excellency:

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 the State of São Paulo ("Borrower"), dated September 27, 2010 ("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; (iii) the Guarantor’s Legal Opinion dated September 9, 2015; and (iv) the Committee for External Financing’s (COFIEX) Recommendation No. 01/0263 dated July 22, 2015. In this correspondence a request was made to amend the Loan Agreement in order to: (1) extend the Closing Date for 18 months; (2) replace SSE by SSRH - *Secretaria de Saneamento e Recursos Hídricos*; (3) exclude Part II of the Project, and modify, delete and or add certain activities under Parts I, III, and IV of the Project; (4) eliminate CDHU as one of the Program Executing Agencies of the Project; (5) eliminate the CDC Committee; and (6) modify the table included in Section IV. A.2. of Schedule 2 to the Loan Agreement to increase the percentage of expenditures to be financed under Category (1) from 25% to 50%.

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 declare its commitment to the objectives of the Project and the Program. To this end, the Borrower shall carry out all Parts of the Project through SSRH and/or SMA all in accordance with the provisions of Article V of the General Conditions."

2. Article IV – Remedies of the Bank is hereby deleted in its entirety.

3. Part 1.I(b), (d) and (e) of Schedule 1 to the Loan Agreement are hereby deleted and the remaining activities are renumbered accordingly.
4. Part I.3 (a), (b), (c) and (e) of Schedule 1 to the Loan Agreement are hereby deleted. Consequently Part I.3. is amended to read in its entirety as follows:

"3. Environmental Education and Social Outreach

Construction of an integrated citizenship center."

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

"4. Program Management, Monitoring, Evaluation and Dissemination

(a) Development of a MIS for the monitoring, evaluation and control of the Program’s implementation, and training of Program Executing Agencies’ and PMSP’s staff in its use.

(b) Carrying out of learning and dissemination activities, including the organization of national and international seminars and workshops to exchange experiences on the key issues addressed under the Program.

(c) Provision of technical assistance and equipment to improve the Borrower’s capacity, and that of the other Program Executing Agencies, for overall Program and Project management and implementation including for the UGP and the UGL.

(d) Carrying out of the financial auditing of the Project."

6. Part II of Schedule 1 to the Loan Agreement is hereby deleted in its entirety.

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

"Part III: Environmental Protection and Recovery

Creation of public gardens and squares, namely Parque Nove de Julho and Caminho Atlantica – phases I and II."

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

"Part IV: Integrated Water Supply and Sanitation


2. Acquisition and maintenance of urban cleansing equipment for assisting the collection of solid wastes in selected Municipalities.

3. Carrying out of sewage system works for the Distrito de Marsilac."

9. 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

1. The Borrower shall:

   (a) throughout Project implementation maintain a program coordination unit (UGP) within SSRH with the powers and responsibilities set forth in the Operational Manual; and

   (b) no later than two months from the Effective Date have such unit fully staffed with personnel with experience and qualifications satisfactory to the Bank, including the following key staff: a coordinator and experts to handle the technical, procurement, financial management and safeguard aspects of the Project.

2. The Borrower shall:

   (a) maintain a unit (UGL), within SMA, 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: a coordinator and experts to handle the technical, procurement, financial management and safeguard aspects of the Project.”

10. Section I.D. of Schedule 2 to the Loan Agreement is deleted in its entirety and the remaining items are renumbered accordingly.

11. Section I.E. (renumbered as I.D.) of Schedule 2 to the Loan Agreement is amended to read in its entirety as follows:

“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 UGP and 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 counterpart funding requirements of the Project;
(d) the indicators to be used in the monitoring and evaluation of the Project; and

(e) the Environmental Management Plan and the Resettlement Policy Framework.

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

12. Section I.F. (renumbered as I.E.) of Schedule 2 to the Loan Agreement is amended to read in its entirety as follows:

“E. Safeguards

1. The Borrower shall, in respect of Parts III and IV of the Project, furnish to the Bank for its approval, in accordance with the respective Resettlement Policy Framework and prior to the signature of 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 III and IV 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.”

13. Section I.G. (renumbered as I.F.) of Schedule 2 to the Loan Agreement is amended to read in its entirety as follows:

“F. Other Covenants

1. 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.”

14. Section IV.A.2. (table of Category of Eligible Expenditures) of Schedule 2 to the Loan Agreement is amended to read in its entirety as follows:

<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 for all Parts of the Project</td>
<td>3,990,000</td>
<td>50%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>10,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance</td>
</tr>
</tbody>
</table>
15. 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."

16. 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 “Alto Tietê River Basin Committee”, “CDC”, “Environmental and Sanitary Education Subproject”, “GIS”, “Social Inclusion Subproject”, “SSE”, “Subproject” and “Subproject Guidelines” are deleted.

b. The definition of “Cooperation Agreement” and “SSRH” are added, and read as follows:

"""Cooperation Agreement" means the agreement referred to in Section I.B.3. of Schedule 2 to the Loan Agreement."

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

c. The definition of “Consultant Guidelines”, “Operational Manual”, “Procurement Guidelines”, “Program Executing Agencies” and “UGL” 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."
"‘UGL’ means ‘Unidade de Gerenciamento Local’, the unit established in SMA by the Borrower’s Decree Nº 53964 dated January 22, 2009.’

‘‘UGP’ means ‘Unidade de Gerenciamento do Programa’, the unit established within SSRH, pursuant to the Borrower’s Decree Nº 52663 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:
State of São Paulo

By
[Signature]
Authorized Representative

Name: Renato Augusto Zagalho Vilela dos Santos
Title: Secretary of Finance
Date: 10-9-15

Attachments: Restructuring Paper
Consultant Guidelines, January 2011, revised in July 2014
Procurement Guidelines, January 2011, revised in July 2014
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
Mr. Marcelo Estrela Fiche, Chief of Staff, MF - sec.chgabin.gmf@fazenda.gov.br
Ms. Adriana Queiroz de Carvalho, Attorney General, PGFN/MF – adriana.carvalho@pgfn.gov.br
Mr. Arno Augustin Filho, Secretary, National Treasury, STN/MF – gab.df.stn@fazenda.gov.br
Mr. Carlos Márcio Bicalho Cozendey, Secretary, SAIN/MF – gabinete.df.sain@fazenda.gov.br
Ms. Eva Maria Cella Dal Chiavon, Executive Secretary, MP – se@planejamento.gov.br
Mr. Benedito Braga, Water and Sanitation Secretariat (SSRH) - saneamento@sp.gov.br
Mrs. Monica Porto, Deputy Secretary for Water Resources and Sanitation (SSRH) – monicaporto@sp.gov.br
Mr. Ricardo Araújo, Project Coordinator (PMU Mananciais GESP) - rgaraujo@sp.gov.br
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 (WFLN); and LC5Clearance.

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

Drafter: W. Pedrosa (LCC5)