

LOAN NUMBER 7661-BR

Loan Agreement

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

between

STATE OF SÃO PAULO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 27, 2010



LOAN NUMBER 7661-BR

LOAN AGREEMENT

Agreement dated September 27, 2010, between STATE OF 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 four million Dollars (\$4,000,000), 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.
- 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 May 15 and November 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, in each case with the prior no-objection of the Guarantor and through the Guarantor's Secretariat of National Treasury, 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:
- (a) carry out Parts I, III and IV of the Project through SSE and/or SMA; and
- (b) cause CDHU to carry out Part II of the Project with the assistance of the respective Municipalities;
- 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 — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of:

CDHU shall have failed to perform any of its obligations under the Implementation Agreement, after the Borrower exercising its rights under such Implementation Agreement, and the Borrower shall not have assumed responsibility for the implementation of Part II of the Project in terms and conditions satisfactory to the Bank.

- 4.02. The Additional Event of Acceleration consists of:

The event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. 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.

- 5.02. The Additional Legal Matter consists of the following:

The Loan has been registered with the Guarantor's Central Bank.

- 5.03. 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 VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Secretary of Finance.

- 6.02. The Borrower's Address is:
Secretaria da Fazenda do Estado de São Paulo
Av. Rangel Pestana, 300 – 5º andar
São Paulo – SP, 01017-911

Fax: (55-11) 3107-6942

With copy to:

Secretaria de Saneamento e Energia do Estado de São Paulo
Rua Bela Cintra, 847 - 14º andar
São Paulo - SP, 01415-903

Fax: (55-11) 3218-5629

6.03. 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:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

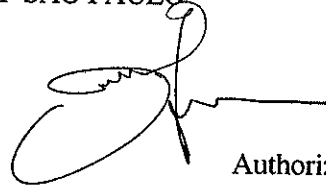
248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED at São Paulo, Federative Republic of Brazil, as of the day and year first above written.

STATE OF SÃO PAULO

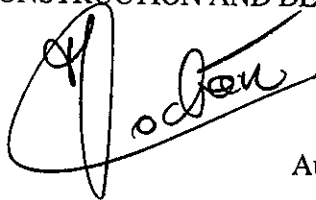
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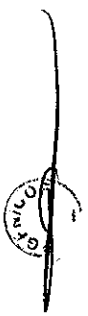
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



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; (b) to improve the quality of life of the poor populations residing in key targeted urban river basins in São Paulo Metropolitan Region; and (c) to improve the institutional capacity and the metropolitan management and coordination in the São Paulo Metropolitan Region in water resources management, water pollution control, land-use policy and basic service provision.

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

Part I: Institutional Capacity Building

Improvement of the institutional capacity in water resources and land-use management, water pollution control and basic service provision of stakeholder entities engaged on these issues in the Sub-basins of the Program Area, including, *inter alia*:

1. Integrated Land-Use and Water Resources Management

(a) (i) Carrying out of studies on, *inter alia*: water demand profiles, scenarios, policies and strategies; (ii) evaluation and control of point and non-point source water pollution; and (iii) preparation of engineering designs for investments to be made and financed by the Borrower and/or its agencies for the protection, recovery and sustainable development of the Sub-basins in the Program Area.

(b) Provision of technical assistance to strengthen the Borrower's water supply and sanitation and water resource management policies and strategies, with emphasis on, *inter alia*, planning, and financing mechanisms, as well as development, regulation and enforcement activities regarding surface- and ground-water extraction/use, with a focus on the particular challenges of these issues in the Program Area.

(c) (i) Preparation, updating and implementation of environmental development and protection plans for the Sub-basins and of their corresponding specific land-use laws; and (ii) development and implementation of an integrated land-use supervision and control system for the Program Executing Agencies and other stakeholders.

(d) Provision of technical assistance and capacity building, to the Program Executing Agencies, the Alto Tietê River Basin Committee, its subcommittees

and associated agency, municipalities and other stakeholders, on issues related to, *inter alia*: (i) water resource management; (ii) master and land-use planning and legislation; (iii) environmental protection development plans; (iv) service delivery; and (v) implementation, operation, integration and updating of management and planning instruments such as GIS.

(e) Development of local economic development plans, including house and land markets analyses, for promoting appropriate economic activities and land-use patterns with a view to generating income and jobs that focus on environmental protection in the Program Area.

(f) Development of strategies for metropolitan governance and water management in the São Paulo Metropolitan Region through, *inter alia*: (i) studies, analyses, seminars, study tours, and publications; and (ii) setting up of a forum for discussion of related issues with Program Executing Agencies and other stakeholders.

2. **Environmental and Water Quality Monitoring**

Preparation and implementation of environmental monitoring, evaluation and supervision plans and systems for the Program's activities, and provision of related technical assistance and capacity building, in a coordinated manner with the Program Executing Agencies and PMSP.

3. **Environmental Education and Social Outreach**

- (a) Carrying out of capacity building activities for environmental and other outreach agents.
- (b) Diagnoses, preparation of programs and materials, and implementation of environmental and sanitary awareness raising programs and social inclusion programs for different target groups.
- (c) Carrying out of Social Inclusion Subprojects and Environmental and Sanitary Education Subprojects.
- (d) (i) Provision of support to civil society initiatives related to the objectives of the Program; (ii) construction and equipping of an integrated citizenship center; and (iii) construction, rehabilitation and equipping of environmental education centers in selected Municipalities.
- (e) Monitoring and evaluation of the social and environmental sustainability of all construction carried out under the Program.



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) Development of integrated communication strategies for the Program to be used by all Program Executing Agencies.
- (d) 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 UGLs.
- (e) Evaluation and dissemination of the results and impact of the Project and the Program, including the carrying out of *ex ante* and *ex post* beneficiary surveys, and the definition and review of baseline, mid-term and Program-end monitoring indicators.
- (f) Carrying out of the financial auditing of the Project.

Part II: Urban Upgrading

Urban renewal and urban upgrading in slums and irregular settlements in selected Municipalities, including social services, construction of housing units for resettlement, housing improvements and recovery of degraded areas.

Part III: Environmental Protection and Recovery

- 1. Protection and improvement of vegetation and other environmental characteristics of the Sub-basin headwater areas with a view to improving the reservoirs, tributaries, creeks and other physical water bodies' operational conditions and sustainability in the Program Area.
- 2. Creation of public gardens and squares, and recovery of degraded areas, including the undertaking of revegetation and slope stability action in the Program Area.

Part IV: Integrated Water Supply and Sanitation

1. Rehabilitation of the dumpsites and construction of a sanitary landfill in the Municipality of Embu-Guaçu, assessment of the operational capacity of the landfills located in the Guarapiranga Sub-basin, and studies and diagnosis of solid waste illegal disposal and alternative approaches to solid waste management in the Program Area.
2. Acquisition and maintenance of urban cleansing equipment for assisting the collection of solid wastes in selected Municipalities.



SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall:
 - (a) throughout Project implementation maintain a program coordination unit (UGP) within SSE 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, until completion of the Project, maintain the CDC with the composition, powers and responsibilities set forth in the Operational Manual.
3. The Borrower shall:
 - (a) within SMA maintain, and cause CDHU to maintain, a unit (UGL) each with the powers and responsibilities set forth in the Operational Manual; and
 - (b) no later than two months from the Effective Date have within SMA, and cause CDHU to have, their respective units 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.

B. Agreements

1. The Borrower shall enter into an agreement (the Implementation Agreement) with the Program Executing Agencies and PSMP under terms and conditions satisfactory to the Bank, to set forth the cooperation arrangements in the implementation of the Project and Program, including *inter alia*:

- (a) the undertaking of the Municipalities of São Bernardo do Campo and Guarulhos to participate in the Program and to enter into agreements with the Bank for such purpose;
 - (b) CDHU's undertaking to comply with the safeguard, technical and other requirements applicable to Part II of the Project in accordance with the provisions of this agreement and the Operational Manual (including arrangements and agreements approved by the Bank pursuant to the provisions of Section I. G.2 of this Schedule); and
 - (c) PMSP's undertaking to cooperate and coordinate with the Program Executing Agencies as needed for the successful implementation of the Program.
2. 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. Subprojects

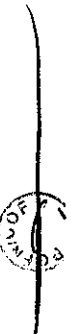
The Borrower shall:

- (a) prior to the implementation of any Subproject, furnish to the Bank for its review and comments, the Subproject Guidelines; and
- (b) carry out the Subprojects in accordance with such Subproject Guidelines.

E. Operational Manual

Without limitation to the provisions of Article V of the General Conditions, the Borrower shall, and shall cause CDHU (in respect of Part II of the Project) to 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, UGLs and the CDC;



- (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.

F. Safeguards

1. The Borrower shall, in respect of Parts II, 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 II, 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.

G. 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.
2. Prior to the initiation of implementation of any investments under Part II of the Project, the Borrower shall furnish to the Bank for its approval the respective technical, fiduciary and safeguard arrangements for implementation including the interinstitutional agreements entered into with the concerned Municipality. The Borrower shall ensure compliance with all said arrangements and agreements approved by the Bank.

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.

Procurement Method
(a) National Competitive Bidding including in respect of goods, works and non-consultant services, <i>convite, tomada de preços and concorrência</i> (set forth in the Guarantor's Law N° 8666 of June 21, 1993), <i>pregão eletrônico</i> (set forth in the Guarantor's Law N° 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.
(b) Shopping
(c) Direct contracting

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.

Procurement Method
(a) Selection Based on Consultants' Qualifications
(b) Least-Cost Selection
(c) Quality-Based Selection
(d) Individual Consultants Based on Qualifications
(e) Single Source Selection

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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Works, goods, consultants and non-consultants services for all Parts of the Project (other than for Part II of the Project and for Subprojects)	3,990,000	25%
(2) Front-end Fee	10,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.07 (c) of this Agreement
TOTAL AMOUNT	4,000,000	



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 \$400,000 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.

SCHEDULE 3

Amortization Schedule

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each May 15 and November 15 Beginning November 15, 2014 through May 15, 2039	2%

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

1. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006.
2. "Alto Tietê River Basin Committee" means the committee established pursuant to Borrower's Law N° 7663, dated December 30, 1991.
3. "CDC" means the committee established pursuant to the Borrower's Decree N° 52663, dated January 24, 2008.
4. "CDHU" means *Companhia de Desenvolvimento Habitacional e Urbano do Estado de São Paulo*, the Borrower's urban development and housing company, created by the Borrower's Law N° 483 dated October 10, 1949 as amended by the Borrower's Decrees N° 16512/81 dated January 19, 1981, N° 22061/84 dated March 28, 1984, and N° 30052/89 dated June 15, 1989.
5. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004 and revised in October 2006.
6. "Environmental and Sanitary Education Subproject" means a subproject to be implemented under Part I.3 (c) of the Project with financing from the Borrower's own resources in accordance with the provisions of the Subproject Guidelines.
7. "Environmental Management Plan" means the plan for assessment and management of the environmental, cultural property, natural habitats and safety of dams aspects of the Project set forth in the Operational Manual.
8. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005 (as amended through February 12, 2008).
9. "GIS" means geographic information system.
10. "Implementation Agreement" means the agreement (*Convênio*) to be entered into among the Program Executing Agencies, CDHU and PMSP and referred to in Section I.B.1 of Schedule 2 to this Agreement.
11. "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.

12. "MIS" means management information system.
13. "Municipality" means any municipality in the Program Area.
14. "Operational Manual" means the manual referred to in Section I.E of Schedule 2 to this Agreement and approved by the Bank on January 30, 2009.
15. "PMSP" means Municipality of São Paulo.
16. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006.
17. "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.
18. "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.
19. "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.
20. "Program Executing Agencies" means the Borrower (through SSE and 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.
21. "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.
22. "Resettlement Plan" means any plan prepared following the requirements of the Resettlement Policy Framework and approved by the Bank.

23. "SABESP" means *Companhia de Saneamento Básico do Estado de São Paulo*, the State's Water and Sanitation Utility established pursuant to the Borrower's Law N° 119 published in the Official Gazette on June 30, 1973.
24. "São Paulo Metropolitan Region" means the territory comprising the 39 municipalities listed in the Operational Manual and any other municipality as the Borrower may propose based on subsequent administrative subdivisions and the Bank may agree.
25. "SMA" means the Borrower's Secretariat for the Environment.
26. "Social Inclusion Subproject" means a subproject to be implemented under Part I.3 (c) of the Project with financing from the Borrower's own resources in accordance with the provisions of the Subproject Guidelines.
27. "SSE" means the Borrower's Secretariat for Water, Sanitation and Energy.
28. "Sub-basin" means a sub-basin of the Alto Tietê River Basin.
29. "Subproject" means collectively Social Inclusion Subprojects and Environmental and Sanitary Education Subprojects.
30. "Subproject Guidelines" means the guidelines for implementation of Subprojects, including the eligibility criteria for the activities to be carried out and the selection criteria for the entities executing the Subprojects.
31. "UGL" means "*Unidade de Gerenciamento Local*", the unit established by CDHU's President pursuant to CDHU's document dated January 14, 2009, the unit established in SMA by the Borrower's Decree N° 53964 dated January 22, 2009.
32. "UGP" means "*Unidade de Gerenciamento do Programa*", the unit established within SSE, pursuant to the Borrower's Decree N° 52663 dated January 24, 2008.

