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Folder ID: 30319097

Project ID: P006246

Dates: 5/19/1973 - 12/27/1974

Fonds: Records of the Latin America and Caribbean Regional Vice Presidency

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Washington, D.C.

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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

BRAZIL - Loan 758 BR

Vol. II

RETURN TO
RECORDS CENTER ROOM GB-1
Box No. 538-10

Archives



30319097

R1978-071 Other #:

77968B

Sao Paulo Water Supply and Pollution Control Projects - Brazil - Loan 0757, Loan 0758 -
P006246 - Correspondence - Volume 2

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This file is closed as of Dec 31, 74.

For further correspondence, please see VOL III.

RECORDS MANAGEMENT SECTION

Brazil - Loan 758 - admin

Brazil - Loan 757 - admin

Dec 31 - 74

Country	Loan #757/758 Credit # Investment #	Project
BRAZIL		
Title and Description		
Form No. 114 (1-73)	New organizational structure of SABESP 1975 Budget alternatives of SABESP.	
Document Date Dec/1974	Prepared By SABESP	
Transmittal Letter No. Date	From No Letter-Copy Card for File ☐	Document # 229713

Brazil - loan 752
Brazil - loan 752

December 27, 1974

Dr. Luiz Phelippe G. Carneiro da Cunha
Presidente
Companhia de Saneamento Basico
do Estado de Sao Paulo, SABESP
Rua Costa Carvalho 300 - Pinheiros
Sao Paulo, SP, Brazil

Dear Dr. Cunha:

I am enclosing one copy each of the executed Loan Assumption Agreement between the Bank and SABESP and the Supplemental Guarantee Agreement between the Bank and the Federative Republic of Brazil.

We appreciate the cooperation that the Bank received from you and other members of your staff during the negotiation of the agreements, and we look forward to continued cooperation with you on the implementation of the water supply and pollution control projects.

Sincerely yours,

Ellen Johnson-Sirleaf
Country Programs Division
Latin America and Caribbean
Regional Office

Attachments

Cleared with and cc: Messrs. Carvalho, Legal
Rodriguez, LACP

cc: Messrs. Kalbermatten, LACP
Costa, LACP (o/r)
Helne, Controller's
EJohnson-Sirleaf:lc

Brazil - loan 752 ALM
Brazil - loan 758 ALM

December 27, 1974

Dr. Ney Magno Valadares
Procurador Geral da Fazenda Nacional
Substituto
Ministerio da Fazenda
Esplanada dos Ministerios
Brasilia, D.F., Brazil

Dear Dr. Valadares:

I am enclosing one copy each of the executed Loan Assumption Agreement between the Bank and SARESP and the Supplemental Guarantee Agreement between the Bank and the Federative Republic of Brazil.

We appreciate the cooperation that the Bank received from you and other members of your staff during the negotiation of the agreements.

Sincerely yours,

Ellen Johnson-Sirleaf
Country Programs Division
Latin America and Caribbean
Regional Office

Attachments

Cleared with and cc: Messrs. Carvalho, Legal
Rodriguez, LACP

cc: Messrs. Kalbermatten, LACP
Costa, LACP (o/r)
Helne, Controller's
Buhler, Legal (o/r)
EJohnson-Sirleaf:lc

BOOK OF TWO CABLES

OUTGOING WIRE

TO: GENERAL LUIZ GALVAO CARNEIRO DA CUNHA
PRESIDENTE
COMPANHIA DE SANEAMENTO BASICO DO
ESTADO DE SAO PAULO-SABESP
RUA COSTA CARVALHO 300 -PINHEIROS
SAO PAULO, SP

DATE: DECEMBER 19, 1974

CLASS OF
SERVICE: LT
X2644

COUNTRY:

NEY MAGNO VALADARES

TEXT: PROCURADOR GERAL DA FAZENDA NACIONAL
Cable No.: SUBSTITUTO
MINIFAZ
RIO DE JANEIRO

BRAZIL

RE LOAN 757-BR AND 758-BR PLEASED TO INFORM YOU THAT BANK SIGNED ON
18 DECEMBER LOAN ASSUMPTION AGREEMENT WITH SABESP AND SUPPLEMENTAL
GUARANTEE AGREEMENT WITH FEDERATIVE REPUBLIC OF BRAZIL STOP COPIES
OF EXECUTED LOAN DOCUMENTS WILL BE TRANSMITTED TO YOU BY MAIL REGARDS

JOHNSON-SIRLEAF

INTBAPRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Ellen Johnson-Sirleaf

DEPT. Latin America and Caribbean

SIGNATURE *Ellen Johnson Sirleaf*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: EJohnson-Sirleaf:lc

CLEARANCES AND COPY DISTRIBUTION:

C/W & cc: Messrs. Buhler, Legal
Rodrigues, LACP
cc: Messrs. Helne, Controller's
Costa, LACP (o/r)

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: _____

BOOK OF TWO CABLES

OUTGOING WIRE

TO: CARLOS ANTONIO ROCCA
SECRETARIO DA FAZENDA
GOVERNO DO ESTADO DE SAO PAULO
AV. RANGEL PESTANA 300 - 8º ANDAR
SAO PAULO, SP

DATE: DECEMBER 20, 1974

CLASS OF
SERVICE: LT
X2644 171

COUNTRY: MAURICIO SCHUIMAN
PRESIDENTE
TEXT: HABITACAO
Cable No.: RIO DE JANEIRO, GB

BRAZIL

HAVE TODAY FORWARDED FOLLOWING CABLE TO SABESP AND PROCURADOR GERAL DA
FAZENDA NACIONAL QUOTE RE LOAN 757-BR AND 758-BR PLEASED TO INFORM
YOU THAT BANK SIGNED ON 18 DECEMBER LOAN ASSUMPTION AGREEMENT WITH
SABESP AND SUPPLEMENTAL GUARANTEE AGREEMENT WITH FEDERATIVE REPUBLIC
OF BRAZIL STOP COPIES OF EXECUTED LOAN DOCUMENTS WILL BE TRANSMITTED
TO YOU BY MAIL REGARDS JOHNSON-SIRLEAF UNQUOTE REGARDS

JOHNSON-SIRLEAF

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME

Ellen Johnson-Sirleaf

DEPT.

Latin America and Caribbean

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

EJohnson-Sirleaf:lc

CLEARANCES AND COPY DISTRIBUTION:

c/W & cc: Messrs. Buhler, Legal
Rodrigues, LACP

cc: Messrs. Helne, Controller's
Costa, LACP (o/r)

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(IMPORTANT: See Secretaries Guide for preparing form)

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Record Removal Notice



File Title Sao Paulo Water Supply and Pollution Control Projects - Brazil - Loan 0757, Loan 0758 - P006246 - Correspondence - Volume 2		Barcode No. 30319097		
Document Date 19 December, 1974	Document Type Memorandum			
Correspondents / Participants From: Rainier R Buhler				
Subject / Title Loan Assumption Agreement -Closing				
Exception(s) Attorney-Client Privilege				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Kelli Gordon</td><td>Date June 21, 2017</td></tr></table>	Withdrawn by Kelli Gordon	Date June 21, 2017
Withdrawn by Kelli Gordon	Date June 21, 2017			

Brazil - loan 757 plus
Brazil - loan 758 plus

Mr. Gunter K. Wiese, Director, LAC II
(through Mr. Skillings, Division Chief, LAC II) *JD*
Eldon E. Senner, Loan Officer, LAC II

December 17, 1974

BRAZIL - Sao Paulo Water Supply and Pollution Control
Projects (Loans 757-ER and 758-ER)

1. Attached for your signature are the Loan Assumption Agreement (3 copies) with SABESP and the Supplemental Guarantee Agreement (3 copies) for the above projects. The documents are as proposed in Mr. Skillings' memo of November 19, 1974 (copy attached as reference), and subsequently approved by Mr. Alter. The Brazilians agreed during my recent visit to Brazil to the proposed financial covenant requiring a rate of return of 4% in 1975 and 6% thereafter. This will require a tariff increase in real terms of 18-20% at the end of 1975 or a smaller increase in mid-1975 (the Brazilians prefer the latter). The President and a Director of SABESP therefore signed the Loan Assumption Agreement and the Acting Procurador Geral da Fazenda signed the Supplemental Guarantee Agreement. The documents would be dated at the time of your signature.
2. A supplemental letter from SABESP to the Bank confirming SABESP's intention to appoint promptly an experienced and qualified person to be responsible for the management of the water supply program was dispatched by SABESP Tuesday, December 17. The attached draft letter was proposed by the Bank and agreed by SABESP.
3. If you agree, we will make the following entry in the next Semi-Monthly Report to the Executive Directors:

"\$22 Million Loan of June 21, 1971 to Superintendencia de
Agua e Esgotos da Capital, SAEC (Ln. 757); \$15 Million Loan
of June 21, 1971 to Companhia Metropolitana de Saneamento de
Sao Paulo, SANESP (Ln. 758): A Loan Assumption Agreement
between the IERD and Companhia de Saneamento Basico do Estado
de Sao Paulo (SABESP) and a Supplementary Guarantee Agreement
between the IERD and the Federative Republic of Brazil, re-
quired by the merger of SAEC and SANESP, the original bor-
rowers, with several other companies to form a new state
water supply and sewerage agency, SABESP, were completed on
December 17, 1974. The Loan Assumption Agreement requires
a rate of return on average net fixed assets of the new
Borrower of 4% in 1975 and 6% thereafter (R74-194)."

Attachments

cc: Messrs. Costa, LACP
Buhler, Legal
Helne, Controller's

EE Senner:nev

OFFICE MEMORANDUM

BR-757
758

TO: Mr. Gunter K. Wiese, Director, LAC II
(through Mr. Skillings, Division Chief, LAC II)
FROM: Eldon E. Sennen, Loan Officer, LAC II
SUBJECT: BRAZIL - Sao Paulo Water Supply and Pollution Control
Projects (Loans 757-BR and 758-BR)

DATE: December 17, 1974

1. Attached for your signature are the Loan Assumption Agreement (3 copies) with SABESP and the Supplemental Guarantee Agreement (3 copies) for the above projects. The documents are as proposed in Mr. Skillings' memo of November 19, 1974 (copy attached as reference), and subsequently approved by Mr. Alter. The Brazilians agreed during my recent visit to Brazil to the proposed financial covenant requiring a rate of return of 4% in 1975 and 6% thereafter. This will require a tariff increase in real terms of 18-20% at the end of 1975 or a smaller increase in mid-1975 (the Brazilians prefer the latter). The President and a Director of SABESP therefore signed the Loan Assumption Agreement and the Acting Procurador Geral da Fazenda signed the Supplemental Guarantee Agreement. The documents would be dated at the time of your signature.

2. A supplemental letter from SABESP to the Bank confirming SABESP's intention to appoint promptly an experienced and qualified person to be responsible for the management of the water supply program was dispatched by SABESP Tuesday, December 17. The attached draft letter was proposed by the Bank and agreed by SABESP.

3. If you agree, we will make the following entry in the next Semi-Monthly Report to the Executive Directors:

"\$22 Million Loan of June 21, 1971 to Superintendencia de Agua e Escotos da Capital, SAEC (Ln. 757); \$15 Million Loan of June 21, 1971 to Companhia Metropolitana de Saneamento de Sao Paulo, SANESP (Ln. 758): A Loan Assumption Agreement between the IBRD and Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) and a Supplementary Guarantee Agreement between the IBRD and the Federative Republic of Brazil, required by the merger of SAEC and SANESP, the original borrowers, with several other companies to form a new state water supply and sewerage agency, SABESP, were completed on December 17, 1974. The Loan Assumption Agreement requires a rate of return on average net fixed assets of the new Borrower of 4% in 1975 and 6% thereafter (R74-194)."

Attachments

cc: Messrs. Costa, LACP
Buhler, Legal
Helne, Controller's

Brazil - Lon 757-adr
Brazil - Lon 758-adr
FA
INCOMING CABLE
RECEIVED

DEC 17 8 19 AM 1974

COMMUNICATIONS
SECTION

Distribution:

Mr. Skillings ✓
MS

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ITT9/DEC 17 1974 VIA ITT WORLD COMM

ZCZC AKA313 VIA ITT BUS373 TPX359 ALP552 150428 201000874

UIWA CO BRSP 022

SAOPAULO 22/21 17 0650

Dec. 17, 74

INTSAFRAD MR ELDON SENNER WATER DIVISION

WASHINGTONDC20433

WE CONFIRM OUR LETTER WILL BE SENT TO YOU NEXT 17/12/74

ATHAYDE ROSA DIRECTOR

COL INTSAFRAD DC20433 17/12/74

A.C./or
~~FILE~~
S/F

1757 ER

INCOMING CABLE

RECEIVED

DEC 13 8 56 AM 1974
COMMUNICATIONS
SECTION

WUI02

BRASILIA DF 9112 2000

Dec. 12, 74

LT

INTBAFRAD

WASHDC

Distribution:

Mr. Skillings
Mr. Goffin

cc Mr. Kalbervorth
Ms. Johnson-Suley
Mr. Haas

TWO FOR SKILLINGS RE ALTO TURI COLONE HS AGREED
TO PAY TAXES
TO INCRA AND INCRA PORTARIA APROVING
PROJECT
AND RELESE OF
ON FARM CREDIT FUNDS EXPECTED TO BE SINED
13 DECEMBER STOP PROBLEMS SEEM TO BE RESOLVED
STOP RE SABESP COMMA
COMPANY AND
STATE HAVE AGREED

2741-

TO DOCUMENTS STOP THOUGH UNABLE TO SEE MINISER
FINANCE COMMA

HOPE TO RECEIVE FEDERAL GOVERNMENT AGREEMENT
FRIDAY WITH ACTING

PROCURADOR GERAL STOP RETURNING
STATES FRIDAY NIGHT VIA

VARIG AND WILL REPORT MORE FULLY
ON ABOE AND RGN ON RETURN

REGARDS

ENNER

OFFICIAL
DOCUMENTS

companhia de saneamento básico do estado de são paulo

plus
Brazil-Loan 758/757-BR
sabesp

PRE-1539/74-C

São Paulo, December 12th, 1974

International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, D.C. 20433
U.S.A.

Date Received

Acknowledged

Assigned to

sent to [unclear] 12/30/74

[Signature]

BR-4-48

Re: Loans No. 757-BR and No. 758-BR
(Loan Assumption Agreement)
Management of Water Supply Program

Dear Sirs:

Please refer to the Loan Assumption Agreement (São Paulo Water Supply and Pollution Projects) of even date between the International Bank for Reconstruction and Development (the Bank) and us.

We hereby confirm to the Bank that we will appoint promptly an experienced and qualified person to be responsible for the management of our water supply program.

Very truly yours,

Luiz Felipe Galvão Carneiro da Cunha
Luiz Philippe Galvão Carneiro da Cunha
President

Oscar Felomeno Lotito
Oscar Felomeno Lotito
Director

OFFICIAL
DOCUMENTS

companhia de saneamento básico do estado de são paulo - sabesp

Brasil - Loan 758/757-BR
12/30/74

PRE-1539/74-C

São Paulo, December 12th, 1974

International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, D.C. 20433
U.S.A.

Date Received

Acknowledged

Assigned to

sent to [unclear] 12/30/74

[unclear] / [unclear]

BR-4 - 48

Re: Loans No. 757-BR and No. 758-BR
(Loan Assumption Agreement)
Management of Water Supply Program

Dear Sirs:

Please refer to the Loan Assumption Agreement (São Paulo Water Supply and Pollution Projects) of even date between the International Bank for Reconstruction and Development (the Bank) and us.

We hereby confirm to the Bank that we will appoint promptly an experienced and qualified person to be responsible for the management of our water supply program.

Very truly yours,

Luiz Phelippe Galvao Carneiro da Cunha
Luiz Phelippe Galvao Carneiro da Cunha
President

Oscar Felomeno Lotito
Oscar Felomeno Lotito
Director

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: MARIO HENRIQUE SIMONSEN
MINISTRO DA FAZENDA
MINIFAZ
BRASILIA

DATE: DECEMBER 10, 1974

CLASS OF
SERVICE: LTLY XL811

COUNTRY: BRAZIL

TEXT:
Cable No.:

BANK LOAN OFFICER ELTON SENNER NOW IN SAO PAULO NEGOTIATING AGREEMENT
BETWEEN BANK AND SABESP FOR ASSUMPTION OF LOANS WE MADE IN 1971 TO
SAEC AND SANESP STOP WE HAVE ASKED HIM TO CONTACT YOU IN BRASILIA
DECEMBER 11 OR 12 TO DISCUSS POSSIBLE INCREASES WATER TARIFFS IN ORDER
ACHIEVE SATISFACTORY RATE OF RETURN STOP WOULD GREATLY APPRECIATE YOUR
RECEIVING HIM STOP SENNER WILL CONTACT YOUR SECRETARY FOR APPOINTMENT
REGARDS

SKILLINGS

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert F. Skillings

DEPT. Latin America and Caribbean

SIGNATURE *Robert F. Skillings*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: EJohnson-Sirleaf/RFSkillings:lc/nev

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cc: Mr. Kalbermatten, LACP
Mr. Buhler, Legal

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(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *[Signature]*

OUTGOING WIRE

TO: ELDON SENNER
HOTEL NACIONAL
BRASILIA, DF

DATE: DECEMBER 9, 1974

CLASS OF
SERVICE: *LT* *tel* EXT 2644

COUNTRY: BRAZIL

TEXT:
Cable No.: BANK INFORMED BY CABLE DECEMBER FIVE FROM SCHULMAN THAT BNH WILL
NOT PARTICIPATE IN RENEGOTIATION LOANS 757 AND 758 SINCE THIS IS CONSIDERED
MATTER TO BE HANDLED DIRECTLY BETWEEN BANK AND SABESP REGARDS

JOHNSON--SIRLEAF

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Ellen Johnson-Sirleaf

DEPT. Latin America and Caribbean

SIGNATURE *Ellen Johnson-Sirleaf*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: *E*
EJohnson-Sirleaf:glw
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(IMPORTANT: See Secretaries Guide for preparing form)

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and cc: Mr. R. Costa, LCPWS (w/copy of
incoming)
cc: Messrs. Buhler, Legal Department
Helne, Controller's

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Checked for Dispatch: */*



Record Removal Notice



File Title Sao Paulo Water Supply and Pollution Control Projects - Brazil - Loan 0757, Loan 0758 - P006246 - Correspondence - Volume 2		Barcode No. 30319097		
Document Date 12 May, 1974	Document Type Incoming Telex			
Correspondents / Participants From: Mr. Wiese To: Mr. Lehbort				
Subject / Title Banco Internacional Para a Reconstrucao Et o Desenvolvimento				
Exception(s) Attorney-Client Privilege				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Kelli Gordon</td><td>Date June 21, 2017</td></tr></table>	Withdrawn by Kelli Gordon	Date June 21, 2017
Withdrawn by Kelli Gordon	Date June 21, 2017			

Brazil

758

Mr. William H. Gorman, Room 11100, LOMA

November 20, 1974

Robert F. Killinger, Division Chief, LOMA

BRAZIL - Terms of Reference

1. You will visit Brazil beginning December 3, 1974, for a period of about two weeks.
2. You will visit Rio de Janeiro and Sao Paulo to discuss with the appropriate officials of the National Housing Bank (BNH), the Ministry of Finance, the Sao Paulo state water supply company (SABESP) and the Sao Paulo State Secretaries of Public Works and Finance the proposed Loan Assumption Agreement with SABESP covering Loans 757-BR and 758-BR, the Supplemental Guarantee Agreement and the side letter from SABESP regarding management of the water supply program. In particular, you will review with these officials the proposed revision of the financial covenant and, if possible, secure the appropriate signatures on the documents.
3. You will visit Natal, Recife and Brasilia to participate in the wrap-up discussions of the Rio Grande do Norte appraisal mission with the appropriate state and federal government officials.
4. You will deal with other operational matters as appropriate.
5. Upon your return you will report your findings.

cc: Messrs. Christoffersen, OPS

Rasmussen, LACP

Costa, LACP

Mr. Johnson-Simpson, LOMA (o/r)

Enclosure

BOOK OF FIVE CABLES

OUTGOING WIRE

TO: General RUIZ GALVAO CARNEIRO DA CUNHA
PRESIDENTE
COMPANHIA DE SANEAMENTO BASICO DO
ESTADO DE SAO PAULO-SABESP
RUA COSTA CARVALHO 300 - Pinheiros
SAO PAULO, SP

DATE: NOVEMBER 26, 1974

CLASS OF
SERVICE: IT/2358
/ITT

COUNTRY:

TEXT: CARLOS ANTONIO ROCHA
Cable No.: SECRETARIO DA FAZENDA
GOVERNO DO ESTADO DE SAO PAULO
AV. RANGEL PESTANA 300 - 8º ANDAR
SAO PAULO, SP

MAURICIO SCHULMAN
PRESIDENTE
HABITACAO
RIO DE JANEIRO, GB

JOSE NECHES
SECRETARIO DE SERVICOS E OBRAS PUBLICAS
GOVERNO DO ESTADO DE SAO PAULO
RUA PINHEIRO, 115
SAO PAULO, SP

MOACYR LISBOA LOPES
PROCURADOR GERAL DA FAZENDA
MINIFAZ
RIO DE JANEIRO, GB

COUNTRY: BRAZIL

Page 1 of 2 pages

REFERENCE LOANS 757-BR AND 758-BR FOR SAO PAULO WATER SUPPLY AND POLLUTION
CONTROL PROJECTS STOP BANK NOW PREPARED TO ENTER INTO FINAL LOAN ASSUMPTION
AGREEMENT WITH SABESP AS NEGOTIATED WITH BANK MISSION IN SAO PAULO DURING
LATE SEPTEMBER WITH EXCEPTION THAT RATE OF RETURN SPECIFIED IN SECTION
2.02 (b) OF ASSUMPTION AGREEMENT SHALL BE FOUR PERCENT IN 1975 AND SIX
PERCENT EACH YEAR THEREAFTER STOP BANK CONSIDERS PROPOSED RATES OF RETURN
MINIMUM ACCEPTABLE IN ORDER TO ELIMINATE SABESP'S CASH DEFICIT AS SOON AS
POSSIBLE STOP IN ADDITION WE PROPOSE BRIEF SUPPLEMENTAL LETTER FROM SABESP
TO BANK CONFIRMING SABESP INTENTIONS TO APPOINT PROMPTLY EXPERIENCED AND
QUALIFIED PERSON TO BE RESPONSIBLE FOR MANAGEMENT OF WATER SUPPLY PROGRAM

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME

DATE

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

TO:

DATE: _____

CLASS OF SERVICE:

COUNTRY:

TEXT:

Cable No.:

Page 2 of 2 pages

WIESE
INTRAFFAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAVE

Gunter E. Wiest

SIGNATURE _____

ORIGINAL (File Copy)

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Messrs. Costa, IACP
Carvalho, Legal
Messrs. Costa, IACP (a/r)

145 •

1950-1951

OFFICE MEMORANDUM

TO: Mr. Gerald Alter (through Mr. Wiese, Director, LAC II) DATE: November 21, 1974

FROM: Robert F. Skillings, Division Chief, LC2DA *RS*SUBJECT: BRAZIL - Possible Second Sanitation Project in Sao Paulo

1. We have proposed that the Bank consider financing a second pollution control and sewerage program in Sao Paulo, which we have identified in the course of our supervision of the water supply and pollution control projects previously financed by the Bank (Loans 757-BR and 758-BR of June 21, 1971). Works which have already been identified include the construction of concrete permanent gravity interceptors along several rivers in the Greater Sao Paulo area, construction of additional sewage treatment facilities and of a major sewage conveyance tunnel and channel to carry sewage from the metropolitan area for final disposal. In addition, the new Sao Paulo state water and sanitation agency, SABESP, will be carrying out a program to extend water supply and sewerage connections to a broader segment of the urban population. The current cost estimate for the proposed next phase of major pollution control and sewerage works is roughly \$100 million. We do not yet have cost estimates for the next phase of the program of water and sewerage connections, which is not yet fully defined. However, it is estimated that the total investment program of SABESP during the 1974-1983 period will reach roughly \$1.3 billion in the Sao Paulo metropolitan area alone.

2. The Operations and Lending Program for Brazil approved in May 1974 included a water supply and sewerage operation of \$55 million in FY 1976 (for the second phase of the Minas Gerais state program) and an unidentified water supply and sewerage operation of \$60 million in FY 1977. We now believe that, in view of the slightly slower than expected progress on the first Minas Gerais project, the second will probably slip to FY 1977. On the other hand, it might well be possible to define and appraise a follow-up project in Sao Paulo for consideration during FY 1976. However, as you know, Mr. Knapp has expressed doubts about this proposal. The purpose of this memorandum, therefore, is to describe more fully the objectives of and justification for such an operation in Sao Paulo, and propose a course of action for the short term.

Social Impact

3. A principal argument for our continued support of pollution control and sewerage investment in the metropolitan Sao Paulo area lies in the potential social impact. The area has a population of over 8 million. However, in spite of an impressive record of economic growth in Sao Paulo and its role as an "engine" in Brazil's recent development, investments in its public services (especially water and sewerage) have lagged seriously, threatening the welfare and health of the population, particularly those with lower incomes. An apparent deterioration of health and sanitation conditions is evidenced, for example, in infant mortality rates, which were estimated to have increased in the 1960's. Also, the present Brazilian meningitis epidemic is concentrated in Sao Paulo. Almost two-thirds of the households in

the Greater Sao Paulo area do not have sewer facilities and roughly half are without piped water -- both proportions relatively worse than in the state's urban areas as a whole. Furthermore, a substantial task remains in reducing the intense pollution of the city's rivers. Overall, the target of the PLANASA program in Sao Paulo state is to extend by 1980 adequate water supply to 87% of the urban population and sewerage services to 60%.

4. It can be safely assumed that the part of the population without sewerage services falls largely into low-income groups. The per capita income in the state of Sao Paulo, at \$780 in 1970, is the highest among Brazilian states, but it still ranks well within the range associated with less developed countries. While we are not able to show precisely the income or relative status of groups which might benefit from the proposed program, census data from 1970 suggest that roughly only the lowest 15% of the urban population in the state of Sao Paulo would fall into the lowest 40% of the income distribution for Brazil as a whole. Our financing, therefore, could not be said to benefit primarily people in the lowest 40% of Brazil's income distribution. However, we would seek to ensure, through our participation, that project benefits reached the lowest income groups in Sao Paulo at least in proportion to the share they represent in the population currently not served with piped water or with sewerage connections. In such a case, and assuming the population currently served represents the upper income category, as many as a quarter of the direct beneficiaries of a program of household water or sewerage connections would be in the lowest 40% of Brazil's income distribution. The remainder of the beneficiaries would fall in an income range both below and above the Brazilian national average (which was \$420 per capita in 1970 and in the \$600 range in 1973).

5. It is true that much of the lowest income population in Brazil resides in rural areas, but we are actively preparing rural development projects to help meet the particular needs of that segment of the population. Furthermore, we believe that the overall national income scales do not fully allow "quality of life" comparisons between urban and rural areas, particularly if such factors as local cost of living or the impact of the local environment on health conditions are to be considered. We are therefore convinced that the proposed program to broaden the access to piped water and to sewerage facilities -- together with the concurrent improvement of health and the environment in the community -- would be a major step forward in the Government's social development efforts.

Institution Building

6. A second reason for our participation in the project is to provide support in improving the financial performance and management of SABESP -- support that federal and state authorities are anxious to have. SABESP is faced with the problem of integrating the operations of not only the previous Bank borrowers, SAEC and SANESP, but also the other companies which were merged. We are currently negotiating with SABESP a loan assumption agreement which would require SABESP to undertake not only the general responsibilities

of the previous borrowers but also measures to increase tariffs for services previously carried out by other companies, as well as initial measures to improve its organization and train its staff. Important management deficiencies are likely to remain, however, at least until after the new state government takes office next month. We believe that the Bank can play an important continuing role in institution building, particularly to strengthen SABESP's management structure, organization and financing.

Income Distribution

7. The relatively advanced stage of development in the state of Sao Paulo, compared to Brazil as a whole, does not necessarily imply that all Bank lending in Brazil should be directed toward other regions. The structure of public sector finances in Brazil provides for a deliberate transfer of fiscal and other resources from Sao Paulo to lower income parts of Brazil (described in our economic report on the state's economy, No. 355a-BR, Volume III, dated June 20, 1974), which drains the state of resources that might otherwise be devoted to services within the state itself. The state's tax burden is already well above that of other states in Brazil, and internal and external borrowing will be necessary to meet public investment needs and at the same time continue the state's contribution of fiscal resources to other regions. Bank financing, however, would not replace the state's 50% contribution to the PLANASA program in Sao Paulo, but would rather form part of the BNH contribution, releasing BNH resources for use elsewhere.

8. Furthermore, the national PLANASA system itself is set up to provide for cross-subsidization, through variations in interest rates on BNH loans, among the water supply and sewerage programs in the different states. Hence, the PLANASA program in Sao Paulo, while helping alleviate the backlog of socially oriented investment in that state, would also help generate revenues to be transferred to PLANASA programs elsewhere in Brazil. Bank participation would help assure that the water supply and sewerage investments in Sao Paulo receive appropriate attention in terms not only of the state allocation of its investment resources but also of the technical, financial and organizational development necessary to deliver such services to a broader income range. It would hence reinforce the general pattern of income redistribution which we have been urging the Government to follow.

Immediate Posture

9. With a change of government in the state of Sao Paulo due to take place in March 1975, it is at the moment difficult to be precise about the Bank's role in institution building or in influencing the direction of the sewerage investment program toward lower income areas. For the time being, we should like to inform the federal and state authorities that we will follow with interest the evolution of SABESP's management problems and of the investment program, and will consider next year, after the change in government,

Mr. Gerald Alter

- 4 -

November 21, 1974

whether a second Bank operation would be desirable.^{1/} By the time of the next management CPP review, in May 1975, we should have a much clearer idea of SABESP's future and of a possible future Bank role, and we can then make recommendations as to whether or not the Bank should consider a second loan. We would not, in the meantime, close the door. Do you agree?

Cleared with and cc: Mr. Costa, Acting Division Chief, LACP

cc: Mr. Knox, Director, LACP
Ms. Johnson-Sirleaf, Loan Officer, LC2DA

^{1/} Such a course would probably mean that SABESP would go forward without our help with several major pollution control works that should be ready for contracting shortly.

Brazil - Loan 758 - acc
Brazil - Loan 757 - acc

Mr. Gerald Alter (through Mr. Wiese)

November 19, 1974

Robert F. Skillings, Division Chief, LC2DA

BRAZIL - Water Supply and Pollution Control Project (Loans 757-BR and 758-BR)

1. Messrs. Knox, Costa, Sennar and I met on November 14 to discuss further the proposed loan assumption agreement between the Bank and SABESP, which was forwarded to you with my memorandum of November 8, 1974.
2. With respect to the proposed financial covenant, we reviewed particularly the rationale for revising the target rates of return and the optimal means of achieving these targets. The original loan agreements for the water supply (SAEC) and pollution control (SANESP) projects called for rates of return of 7% and 7½% respectively. We agreed, however, that it would be extremely difficult for SABESP, the new state sanitation agency, to reach these goals. First, the new company now possesses the asset base not only of SAEC and SANESP, but also of COMASP (the large bulk water supplier for Greater Sao Paulo) and several other companies that were not assisted by the Bank. Some of these companies, particularly COMASP, have had very poor financial performance; furthermore, the very substantial increase of operating costs during the last year for SABESP as a whole has compounded the weakening of SABESP's financial position. The tariff increases which would be required to offset these combined factors and to achieve immediately a 7% or 7½% rate of return on total gross fixed assets of SABESP would be so sharp as to be politically impossible.
3. Furthermore, the new company, SABESP, was formed specifically to enable Sao Paulo to participate in the federal government and National Housing Bank (BNH) PLANASA (National Sanitation Plan) program, which the state government agreed to join early in 1974. The objective of this program in Sao Paulo is to provide by 1980 adequate water supply to at least 87% of the state's urban population and satisfactory sewerage services to at least 60%. All new investments up to 1983 are to be debt financed with loans from the state and BNH. Hence, the financial viability of the company will depend on setting a level of tariffs which enable it to meet all cash needs, including debt service. This PLANASA financing plan was also reviewed and agreed to by the Bank in conjunction with the Minas Gerais project.
4. The recent supervision mission calculated (see attachment) that, with the 25% tariff increase (in current prices) programmed for the end of this year followed by further tapered increases during the next few years -- 11% in real terms near the end of 1975 and 6% in real terms near the end of 1976 -- SABESP would be meeting its cash needs and debt service by 1977. In our further discussions, however, we have agreed that we should urge SABESP to move more quickly, and that, after the 25% tariff increase this year, SABESP should within a year execute another tariff increase, on the order of 18-20% (in real terms), which would allow it not only to meet its cash needs and debt service by 1976 but also to begin to accumulate cash surpluses thereafter.

November 19, 1974

These yearly surpluses would increase gradually and would be on the order of 2% of gross fixed assets in operation by 1979 or 1980. The rate of return achieved would be about 4% in 1975 and about 6% in 1976. The Programs and Project Departments agree that this is a reasonable, in fact stringent, target. Since the financial rate of return does not reflect the full economic and social benefits of the project, we are also convinced that a misallocation of resources would not occur.

5. We also agreed that the Bank could assure the achievement of the financial targets either through a traditional rate of return covenant (as in the original loan agreements with SAEC and SANESP) or through a cash flow covenant similar to the covenant included in the more recent Minas Gerais water supply project. I recommended the latter to you in my November 8 memorandum, mainly to establish the same procedure as was used in the Minas Gerais project and to use language apparently more compatible with the PLANASA philosophy of financial viability. Nevertheless, after further discussion with the Projects Department we are willing to agree -- in the interest of maintaining continuity in the Sao Paulo agreements and in reaching an early settlement of the Loan Assumption Agreement -- to retain the rate of return covenants. We would, therefore, propose to notify the Paulistas that the Bank would be willing to agree to a rate of return covenant providing for a 4% return in 1975 and no less than 6% thereafter. If the Paulistas reply that they prefer a cash flow covenant, as suggested in the draft which I forwarded to you with my memorandum of November 8, which would yield the same results, the Projects Department agrees with us that the Bank should accept it.

6. You will recall that, in addition to revising the financial covenant, we are proposing that the Bank also secure from SABESP a side letter, confirming that SABESP will promptly appoint an experienced and qualified person to be responsible for the management of the water supply program financed by the Bank.

7. If you agree, we will proceed in our discussions with SABESP along the lines proposed as outlined above.

8. I will be sending to you a separate memorandum about a possible second sanitation project in Sao Paulo.

Attachment

Cleared with and cc: Mr. Costa, Acting Division Chief, LACP

cc: Mr. Knox, Director, LACP

Ms. Johnson-Sirleaf, Loan Officer, LC2DA (o/r)

EE: [Signature] :jbv

OFFICE MEMORANDUM

TO: Mr. Robert F. Skillings, Acting Director, LC2DA

DATE: November 8, 1974

FROM: Eldon E. Senner, ⁴⁶⁹Loan Officer, LC2DASUBJECT: BRAZIL - Sao Paulo Water Supply and Sewerage Projects
(Loans 757-BR and 758-BR of June 21, 1971)BR-757
- 758Introduction

1. You will recall that during 1973 the Sao Paulo state public enterprises that were the borrowers for these loans (SAEC for water supply and SANESP for sewerage) were merged, together with other water and sewerage entities in this state, into a single new enterprise, SABESP, as a prelude to Sao Paulo signing the national PLANASA agreement. We have been permitting disbursements to continue on an interim basis pending signature of Loan Assumption Agreements with SABESP. The present interim arrangement expires on November 30. A Projects Department supervision mission visited Sao Paulo in September, accompanied by an attorney and Mrs. Johnson-Sirleaf. The mission's report and the addendum are attached, together with a separate report by Mrs. Johnson-Sirleaf dated October 7, 1974. Also attached is a draft Loan Assumption Agreement, all but one of whose provisions was agreed by the mission with SABESP. The exception was the revised tariff covenant (see para. 5 below).

Disbursement Percentages

2. The Loan Assumption Agreement, in addition to recording SABESP's assumption of the financial and project obligations of SAEC and SANESP, would record our agreement to increase the disbursement percentages for domestic civil works and equipment expenditures (from 37 to 48% in the case of the water supply loan and from 14 to 18% in the case of the sewerage loan). These adjustments are needed because the allocation of proceeds of both loans originally included amounts to cover direct foreign exchange expenditures. Until now, all of the procurement has been in Brazil, following (for contracts eligible for Bank finance) international competitive bidding procedures. The percentage of the total project costs to be financed by the Bank would not be increased.

Tariffs

3. The original Loan Agreements provided that tariffs should be sufficient to provide a rate of return of 5 $\frac{1}{2}$ % on net fixed assets in 1972, and 7% thereafter for the water supply project and 7 $\frac{1}{2}$ % thereafter for the pollution control project. The financial structure of SABESP is quite different from that of the original companies, among other things because it has taken over the activities of COMASP, the large bulk water supplier for the Sao Paulo metropolitan area. The mission reached the conclusion that SABESP would be able to achieve a rate of return gradually increasing from 4% in 1975 to 6% after 1978, provided that tariffs are increased as planned by 25% (in current

November 8, 1974

formal assurances on this point at the time of signature of the Loan Assumption Agreement. A draft letter to this effect is attached.

Management

7. The mission has also found that the overall management of SABESP is weak, the President of the company having had no previous experience with enterprise management or with water supply and sewerage operation. Moreover, the present management does not expect to remain in office beyond March 1975, when a new Governor will take office in Sao Paulo. This situation is of course unsatisfactory. However, it is not within the Bank's power at the present moment to alter the situation. We have called the attention of the federal and state authorities to the unsatisfactory management situation and will do so also to the new governing authorities in the state of Sao Paulo when they are designated. The strengthening of the management of SABESP would certainly be a pre-condition for our proceeding with a proposed second pollution control project (see your memorandum to Mr. Wiese of October 8, 1974). We are satisfied, however, that the purposes of the two first loans will have a reasonable prospect of being accomplished even without an immediate change in SABESP's top management, provided the administration of the water supply program is improved as set forth in paragraph 6 above, and provided tariffs are increased as discussed in paragraphs 3 - 5 above. Moreover, we propose to include in the Loan Assumption Agreement provisions (Sections 1.04 and 1.05) designed to improve SABESP's management.

Conclusion

8. If you agree with the foregoing, we would proceed to hold further discussions with the federal and state governments and with SABESP with a view to reaching early agreement on a revised Loan Assumption Agreement containing the provisions recommended above.

Attachments

Cleared with and cc: Messrs. Buhler, Legal Department
Costa, Acting Division Chief, LACP
Helne, Controller's
Rodriguez, Procurement Engineer, LACP

cc: Mr. Wiese, Director, LAC II (o/r)
Mr. Knox, Director, LACP
Mr. Geli, Assistant Director, LACP
Ms. Johnson-Sirleaf, Loan Officer, LC2DA (o/r)

OFFICE MEMORANDUM

TO: Mr. Gerald Alter

DATE: November 8, 1974

FROM: Robert F. Skillings, Acting Director, LC2DA

SUBJECT: BRAZIL - Sao Paulo Water Supply and Sewerage Projects
(Loans 757-BR and 758-BR of June 21, 1971)

1. I am attaching a memorandum, dated November 8, 1974, from Mr. Senner to me regarding the above-mentioned projects. The memorandum outlines the major provisions, particularly regarding financial performance and tariffs (see paragraphs 3 - 5), which we recommend that the Bank require in a Loan Assumption Agreement with SABESP, which is the new Sao Paulo state water and sewerage agency formed by the merger of SAEC and SANESP (the original borrowers for these projects) and other water and sewerage entities in the state.

2. If you agree with the recommendations outlined in paragraphs 3 - 5 of Mr. Senner's memorandum, we shall proceed to hold further discussions with the federal and state governments with a view to reaching agreement on the draft Loan Assumption Agreement.

Attachment

cc: Mr. Wiese, Director, LAC II (o/r)
Messrs. Knox, Director; Geli, Assistant Director (LACP)
Mr. Costa, Acting Division Chief, LACP

Mr. Skillings

Mr. Senner

*I am awaiting
Horsel memo.*

[Signature]

Brasil - Loan 757 *Almeida*
✓ Brasil - Loan 758 *Almeida*

November 8, 1974

Mr. Gerald Alter

Robert F. Skillings, Acting Director, LC2DA *LLS*

BRAZIL - Sao Paulo Water Supply and Sewerage Projects
(Loans 757-BR and 758-BR of June 21, 1971)

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2. If you agree with the recommendations outlined in paragraphs 3 - 5 of Mr. Senner's memorandum, we shall proceed to hold further discussions with the federal and state governments with a view to reaching agreement on the draft Loan Assumption Agreement.

Attachment

cc: Mr. Wiese, Director, LAC II (o/r)
Messrs. Knox, Director; Geli, Assistant Director (LACP)
Mr. Costa, Acting Division Chief, LACP

EES *Senner*:GLW

Brazil. Loan 757 Admin

✓ Brazil. Loan 758 Admin

Mr. Robert F. Skillings, Acting Director, LC2DA

November 8, 1974

Eldon E. Semer, Loan Officer, LC2DA

BRAZIL - Sao Paulo Water Supply and Sewerage Projects
(Loans 757-BR and 758-BR of June 21, 1971)

Introduction

1. You will recall that during 1973 the Sao Paulo state public enterprises that were the borrowers for these loans (SAEC for water supply and SANESP for sewerage) were merged, together with other water and sewerage entities in this state, into a single new enterprise, SABESP, as a prelude to Sao Paulo signing the national PLANASA agreement. We have been permitting disbursements to continue on an interim basis pending signature of Loan Assumption Agreements with SABESP. The present interim arrangement expires on November 30. A Projects Department supervision mission visited Sao Paulo in September, accompanied by an attorney and Mrs. Johnson-Sirleaf. The mission's report and the addendum are attached, together with a separate report by Mrs. Johnson-Sirleaf dated October 7, 1974. Also attached is a draft Loan Assumption Agreement, all but one of whose provisions was agreed by the mission with SABESP. The exception was the revised tariff covenant (see para. 5 below).

Disbursement Percentages

2. The Loan Assumption Agreement, in addition to recording SABESP's assumption of the financial and project obligations of SAEC and SANESP, would record our agreement to increase the disbursement percentages for domestic civil works and equipment expenditures (from 37 to 48% in the case of the water supply loan and from 14 to 18% in the case of the sewerage loan). These adjustments are needed because the allocation of proceeds of both loans originally included amounts to cover direct foreign exchange expenditures. Until now, all of the procurement has been in Brazil, following (for contracts eligible for Bank finance) international competitive bidding procedures. The percentage of the total project costs to be financed by the Bank would not be increased.

Tariffs

3. The original Loan Agreements provided that tariffs should be sufficient to provide a rate of return of 5% on net fixed assets in 1972, and 7% thereafter for the water supply project and 7% thereafter for the pollution control project. The financial structure of SABESP is quite different from that of the original companies, among other things because it has taken over the activities of COMASP, the large bulk water supplier for the Sao Paulo metropolitan area. The mission reached the conclusion that SABESP would be able to achieve a rate of return gradually increasing from 4% in 1975 to 6% after 1978, provided that tariffs are increased as planned by 25% (in current

terms) in 1974 and that additional increases take place in 1975 and 1976. You will recall, however, that during our consideration of the Minas Gerais water supply loan, we decided that a rate of return covenant for a Brazilian water supply project was less meaningful than a cash flow covenant, and that a cash flow covenant would be more consistent with the provisions of the PLANASA system. Accordingly, the tariff covenant in the loan for Minas Gerais provided that revenues should be sufficient to cover all operating expenses, debt service and a contribution towards new investments equal to 1% of gross fixed assets. After discussion with the Projects Department, we have now decided to recommend that the same covenant be introduced into the Loan Assumption Agreement with SABESP.

4. Sao Paulo's water supply and sewerage tariffs are not at the present time sufficient to meet the test of this covenant. The Sao Paulo authorities intend to introduce a 25% increase in tariffs before the end of this year. Even with this increase, however, revenues in 1975 would be sufficient only to cover operating costs and about 84% of debt service. The balance of debt service will be met by a subsidy from the Sao Paulo state government. This situation is set forth in Table 1 attached. For debt service to be fully covered in 1976 would require an additional tariff increase of some 19% in real terms at the end of 1975. If this increase took place it would also produce a small surplus by 1977 which could be devoted to new investments.

5. It is proposed therefore to enter into further discussions with the federal and state authorities and SABESP in order to obtain a firm commitment on the 25% tariff increase before the end of 1974 and a further 19% real increase in late 1975, and to record the understandings reached in the Loan Assumption Agreement together with a covenant that after 1976 tariffs would be maintained at a level that would meet all operating costs and debt service plus a contribution to new investments equal to 1% of gross fixed assets (the same covenant that applies in the case of Minas Gerais).

Progress of Water Supply Project

6. You will note that the supervision mission found that, while the execution of the sewerage project has been progressing well, the progress in the execution of the water supply project has been unsatisfactory. About 56% of the procurement contracts for the water supply projects have been let and the execution of those contracts already let is proceeding normally. However, the official responsible for organising procurement of the water supply project was transferred to another assignment in June 1974. He has not been replaced and since that time no progress has been made in preparing for contracting the balance of the works and equipment under the water supply program. The mission was assured by SABESP's management that a successor would be found shortly who would be able to insure that progress on the water supply project is resumed. We propose to obtain from SABESP

November 8, 1974

formal assurances on this point at the time of signature of the Loan Assumption Agreement. A draft letter to this effect is attached.

Management

7. The mission has also found that the overall management of SABESP is weak, the President of the company having had no previous experience with enterprise management or with water supply and sewerage operation. Moreover, the present management does not expect to remain in office beyond March 1975, when a new Governor will take office in Sao Paulo. This situation is of course unsatisfactory. However, it is not within the Bank's power at the present moment to alter the situation. We have called the attention of the federal and state authorities to the unsatisfactory management situation and will do so also to the new governing authorities in the state of Sao Paulo when they are designated. The strengthening of the management of SABESP would certainly be a pre-condition for our proceeding with a proposed second pollution control project (see your memorandum to Mr. Wiese of October 8, 1974). We are satisfied, however, that the purposes of the two first loans will have a reasonable prospect of being accomplished even without an immediate change in SABESP's top management, provided the administration of the water supply program is improved as set forth in paragraph 6 above, and provided tariffs are increased as discussed in paragraphs 3 - 5 above. Moreover, we propose to include in the Loan Assumption Agreement provisions (Sections 1.04 and 1.05) designed to improve SABESP's management.

Conclusion

8. If you agree with the foregoing, we would proceed to hold further discussions with the federal and state governments and with SABESP with a view to reaching early agreement on a revised Loan Assumption Agreement containing the provisions recommended above.

Attachments

Cleared with and cc: Messrs. Buhler, Legal Department
Costa, Acting Division Chief, LACP
Malne, Controller's
Rodriguez, Procurement Engineer, LACP

cc: Mr. Wiese, Director, LAC II (o/r) LC2DA (o/r)
Messrs. Knox, Director; Geli, Assistant Director (LACP)
Ms. Johnson-Sirleaf, Loan Officer, LC2DA (o/r)

EE:clw

Files

November 1, 1974

Ellen Johnson-Sirleaf, Loan Officer, IAC II

BRAZIL - Telephone Conversation with Mr. Bonilla of IDB
Regarding IDB/SABESP Assumption Agreement

1. On Thursday, October 31, I held a telephone conversation with Mr. Bonilla, Operations Officer of the IDB, concerning the experience of the IDB in reaching agreement with Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP), the company which assumed the rights and responsibilities of COMASP, borrower of two IDB loans for expansion of the water supply system in the municipality of Sao Paulo.
 2. Mr. Bonilla informed me that the IDB had granted two loans in the amounts of \$11.5 million (ordinary capital) and \$5 million (Swedish fund) in support of a then estimated \$80 million water expansion project that was executed by COMASP, the State company which until 1972 was responsible for the supply of water in the municipality of Sao Paulo. Due to inflation and an extension in scope, the project which the IDB loans supported are now estimated to cost \$230 million. Both IDB loans are fully disbursed.
 3. On September 9, 1974, IDB concluded an "amendment contract" with SABESP, the company which assumed the rights and responsibilities of COMASP. The agreement merely transferred to SABESP, without change, the rights and responsibilities of COMASP under the Loan Agreement with the IDB. In response to my inquiry, Mr. Bonilla explained that the management and financial position of SABESP was not made a subject of consideration in concluding the agreement with SABESP. However, with the approval of SABESP, the IDB had commissioned a consulting firm to study the financial and management capacity of SABESP. A final report of the consultants is being prepared.
 4. I requested any information which the IDB may have available on record regarding the financial performance, including the financial and economic rate of return on investment, which COMASP and SABESP may have achieved in previous years. Mr. Bonilla agreed to research this and to meet with the Bank staff at a mutually convenient time to discuss in more detail the IDB experience in the water supply sector in the State of Sao Paulo.
- cc: Messrs: Skillings, Division Chief, IAC II
Costa, Financial Analyst, LCPWS
Rodriguez, Procurement Officer, LCPWS
Buhler, Legal Department
Helne, Controller's

EJohnson-Sirleaf:ehl

OFFICE MEMORANDUM

TO: Mr. John M. Kalb (Chief, LCPWS)

DATE: November 1, 1974

FROM: Fritz Rodriguez (EGR, LCPWS) and Rene Costa (FNA, LCPWS)

SUBJECT: BRAZIL - Loans 757 & 758-BR - Sao Paulo Water Supply and
Pollution Control Project
Addendum to Back-to-Office and Full Report
of October 24, 1974

1. Paragraph 6.03 of the report states that no progress has been made in the execution of the water supply project. We think that this statement needs to be amplified and further clarified from the way it might be interpreted in the report. In fact, the "no progress" refers only to SABESP not contracting for new works in the last six months. It does not mean a total stop of the water supply program, and the ongoing works are progressing well.

2. As explained in paragraph 10.03 of the report, one of the reasons for the slow progress in contracting for new works is the transfer of Mr. Lima Pontes, formerly responsible for the Bank water supply program, to another department. Mr. Lima Pontes was the Planning Director in the former SAEC water utility and continued to be responsible for the Bank project following the creation of SABESP on June 29, 1973. However, after the reorganization of SABESP last June, a Construction Department with a single planning office, was set up. Mr. Camano, the former Planning Director in SANESP sewage utility, became the head of this planning office, with overall responsibility for all SABESP's projects.

3. Mr. Camano is familiar with the Bank's sewerage program in Sao Paulo and obviously had no difficulties in moving the program ahead. However, as we expected, Mr. Camano was not familiar with the water supply requirements in Greater Sao Paulo and needed some time to get acquainted with the Bank water supply program.

4. During our mission we discussed this situation with Mr. Lotito, the Technical Director, and with SABESP's staff and asked them to start contracting for the remaining works. The total project cost is estimated at US\$ 52.8 million, and contracts for US\$ 29.5 million of works have already been placed by SABESP. We also promised Mr. Lotito to inform him of the Bank's program components.

5. We are convinced that additional contracts for the water supply project will soon be placed, even before the expected change in SABESP's management in March 1974. We must also point out that this delay will not jeopardize the success of our water supply program in Sao Paulo. We are only financing the water distribution network and putting this network into operation will depend on the completion of the bulk water supply works undertaken by the former COMASP. Such a completion has also been delayed and the second supply of 3 m³/sec is not expected before the end of next year (the first supply of 3 m³/sec was made this year).

Mr. John M. Kalbermatten

- 2 -

November 1, 1974

6. We, therefore, recommend not to postpone the signing of the Loan Assumption Agreement for the SAEC project (Loan 757-BR) because of the slow progress shown by SABESP in contracting for new water supply works in the last six months. We have also revised the letter to SABESP (Annex 1) by requesting formal action by the company management to speed up the contracts for the remaining works.

Attachment

FRodriguez:am

cc: Messrs. Knox (LCPDR), Geli (LCPDR), Skillings (LC2DA),
Ms. Johnson-Sirleaf (LC2DA), van der Tak (VPSVP),
Rovani (PEPDR) (3), Bowron (PAB), Carvalho (LEG),
Helne (CTR), Ms. Steiner (LCPWS), LAC Files,
Division Files

DRAFT LETTER

Loans 757 and 753-BR

General Luiz P. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Básico do
Estado de Sao Paulo - SABESP
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, Brazil

Re: Sao Paulo Water Supply and Pollution
Control Project

Dear General Carneiro da Cunha:

First of all I should like to thank you and your staff for the kind cooperation and courtesies extended to Messrs. Rodriguez and Costa during their recent visit to Sao Paulo. They informed the Bank that you agreed to the provisions of the draft Loan Assumption Agreement which was initialled by you and the members of our mission.

I am sending herewith two copies of the Loan Assumption Agreement already signed by the Bank. Please have authorized representatives of SABESP sign the documents and return one signed copy to the Bank. We also need to receive a letter from the Sao Paulo State Government approving the Loan Assumption Agreement. In this regard we suggest that the State Government use the draft letter which was submitted by our mission to Mr. Capocchi, the Director of your Legal Department.

We are concerned about the lack of progress in organizing the company and, in particular, in the execution of the Water Supply Program which was discussed by our mission members with your

General Luiz P. Galvao Carneiro da Cunha

Annex 1
Page 2 of 2 pages

technical staff. Slow progress by SABESP in contracting for the remaining works of the program occurred during the last six months. We, therefore, urge you to advertise the contracts for the remaining works, as soon as possible, and to name someone of your company to be responsible for the water supply program, as suggested by our mission.

We think that SABESP's present organizational structure of seven departments is not functioning well and above all, better coordination should be established between the departments. We learnt that the report of the management consultants you hired to review SABESP's present organization, was not ready at the time our mission visited Sao Paulo. We would appreciate your informing us of the Consultant's findings once their report is available.

Our mission discussed with Mr. Lotito, your Technical Director, the prospect of the Bank financing the master plan (Solucao Integrada) for sewage collection and disposal in Greater Sao Paulo, and suggested that the Juqueri Tunnel civil works be internationally bid. We want to confirm our mission's proposal and renew our willingness to assist SABESP with technical expertise and financing in this project, provided the civil works contract for the Juqueri Tunnel is placed by means of international competitive bidding.

Sincerely yours,

Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

Enclosures

cc: Mr. M. Schulman, Banco Nacional da Habitaçao (BNH)

November 1, 1974

Brazil Loan 757 Admin

Brazil Loan 758 Admin

OFFICE MEMORANDUM

TO: Files

DATE: November 1, 1974

FROM: Ellen Johnson-Sirleaf, Loan Officer, IAC II

SUBJECT: BRAZIL - Telephone Conversation with Mr. Bonilla of IDB
Regarding IDB/SABESP Assumption Agreement

1. On Thursday, October 31, I held a telephone conversation with Mr. Bonilla, Operations Officer of the IDB, concerning the experience of the IDB in reaching agreement with Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP), the company which assumed the rights and responsibilities of COMASP, borrower of two IDB loans for expansion of the water supply system in the municipality of Sao Paulo.
 2. Mr. Bonilla informed me that the IDB had granted two loans in the amounts of \$11.5 million (ordinary capital) and \$5 million (Swedish fund) in support of a then estimated \$20 million water expansion project that was executed by COMASP, the State company which until 1972 was responsible for the supply of water in the municipality of Sao Paulo. Due to inflation and an extension in scope, the project which the IDB loans supported are now estimated to cost \$230 million. Both IDB loans are fully disbursed.
 3. On September 9, 1974, IDB concluded an "amendment contract" with SABESP, the company which assumed the rights and responsibilities of COMASP. The agreement merely transferred to SABESP, without change, the rights and responsibilities of COMASP under the loan Agreement with the IDB. In response to my inquiry, Mr. Bonilla explained that the management and financial position of SABESP was not made a subject of consideration in concluding the agreement with SABESP. However, with the approval of SABESP, the IDB had commissioned a consulting firm to study the financial and management capacity of SABESP. A final report of the consultants is being prepared.
 4. I requested any information which the IDB may have available on record regarding the financial performance, including the financial and economic rate of return on investment, which COMASP and SABESP may have achieved in previous years. Mr. Bonilla agreed to research this and to meet with the Bank staff at a mutually convenient time to discuss in more detail the IDB experience in the water supply sector in the State of Sao Paulo.
- cc: Messrs: Skillings, Division Chief, IAC II
Costa, Financial Analyst, LCPWS
Rodriguez, Procurement Officer, LCPWS
Buhler, Legal Department
Helne, Controller's

EJohnson-Sirleaf:ehf

Brasil - Loan 758 BR

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 - Telephone - EXecutive 3-6360 - Cable Address - INTBAFRAD

October 31, 1974

Companhia de Saneamento Basico do Estado de Sao Paulo
- SANESP
Avenida Paulista, 1776 - 21º Andar
01310 Sao Paulo, Brasil
Attn: Athayde Rosa

Loan Account No. 758 BR

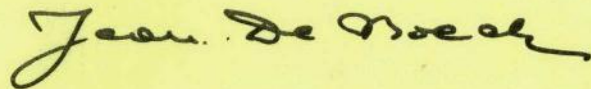
Gentlemen:

The preparation of our Advices of Payments has now been converted to a computer format which has permitted the standardization of certain information appearing thereon.

To facilitate the preparation of these Advices, it has become necessary to alter the format, but all pertinent information previously reflected is still maintained.

If any questions arise, we shall be pleased to clarify them for you.

Sincerely yours,



Jean B. De Boeck
Chief, Cashier's Division

Brasil - Loan 758 BR

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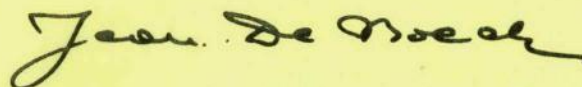
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Jean B. De Boeck
Chief, Cashier's Division

Brazil - Loan 758 BR

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 - Telephone - EXecutive 3-6360 - Cable Address - INTBAFRAD

October 31, 1974

Ministerio da Fazenda
Av. Presidente Antonio Carlos, 375
Rio de Janeiro, Brazil

Loan Account No. 758 BR

Gentlemen:

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Sincerely yours,

Jean B. De Boeck

Jean B. De Boeck
Chief, Cashier's Division

IBRD AND IDA - SUPERVISION SUMMARY

Regional Office: LCP	Country: Brazil	Project Name: Sao Paulo Water Supply	Project No.: 6BRAWO1	Loan ☒ Credit ☐ No.: 757-BR
Projects Dept./Div.: LCPWS	No. Code: 166-42	Projects Officer: R. Costa	Loan Officer: Ms. E. Johnson-Sirleaf	Board Date: 05-18-71
			Signing Date: 06-21-71	

SECTION 1: PERFORMANCE RATING

STATUS: Problem Free - 1; Minor Problems - 2; Major Problems - 3

TREND: Improving - 1; Stationary - 2; Deteriorating - 3

TYPES OF PROBLEM: Financial - 1; Managerial - 2; Technical - 3; Political - 4; Other (explain) - 5

Designated a "problem project" in most recent SVP review: Yes - Y; No - N ☒ N

Last Summary	This Summary																				
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SECTION 2: SUMMARY PROJECT DESCRIPTION

The project consists of the supply and installation of about 2,800 Km of water distribution pipes ranging in size from 75 mm to 700 mm in diameter, inside the boundaries of Sao Paulo Municipality. Additional storage reservoirs of a total capacity of 103,000 m³ will be constructed and the borrower will purchase billing equipment and about 250,000 water meters.

SECTION 3: PROJECT DATA (Do not advance FY time frame until after 3-month updating cycle which ends July 31.)

Estimated/Actual As of:	Loan/ CUM Effectiveness (Mo./Day/Yr.)	Project Completion (Mo./Yr.)	Loan/ CUM Closing (Mo./Day/Yr.)	Project Cost (\$xx.xm)	Loan/ CUM Amount (\$xx.xm)	Cumulative Disbursements Through Past FY <u>73</u> (\$xx.xm)	Current FY <u>74</u> (\$xx.xm)	Next FY <u>75</u> (\$xx.xm)
Signing	<u>10.29.71</u>	<u>12.74</u>	<u>06.30.75</u>	<u>59.8</u>	<u>22.0</u>	<u>15.7</u>	<u>21.6</u>	<u>22.0</u>
Beginning of FY*	<u>12.76</u>	<u>06.30.77</u>	<u>59.8</u>	<u>22.0</u>	<u>4.0</u>	<u>8.5</u>		
Latest	<u>01.13.72</u>	<u>12.76</u>	<u>06.30.77</u>	<u>52.8</u>	<u>22.0</u>	<u>1.8</u>	<u>4.0</u>	<u>8.0</u>
Legal closing date: <u>06.30.75</u>				Disbursements to date: <u>4.4</u>				
				As of date: <u>10.22.74</u>				

* Use estimate which is "latest" at beginning of FY. A special beginning-of-FY estimate not required.

SECTION 4: SUPERVISION SCHEDULE

Msn. Return to HQ (Mo./Day/Yr.)	Final Rpt. Date (Mo./Day/Yr.)	Next Msn. Departure <u>03.75</u>	Recommended interval between Missions (months) <u>6</u>	Time Expenditure (Optional) Projects Programs (mw) (mw)
Latest <u>10.15.74</u>	<u>10.24.74</u> (CS)*	End of period covered by latest progress report <u>06.30.74</u>	FY Plan <u>14</u>	-
Previous <u>07.15.74</u>	<u>08.16.74</u> (FS)*	FY to date <u>5</u>		-

* Type of Report: FS = Full Supervision; CS = Combined Full/B-T-O; C = Completion; A = Appraisal; O = Other (explain in Section 5)

SECTION 5: COMMENTS (Explain "other" in Section 1 and clarify, if necessary, the data contained in Sections 3 and 4.)

The mission visited Sao Paulo from September 24 to 28, 1974. Mr. R. Buhler, a Bank lawyer, and Ms. E. Johnson-Sirleaf, Loan Officer, participated in our discussions with the borrower, SABESP.

SECTION 6: SUMMARY OF PROJECT STATUS, TREND, AND MAJOR PROBLEMS

6.01 Agreement was reached on all the provisions of the draft Loan Assumption Agreement and both the mission members and SABESP's President initialled the documents. Four amendments to the existing Loan Agreements were introduced in the Loan Assumption Agreement: (i) the percentages of expenditures financed by the Bank on civil works and locally produced equipment and materials are respectively increased to 48% and 18% for the SAEC and SANESP projects; (ii) the revenues covenants are modified to provide a rate of return of not less than 1% in 1974, 4% in 1975, 5% in 1976, 1977 and 1978, and 6% thereafter, on the average value of SABESP net fixed assets in operation; (iii) a training program has been included in the SAEC project description and Schedule 1 of Loan 757-BR was amended to permit Bank financing of this program, and (iv) the Closing Date has been postponed for a year to June 30, 1976 (paragraph 9.01).

6.02 Design and procurement on the sewerage project are of good quality and construction of the works has been progressing rapidly in the last six months. The construction of the Mogi-Suzano Interceptors is completed and civil works in the low lift pumping stations have started. The Mogi-Suzano System is expected to be put in operation at the beginning of 1976. Good progress has also been made in the construction of the ABC System. Completion of the ABC Interceptors is scheduled for June 1975. The original cost estimates of this project (US\$ 65 million) remain unchanged (paragraphs 10.01 and 10.02).

Preparing Officer: R. Costa
F. RodriguezInitials: 

Date: 10-24-74

IBRD AND IDA - SUPERVISION SUMMARY

Regional Office: LCP	Country: Brazil	Project Name: Sao Paulo Pollution Control	Project No.: 6BRAWW01	Loan ☒ Credit ☐ No.: 758-BR
Projects Dept./Div.: LCPWS	No. Code: 166-42	Projects Officer: F. Rodriguez	Loan Officer: Ms.E. Johnson-Sirleaf	Board Date: 05-18-71
			Signing Date: 06-21-71	

SECTION 1: PERFORMANCE RATING

STATUS: Problem Free - 1; Minor Problems - 2; Major Problems - 3
TREND: Improving - 1; Stationary - 2; Deteriorating - 3
TYPES OF PROBLEM: Financial - 1; Managerial - 2; Technical - 3; Political - 4; Other (explain) - 5
Designated a "problem project" in most recent SVP review: Yes - Y; No - N ☒ N

Last Summary	This Summary
3	3
2	2
1	1
4	4

SECTION 2: SUMMARY PROJECT DESCRIPTION

The project includes the construction of 4.8 Km of interceptor sewers along the Dos Meninos, Tamanduatei and Tiete Rivers; the construction of a 3 m³/sec. primary treatment plant at San Caetano and a 1.5 - m³/sec. secondary treatment at Mogi-Suzano and related low-lift pump stations for the treatment plants.

SECTION 3: PROJECT DATA (Do not advance FY time frame until after 3-month updating cycle which ends July 31.)

Estimated/Actual As of:	Loan/Effectiveness (Mo./Day/Yr.)	Project Completion (Mo./Yr.)	Loan/Closing (Mo./Day/Yr.)	Project Cost (\$xx.xm)	Loan/Amount (\$xx.xm)	Cumulative Disbursements Through Past FY 73 (\$xx.xm)	Current FY 74 (\$xx.xm)	Next FY 75 (\$xx.xm)
Signing	10.29.71	12.74	06.30.75	81.5	15.0	8.0	13.3	15.0
Beginning of FY*		12.76	06.30.77	64.0	12.0		1.1	6.7
Latest	01.13.72	12.76	06.30.77	65.0	12.0	0.4	1.1	3.7
Legal closing date: 06.30.75						Disbursements to date: 1.6		
						As of date: 10.22.74		

* Use estimate which is "latest" at beginning of FY. A special beginning-of-FY estimate not required.

SECTION 4: SUPERVISION SCHEDULE

Msn. Return to HQ (Mo./Day/Yr.)	Final Rpt. Date (Mo./Day/Yr.)	Next Msn. Departure Recommended interval between Missions (months)	Time Expenditure (Optional) Projects (mw) Programs (mw)
Latest 10.15.74	10.24.74 (CS)	6	FY Plan 14 -
Previous 07.15.74	08.16.74 (FS)	End of period covered by latest progress report 06.30.74	FY to date 5 -

* Type of Report: FS = Full Supervision; CS = Combined Full/B-T-O; C = Completion; A = Appraisal; O = Other (explain in Section 5)

SECTION 5: COMMENTS (Explain "other" in Section 1 and clarify, if necessary, the data contained in Sections 3 and 4.)

The mission visited Sao Paulo from September 24 to 28, 1974. Mr. R. Buhler, a Bank lawyer and Ms. E. Johnson-Sirleaf, Loan Officer participated in our discussions with the borrower, SABESP.

SECTION 6: SUMMARY OF PROJECT STATUS, TREND, AND MAJOR PROBLEMS

The borrowers for Loans 757 and 758-BR, SAEC and SANESP, were disestablished in June 1973 and consolidated with other State water utilities into a new State company, SABESP. Consequently, SABESP is now the sole borrower for both loans. Therefore, the comments made under Loan 757-BR are the same for Loan 758-BR (sections 6 - 8).

Preparing Officer: F. Rodriguez
R. Costa

Initials:

Date: 10-24-74

6.03 In contrast with the Pollution Control Project, no progress has been made in the execution of the Water Supply Project. There is no one in SABESP responsible for planning the works and the Technical Director was not able to define for us any investment program for the next two years. The project total cost is now estimated at US\$52.8 million, a decrease of US\$7.0 million in the estimates of the Appraisal Report. Additional related water supply works will be identified in order to disburse the full loan amount (paragraph 10.03).

6.04 As of October 21, 1974, US\$4.4 million or 20% of the SAEC loan amount (757-BR) was disbursed. As of the same date, disbursements under the SANESP loan (758-BR) amounted to US\$1.6 million or about 13% of the loan amount. Disbursements are lagging behind the appraisal forecasts and this is partly due to the project late start. Specific action for speeding up disbursements, such as grouping of various contracts in one bid and Bank financing of advance payments to contractors, was recommended to the borrower, SABESP (paragraph 11.03).

6.05 The prospect of the Bank financing the second stage of the Pollution Control Project seems to be remote. SABESP has already requested local bids for the main item (the conveyance tunnel) of this project and has not agreed to internationally advertise the contract. The mission informed SABESP's management that the Bank would be prepared to finance this project provided the contract for the conveyance facilities is placed by means of international competitive bidding. We estimate that we could appraise the project in less than six months and accept to pay on the undisbursed amount of the contract (paragraphs 12.01 - 12.06).

6.06 No progress has been made in organizing the company since our last visit to Sao Paulo in July 1974. SABESP's organizational structure still remains inadequate. There is a complete lack of coordination between the President and the Directors and no one seems to be interested in planning the company activities. It is expected that SABESP's present Board of Directors would be removed from office after the installation of the next State Government in March 1975 (paragraphs 13.01 and 13.02).

6.07 SABESP's financial situation has been deteriorating in 1974 with a slump in the company short-term solvency and an important increase in its equity. About 35% of SABESP's 1974 work program was financed with grants from the State Government. SABESP's water rates have not been increased since July 1973. The company expects to show a financial rate of return of 1.4% for 1974, provided its tariffs are immediately increased by 25% (paragraphs 14.01 - 14.04).

Section 7: Action Recommended

7.01 The draft Loan Assumption Agreement should be approved by the Bank and sent to SABESP for ratification and signature. In the letter notifying SABESP of Bank approval of the Loan Assumption Agreement, we should also comment on the management and financial situation of the company (see Annex 1).

7.02 A letter should be sent to Mr. Schulman, BNH's President, confirming the Bank willingness to partly finance the second stage of the sewerage works in Greater Sao Paulo, provided the contract for the tunnel conveyance is placed by means of international competitive bidding (see Annex 2).

7.03 The next supervision mission should take place in March 1975.

Section 8: Draft Paragraph for the Next President's Report

Loans 757 & 758-BR - Sao Paulo Water Supply and Pollution Control Project
US\$34 million, June 1971.

8.01 The Bank has concluded a Loan Assumption Agreement with the "Companhia de Saneamento Básico do Estado de Sao Paulo" (SABESP) which has succeeded to the two state water utilities, SAEC and SANESP, the respective borrowers for Loans 757 and 758-BR. Design, procurement and construction are of good quality, but no great progress has been made in the project execution. As of October 21, 1974, US\$6.0 million or about 18% of the loan amount was disbursed. This backlog in disbursements is due to the project's late start and to modification in the project selected in the Appraisal Report. Presently the company is badly managed and it is expected that the President and Directors would be removed from office soon after the installation of the next Sao Paulo Government in March 1975. SABESP's financial situation has been deteriorating in 1974 and the State Government has financed about 35% of the company's investment program for this year.

Section 9: The Loan Assumption Agreement

9.01 A draft Loan Assumption Agreement which was prepared in Washington, was submitted to and discussed with SABESP's management. Mr. R. Buhler, a Bank lawyer and Mrs. E. Johnson-Sirleaf, Loan Officer, participated in the discussions. In addition to the legal requirements for the succession of SABESP to the rights and obligations of SAEC and SANESP, the respective borrowers for Loans 757 and 758-BR, four amendments to the existing Loan Agreements were introduced in the

Loan Assumption Agreement:

- a) The percentages applicable to Category IV in Schedule 1 of Loan 757-BR, and to Category II in Schedule 1 of Loan 758-BR are respectively increased to 48% and 18%. This increase is possible because the uncommitted loan amount of US\$ 17.7 million as of October 1, 1974, is expected to be entirely applied to local procurement and civil works (see Mr. Rodriguez's memorandum of September 6, 1974 to Mr. Kalbermatten);
- b) The revenues covenants of the existing loan agreements are modified to provide now a rate of return of not less than 1% in 1974, 4% in 1975, 5% in 1976, 1977 and 1978, and 6% thereafter, on the average value of SABESP net fixed assets in operation. The original loan agreements stipulated a minimum return of 7% in 1973 and thereafter. However, a long delay in implementing higher water rates (tariffs have not been increased since June 1973) and the take-over by SABESP of two water utilities in deficit, SBS and SANEVALE, have brought down this return in 1974. SABESP is also faced with high operating costs averaging 80% of its revenues in 1974. Personnel cost is amounting to 66% of these costs in this year. More than 4,000 employees (CLF - Civil Servants) who do not perform any specific functions in SABESP should be transferred to the State Ministries (for more detail on SABESP's financial situation, refer to paragraphs 14.0 - 14.04).
- c) The SAEC Project description (Schedule 2) was revised to include a training program and Schedule 1 of Loan 757-BR now provides for its financing with the loan proceeds; and,
- d) The Closing Date has been postponed for a year to June 30, 1976.

9.02 Agreement was reached on all the terms and conditions of the draft Loan Assumption Agreement and both the mission members and SABESP's President initialled the documents. Last July the Bank accepted to continue processing disbursement requests from SABESP, in the absence of the Loan Assumption Agreement, until November 30, 1974 (see Mr. Wiese's letter of July 23, 1974 to SABESP). In order to avoid any extension of this date, we suggest that the documents be signed by our management and sent to SABESP for ratification and signature (see Annex 1).

Section 10: Physical Execution of the Project

10.01 Construction of the sewerage works has been progressing rapidly. SABESP's Technical Director is the former SANESP Vice President and consequently is familiar with the sewerage program. The construction of the Mogi-Suzano interceptors is completed and civil works in the low lift pumping stations have been initiated. The Mogi-Suzano system together with a secondary treatment plant are expected to be in operation at the beginning of 1976.

10.02 The execution of the ABC System has also shown good progress in the last six months. Completion of the ABC interceptors is scheduled for June 1975. The construction of the ABC low lift pumping station has started and preliminary works in the primary treatment plant are underway. Construction under this project is of good quality. There has been no significant change in the original cost estimates of the Pollution Control Project, which still remain at US\$65 million.

10.03 Unfortunately the same cannot be said for the Water Supply Program. Mr. Limas Pontes formerly in charge of the program was transferred to the commercial department and as a consequence no one was able to discuss the program with the mission. The Technical Director was not aware of the water supply requirements in the Sao Paulo metropolitan area and could not define any investment program for the next two years. Based on the data we could collect we have estimated that the project total cost would amount to US\$ 52.8 million, a decrease of US\$ 7.0 million in the estimates of the Appraisal Report. This lower project cost means that only US\$ 19.5 million out of the total loan amount of US\$ 22.0 million would be applied to the Water Supply Program. Additional related water supply works would have to be identified if the full loan amount must be disbursed.

Section 11: Procurement and Disbursement

11.01 Design and procurement are of good quality on the SANESP project. Bidding for supplying the equipment of the treatment plants and pumping stations is underway and tender documents for this supply were reviewed by the mission. SABESP has specified in the bidding documents that for bid evaluation purposes the c.i.f. cost of imported equipment would be increased 20% of its freight cost (Taxa de renovação da Marinha Mercante - Decreto - Lei No. 790 of August 27, 1969) and by 2% (Taxa de Melhoramento dos portos - Decreto - Lei No. 415 of January 10, 1969). We advised SABESP's staff that such import taxes should not be taken into account and c.i.f. costs should be increased only 15% in bid comparison with local suppliers.

11.02 Bidding procedures now used by SAEC conform to our guidelines

for procurement. The mission recommended to SABESP to prequalify civil works contractors for the SAEC project in order to eliminate irresponsible bidders. Procurement on both projects is expected to be completed by the end of 1975.

11.03 As of October 21, 1974, US\$ 4.4 million or 20% of the SAEC loan amount was disbursed. As of the same date, disbursements under the SANESP loan amounted to only US\$ 1.6 million. Disbursements are lagging behind the appraisal forecasts and this is partly due to the projects late start. With the proposed increase in the percentages of Bank financing, it is expected that the rate of disbursement will slightly increase. We discussed with SABESP's staff specific measures which would speed up disbursements, such as grouping of various contracts in one bid and Bank financing of advance payments to contractors. SABESP's management was receptive to our suggestions, but we doubt that the situation will improve in the next six months in view of the ineffectiveness of the present management as described in paragraph 13.01 of this report. A revised disbursement schedule is shown in Annex 3.

Section 12: Second Stage of the Pollution Control Project

12.01 A new master plan known as "Solucao Integrada", for water pollution abatement in Greater Sao Paulo has been prepared and is now ready for bidding. This plan is conceived as a second stage of construction and is a continuation of the sewerage works financed by the Bank under Loan 758-BR. The first stage includes the construction of concrete permanent gravity interceptors along the Dos Meninos and upper Tamanduatei Rivers with trunk collector river crossings, and of a primary treatment plant at San Caetano. Interceptor sewers will also be constructed along the lower Tamanduatei River, the upper and south bank of Tiete River. All sewage downstream the confluence of the Tamanduatei and Tiete Rivers would flow to a junction box located on the north bank of Tiete River and opposite to the inlet of the existing Leopoldina Primary Treatment Plant. An interceptor along the Pinheiros River would convey sewage to the same junction box.

12.02 The proposed second stage would consist of the construction of a single emissary to convey all sewage outside of the metropolitan area to the adjacent basin of the Juqueri River where final disposal of the metropolitan wastewater would be made. This emissary would have a total length of 15 Kms and include a siphon crossing Rio Tiete south-north, a 14-Km tunnel and an open channel. Treatment facilities would be considered in a third stage of construction.

12.03 We reviewed the design of the master plan and found that no economic considerations concerning the possible use of water for power generation were made in the report. The "Solucao Integrada" seems to be exclusively directed towards the protection of water resources for public supply, and their recreational and tourist value. On the contrary, the first master plan approved by the Bank (Plan IV) was essentially directed towards power generation which would have probably resulted in downgrading the quality of the environment. However, we believe that with some small changes in the design, this second plan could be accepted.

12.04 SABESP has already advertised the civil works contract for the conveyance facilities which are expected to cost US\$ 50 million. The total cost of the works including treatment facilities is estimated at US\$ 100 million. SABESP plans to have the contract placed by the middle of November 1974, before the State elections. SABESP has obtained the State Government approval of the "Solucao Integrada" and is afraid that the next Governor might not accept the master plan and call for its revision. A similar situation occurred four years ago when this present Government did not accept Plan IV approved by the former administration.

12.05 Under these circumstances, the mission realized that it would be unwise to ask for a postponement of the bidding, and consequently suggested that SABESP place the contract by means of international competitive bidding, and with the Bank approval. We believe that we could appraise the project in less than six months and provide for Bank financing on the undisbursed amount of the contract as of the signing date of a loan agreement between the Bank and SABESP. SABESP's management and the State Ministry of Public Works rejected our proposal on the basis that an international competitive bidding would require more time than SABESP has now available to place the contract before the November elections.

12.06 We discussed with Mr. Schulman, BNH's President, the SABESP project and advised him that the Bank would still be interested in financing the second stage of the Sao Paulo Pollution Control Project, provided the civil works contract for the conveyance tunnel, which is the main item of the project, is internationally bid. Mr. Schulman agreed to our proposal and added that he would be glad to count on the Bank expertise for this project. Mr. Schulman told us that he will contact the present and next Sao Paulo Governors and discussed with them the possibility of the Bank financing the project. We suggest that a follow-up letter on this matter be sent to Mr. Schulman (see Annex 2).

Section 13: Organization and Management

13.01 No progress has been made in organizing the company since our last visit to Sao Paulo in July 1974. The findings of the management consultants are still not known and not much has been done in the organization of the departments. There is a complete lack of coordination between the President and the Directors themselves and no one seems to be interested in planning the activities of the company. The President and Directors appeared to be passively killing the time and waiting for their expected removal from office in March 1975, after the installation of the next State Government. It is most desirable that such a change in SABESP's management occur sooner. The State Government has also not yet decided on the transfer of about 4,000 employees who are not needed in SABESP.

13.02 SABESP's President, a retired army general, seems to be responsible for the slow progress in organizing the company; he is not qualified for this office. Our concern about the company organization should be expressed to SABESP and BNH (see Annexes 1 and 2).

Section 14: Finances

14.01 Comparative Balance Sheets for 1973 and 1974 are shown in Annex 4, and SABESP's Income Statement for 1974 is given in Annex 5. SABESP's financial position has been continuously deteriorating in 1974. The financial statements show a slump in the company short-term solvency (current ratio fell down from 1.8 in December 1973 to 0.8 a year later), and an important increase in the company equity, which is the result of the recent State Government decision to help the company with an additional contribution of Cr\$ 400 million (about US\$ 56 million). These funds represent about 35% of the total cost of SABESP's 1974 work program.

14.02 Various causes have contributed to the company present financial troubles:

- a) No tariff increase has been made since July 1st, 1973. In June 1974 SABESP proposed to the CIP ^{1/} a tariff increase of 47%, which was not accepted. Negotiations are continuing but it is unlikely that SABESP tariffs will be increased by more than 25% in 1974; it has been estimated that the 22% difference would cost the

^{1/} CIP. Comité Interministerial de Preços - The National Tariff Board under the Ministry of Finances.

company about Cr\$ 120 million (US\$ 16 million) from July to December 1974.

- b) BNH has suspended its disbursements under loan No. 919 (Cr\$ 400 or US\$ 57 million) to the former COMASP company for the bulk water supply project of the metropolitan area. BNH estimates that this project has been over designed and that other alternatives should be studied. The awarding of new contracts will be delayed, but ongoing contracts of Cr\$ 120 million or US\$ 17 million will be financed with SABESP's own financial resources.
- c) A state law has been recently enacted entitling all contractors to negotiate their present contracts with SABESP to reflect inflation. This would result in an additional cost of Cr\$ 100 million or US\$ 15 million;
- d) Increase in SABESP operating costs, particularly salaries and supply of materials, by about Cr\$ 30 million or US\$ 4 million; and
- e) Operating deficits of around Cr\$ 30 million or US\$ 4 million of the former SBS and SANEVALE water utilities.

14.03 SABESP's financial rate of return for 1974 would be 1.4%, taking into account the implementation of a 25% tariff increase in October 1974. This low return reflects the poor financial performance of the company as described above, but is also the consequence of two additional factors:

- a) Tariffs do not provide for a return on capital investments financed with grants. As of December 31, 1973 about 18% of SABESP's total fixed assets were financed by grants or soft term loans (Cr\$ 780 million against Cr\$ 4,250 million). This percentage would raise to 21% by December 31, 1974 (Cr\$ 1,180 million against Cr\$ 5,650 million); and
- b) The revaluation of gross fixed assets has been made in accordance with the 1974 rate of inflation of 35% in Brazil.

14.04 Provided tariffs are increased by 25% in October 1974, and in real terms by 4% and 5% in 1975 and 1976 respectively, SABESP financial position would substantially improve and State Government grants could be discontinued by 1977 - In this case, the rate of return would raise to 4% in 1975, 5% in the years 1976-78 and 6%

thereafter. The mission considered these objectives reasonable and proposed the foregoing rates of return to SABESP management who agreed on such financial targets. The proposed Loan Assumption Agreement has been prepared on this basis.

14.05 The Global Feasibility Study 1/ for the State of Sao Paulo is under preparation and should be ready by the end of this year. Meanwhile, no detailed program of investments is available. Therefore, the financial projections given in Annex 6 were established on the basis of a pre-investment study for the State, prepared by SABESP and reviewed by the Bank, to comply with the PLANASA objectives. Annex 7 shows the basic data and Annex 8 gives the assumptions used to prepare these projections.

1/ See Minas Gerais Appraisal Report for the definition of Global Feasibility Study.

Attachments

FRodrigues/RCosta:am

cc: Messrs. Knox (LCPDR), Geli (LCPDR), Skillings (LC2DA),
Ms. Johnson-Sirleaf (LC2DA), van der Tak (VPSVP),
Rovani (PBPDR) (3), Bowron (PAB), Carvalho (LEG),
Helne (CTR), Ms. Steiner (LCPWS), LAC Files,
Division Files

DRAFT LETTER

Loans 757 and 758-BR

General Luiz P. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Básico do
Estado de Sao Paulo - SABESP
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, Brazil

Re: Sao Paulo Water Supply and Pollution
Control Project

Dear General Carneiro da Cunha:

First of all I should like to thank you and your staff for the kind cooperation and courtesies extended to Messrs. Rodriguez and Costa during their recent visit to Sao Paulo. They informed the Bank that you agreed to the provisions of the draft Loan Assumption Agreement which was initialled by you and the members of our mission.

I am sending herewith two copies of the Loan Assumption Agreement already signed by the Bank. Please have authorized representatives of SABESP sign the documents and return one signed copy to the Bank. We also need to receive a letter from the Sao Paulo State Government approving the Loan Assumption Agreement. In this regard we suggest that the State Government use the draft letter which was submitted by our mission to Mr. Capocchi, the Director of your Legal Department.

We are concerned about the lack of progress in organizing the company and, in particular, in the execution of the Water Supply Program. We think that SABESP's present organizational structure of seven departments is not functioning well and above all, better

General Luiz P. Galvao Carneiro da Cunha

Annex 1
Page 2 of 2 pages

coordination should be established between the departments. We learnt that the report of the management consultants you hired to review SABESP's present organization, was not ready at the time our mission visited Sao Paulo. We would appreciate your informing us of the Consultants' findings once their report is available.

Our mission discussed with Mr. Lotito, your Technical Director, the prospect of the Bank financing the master plan (Solucao Integrada) for sewage collection and disposal in Greater Sao Paulo, and suggested that the Juqueri Tunnel civil works be internationally bid. We want to confirm our mission's proposal and renew our willingness to assist SABESP with technical expertise and financing in this project, provided the civil works contract for the Juqueri Tunnel is placed by means of international competitive bidding.

Sincerely yours,

Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

Enclosures

cc: Mr. M. Schulman, Banco Nacional da Habitaçao (BNH)

October 24, 1974

DRAFT LETTER

Ilmo. Sr.
Dr. Mauricio Schulman
Presidente
Banco Nacional da Habitação-BNH
Avenida Chile 230
Rio de Janeiro, Brazil

Re: Sao Paulo Pollution Control Project

Dear Dr. Schulman:

We appreciate the courtesies and cooperation that you and your staff extended to Messrs. Rodriguez and Costa during their recent visit to Rio de Janeiro. They discussed with you the prospect of the Bank financing the second stage of construction of the sewerage program in Greater Sao Paulo. With this letter, we would like to confirm the position taken up by our mission on this financing.

As you already know, the Sao/^{Paulo}State Government has approved a master plan for water pollution abatement in Greater Sao Paulo and SABESP has requested local bids for construction of the main item of this plan, the Juqueri Tunnel which would convey all the metropolitan wastewaters to the area of Perus where final disposal of the wastewaters would be made. The opening of bids for this contract is scheduled for the middle of November 1974.

Presently we are partly financing the construction of the interceptor sewers which would transmit all sewage of the Sao Paulo metropolitan area to the Juqueri Tunnel. In fact, in the last five

Dr. Mauricio Schulman

Annex 2
Page 2 of 2 pages

years we have been involved with the Sao Paulo State authorities in the formulation of a long-term program of water pollution abatement in Greater Sao Paulo. Therefore, we would like to continue our involvement in the Sao Paulo sewerage sector and assist SABESP with technical expertise and financing.

Messrs. Rodriguez and Costa explained to you that the Bank would still be prepared to finance the second stage of the sewerage program in Sao Paulo, in spite of the advance status of bid preparation, provided SABESP accepts to place the contract for the tunnel conveyance by means of international competitive bidding. We could appraise the project within the next six months and provide financing for the portion of this contract not disbursed at the time of signing of the loan. You informed our mission that you will contact the Sao Paulo authorities and discuss with them the prospect of the Bank financing these sewerage works.

We would appreciate being advised of the results of your discussions with the Sao Paulo State Government, as soon as possible, so we can take preliminary steps to appraise the project.

Sincerely,

Robert F. Skillings, Chief
Country Program Division
Latin America Caribbean
Regional Office

October 24, 1974

BRAZIL - LOANS 757 & 758-BR
 SAO PAULO WATER SUPPLY AND POLLUTION CONTROL PROJECT
 SCHEDULE OF DISBURSEMENTS
 (Amounts in US\$ Thousands)

IBRD FISCAL YEAR AND QUARTER	CUMULATIVE DISBURSEMENT AT END OF QUARTER	
	APPRAISAL ESTIMATES	CURRENT ESTIMATES
<u>1971/72</u>		
1	400	-
2	1,800	-
3	4,500	-
4	7,900	-
<u>1972/73</u>		
1	10,600	-
2	15,200	-
3	19,400	-
4	23,700	-
<u>1973/74</u>		
1	27,400	-
2	30,600	-
3	32,900	-
4	34,900	-
<u>1974/75</u>		
1	36,400	5,550
2	37,000 ^{2/}	7,100 ^{1/}
3	-	8,200
4	-	11,700
<u>1975/76</u>		
1	-	14,000
2	-	16,900
3	-	19,900
4	-	22,800
<u>1976/77</u>		
1	-	26,500
2	-	30,200
3	-	34,000
4	-	-

^{1/} As of October 22, 1974, US\$6.0 million was disbursed.

^{2/} US\$3.0 million of the loan amount was cancelled on May 17, 1973.

October 24, 1974

BRAZILSÃO PAULO WATER SUPPLY AND POLLUTION CONTROL PROJECTSCOMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SÃO PAULO (SABESP)COMPARATIVE BALANCE SHEET STATEMENTS

	-----Realized-----		-----Projected-----
	As of	As of	As of
	December 31, 1973	June 30, 1974	December 31, 1974
	-----Cr\$ million-----		
<u>ASSETS</u>			
Gross Fixed Assets	2,235.7	2,263.4	2,943.3
Less: Depreciation	(78.8)	(121.6)	(163.3)
Net Fixed Assets	2,156.9	2,141.8	2,780.0
Works in Progress	2,093.8	2,592.7	2,870.4
Total Fixed Assets	<u>4,250.7</u>	<u>4,734.5</u>	<u>5,650.4</u>
Inventories	77.2	84.4	85.0
Accounts Receivable	156.5	81.3	92.0
Cash	107.2	49.3	50.2
Investments in Securities	137.2	83.0	10.4
Total Current Assets	<u>478.1</u>	<u>298.0</u>	<u>237.6</u>
Total	<u>4,728.8</u>	<u>5,032.5</u>	<u>5,888.0</u>
<u>EQUITY AND LIABILITIES</u>			
Subscribed Capital	2,929.5	2,929.5	2,929.5
Reserves	408.6	539.4	1,028.7
Accumulated Earnings	29.2	61.0	109.6
Total Equity	<u>3,367.3</u>	<u>3,529.0</u>	<u>4,067.8</u>
Long-Term Debt Net	<u>1,093.0</u>	<u>1,230.5</u>	<u>1,518.2</u>
Accounts Payable	147.9	151.5	180.0
Current Portion of Long-Term Debt	54.7	52.1	52.0
Others	65.9	68.5	70.0
Total Current Liabilities	<u>268.5</u>	<u>272.1</u>	<u>302.0</u>
Total	<u>4,728.8</u>	<u>5,032.5</u>	<u>5,888.0</u>
Current Ratio	1.8	1.1	0.8
Acid Test Ratio	1.5	0.8	0.5
Debt as % of Total Capitalization	25	26	27

BRAZIL

SAO PAULO WATER SUPPLY AND POLLUTION CONTROL PROJECTS

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO (SABESP)

FINANCIAL COVENANT

(LOAN ASSUMPTION AGREEMENT)

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
	-----UPC Million-----										
Revenues	5.7	6.3	8.4	11.9	15.9	20.3	24.6	27.9	30.1	31.5	32.9
Operating Costs	(4.5)	(4.8)	(5.8)	(7.3)	(9.4)	(11.6)	(13.1)	(14.4)	(15.6)	(16.2)	(17.0)
Depreciation	(0.5)	(1.1)	(1.2)	(1.8)	(2.7)	(3.5)	(4.1)	(4.8)	(5.1)	(5.3)	(5.5)
Income Before Interest	0.7	0.4	1.4	2.8	3.8	5.2	7.4	8.7	9.4	10.0	10.4
Average Rate Base	26.0	28.8	37.4	56.3	84.2	112.2	135.4	155.2	166.4	171.2	176.3
Rate of Return	<u>2.7</u>	<u>1.4</u>	<u>3.7</u>	<u>5.0</u>	<u>4.5</u>	<u>4.6</u>	<u>5.5</u>	<u>5.6</u>	<u>5.6</u>	<u>5.8</u>	<u>5.9</u>
Gross Internal Cash Generation	-	1.5	2.6	4.6	6.5	8.7	11.5	13.5	14.5	15.3	15.9
Debt Service	-	(2.2)	(3.2)	(5.0)	(6.0)	(7.3)	(8.9)	(10.3)	(11.0)	(11.6)	(12.1)
Net Internal Cash Generation	-	(0.7)	(0.6)	(0.4)	0.5	1.4	2.6	3.2	3.5	3.7	3.8
Average Gross Fixed Assets in Operation	-	29.7	38.6	58.1	86.8	115.6	139.6	160.0	171.5	176.5	181.8
N.I.C.G. as % of A.G.F.A.O. ^{1/}	-	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.6</u>	<u>1.2</u>	<u>1.9</u>	<u>2.0</u>	<u>2.0</u>	<u>2.1</u>	<u>2.1</u>

^{1/} N.I.C.G. = Net Internal Cash Generation.
A.G.F.A.O. = Average Gross Fixed Assets
in Operation.

BRAZIL
SÃO PAULO WATER SUPPLY AND TOLLING CONTROL PROJECTS
COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO (SABESP)

FINANCIAL FORECAST

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
-----UPC Million-----										
SOURCES OF FUNDS										
Revenues	6.3 1/	8.4	11.9	15.9	20.3	24.6	27.9	30.1	31.5	32.9
Less: Operating Costs	(4.8) 2/	(5.8)	(7.3)	(9.4)	(11.6)	(13.1)	(14.4)	(15.6)	(16.2)	(17.0)
Gross Internal Cash Generation	1.5	2.6	4.6	6.5	8.7	11.5	13.5	14.5	15.3	15.9
Less: Debt Service	(2.2) 3/	(3.2)	(5.0)	(6.0)	(7.3)	(8.9)	(10.3)	(11.0)	(11.6)	(12.1)
Net Internal Cash Generation	(0.7)	(0.6)	(0.4)	0.5	1.4	2.6	3.2	3.5	3.7	3.8
Loans	5.9 4/	17.9	15.5	15.5	13.6	5.9	5.5	5.2	5.4	5.7
Contributions	6.6 5/	0.9	1.0	0.2	-	-	-	-	-	-
Total Sources	11.8	18.2	16.1	16.2	15.0	8.5	8.7	8.7	9.1	9.5
APPLICATION OF FUNDS										
Metropolitan Area Water	4.6	6.6	4.9	4.8	4.5	2.2	2.3	2.4	2.6	2.7
Metropolitan Area Sewerage	7.0	8.1	6.6	6.3	5.1	2.8	3.0	3.1	3.2	3.3
Metropolitan Area Total	11.6	14.7	11.5	11.1	9.6	5.0	5.3	5.5	5.8	6.0
Interior Water	-	1.4	1.8	2.0	2.1	1.3	1.3	1.3	1.4	1.5
Interior Sewerage	-	1.8	2.2	2.5	2.6	1.4	1.5	1.6	1.6	1.7
Interior Total	-	3.2	4.0	4.5	4.7	2.7	2.8	2.9	3.0	3.2
Total Investments	11.6	17.9	15.5	15.6	14.3	7.7	8.1	8.4	8.8	9.2
Increase (Decrease) in Working Capital	0.2	0.3	0.6	0.6	0.7	0.8	0.6	0.3	0.3	0.3
Total Applications	11.8	18.2	16.1	16.2	15.0	8.5	8.7	8.7	9.1	9.5

1/ Includes 25% tariff increase from October 1974.

2/ Broken down as follows:

	UPC Million	%
Personnel	3.2	67
Materials	0.6	12
Services	0.7	15
Others	0.3	06
Total	4.8	100

3/ Broken down as follows:

	Amortization	Interest	Total
-----UPC Million-----			
BNH/FAE	0.5	1.0	1.5
Others	0.5	0.2	0.7
Total	1.0	1.2	2.2

4/ Broken down as follows:

	UPC	Cr\$	US\$	%
-----million-----				
BNH/FAE	5.3	504	72.0	90
IBRD	0.6	56	8.0	10
Total	5.9	560	80.0	100

5/ Of which only UPC 2.4 million were in the SABESP initial budget for 1974. An additional grant of UPC 4.2 million (US\$58 million) was made by the State in October 1974.

BRAZIL

SÃO PAULO WATER SUPPLY AND POLLUTION CONTROL PROJECTS

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO (SABESP)

PLANASA PROGRAM IN THE STATE

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Total Urban Population (million)	16.3	17.1	17.8	18.6	19.4	20.3	21.2	22.2	23.2	24.2	25.3
Urban Population Metropolitan Area (million)	8.8	9.3	9.7	10.2	10.6	11.1	11.6	12.1	12.7	13.2	13.8
% Metropolitan Area over Total	54	54	54	55	55	55	55	55	55	55	55
<u>Water Supply</u>											
Total Urban Population Served by SABESP											
Metropolitan Area (million)	3.1	3.4	4.1	5.1	6.6	7.7	8.8	9.7	10.2	10.6	11.1
Interior (million)	0.5	0.6	1.2	2.7	4.5	6.3	7.8	9.1	9.4	9.9	10.3
Total (million)	3.6	4.0	5.3	7.8	11.1	14.0	16.6	18.8	19.6	20.5	21.4
Total as % of State Urban Population	22	23	30	42	57	69	78	85	85	85	85
Water Production and Distribution											
Volume Produced (million m ³)	558	642	761	1,000	1,364	1,749	2,083	2,383	2,580	2,696	2,817
Volume Sold (million m ³)	390	450	541	724	1,005	1,312	1,584	1,836	1,989	2,078	2,171
Unaccounted-for Water (%)	30	30	29	28	26	25	24	23	23	23	23
Water Tariffs (UPC) 1/											
Average tariff per m ³ sold: State	8.98	8.64	9.59	10.12	9.92	5.77	9.66	9.59	9.58	9.58	9.58
Average tariff per m ³ sold: Metropolitan Area	9.81	9.45	10.59	11.43	11.43	11.43	11.43	11.43	11.43	11.43	11.43
Average tariff per m ³ sold: Interior	5.92	5.91	6.63	7.14	7.14	7.14	7.14	7.14	7.14	7.14	7.14
<u>Sewerage</u>											
Total Urban Population Served by SABESP											
Metropolitan Area (million)	2.3	2.6	3.1	4.0	5.0	5.9	6.7	7.3	7.6	8.0	8.3
Interior (million)	0.2	0.2	0.7	1.7	3.0	4.1	5.1	6.0	6.3	6.5	6.9
Total (million)	2.5	2.8	3.8	5.7	8.0	10.0	11.8	13.3	13.9	14.5	15.2
Total 26% of State Urban Population	15	16	21	31	41	49	56	60	60	60	60
Assumed Volume of Sewerage (million m ³)	258	295	369	514	720	939	1,135	1,313	1,419	1,485	1,551
Sewerage Tariffs (UPC) 1/											
Average tariff per m ³ of service: State	7.68	7.28	8.04	8.41	8.17	8.01	7.90	7.83	7.81	7.81	7.81
Average tariff per m ³ of service: Metropolitan Area	7.84	7.37	8.26	8.91	8.91	8.91	8.91	8.91	8.91	8.91	8.91
Average tariff per m ³ of service: Interior	6.75	6.74	7.03	6.88	6.48	6.30	6.23	6.20	6.20	6.20	6.20

1/ 1 UPC = Cr\$101.9 (as of October 1, 1974)

BRAZILSAO PAULO WATER SUPPLY AND POLLUTION CONTROL PROJECTCOMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO (SABESP)PLANASA PROGRAM IN THE STATEASSUMPTIONS FOR PROJECTIONSBASIC DATA

a) General - All projections have been made in UPC (BNH monetary unit adjusted quarterly in accordance with the inflationary tendency in Brazil. See Minas Gerais Water Supply and Sewerage Project - Appraisal Report for the definition of UPC - As of October 1st, 1974 1 UPC = Cr\$101.9 or US\$14.35.

b) Water - (PLANASA SP Agreement BNH/Sao Paulo State/SAP-ESP of January 25, 1974).

- 87% of urban population to be served by 1980.
37 municipalities in the metropolitan area.
534 municipalities in the Interior.

- Minimum tariff equal or lower than 3% of minimum salary in the State.

- Financing of investments = 50% BNH
50% FAE-SP (Banco do Estado de Sao Paulo - BANESP - Financial Agent and Orgao-Gestor)

- Terms of the loans to SABESP =

<u>Interest</u>	<u>Basic Rate</u>	<u>% of Financing</u>	<u>Rate on Total Disbursements</u>
BNH	8%	50	4.00
FAE	4-1/2%	50	2.25
Financial Agent	1%	100	1.00
		Total	7.25

BNH	Taxa de Administração	1% on BNH's disbursements
	Taxa de Serviços Técnicos	1% " " "
FAE	Taxa de Administração	1% on FAE disbursements
(Orgao Gestor)		

Grace Period of BNH-FAE loans = 36 months.
Loan amortization in 18 years after 3 years grace period.

- Global Feasibility Study to be ready by December 31, 1974.

c) Sewerage - (PLANASA-SP Agreement BNH/Sao Paulo State/SABESP of January 25, 1974).

- 60% of urban population to be served by 1980.
37 municipalities in the metropolitan area.
490 municipalities in the Interior.
- Minimum tariff = same as for water.
- Financing of investments = same as for water.
- Terms of the loans = same as for water.
- Global Feasibility Study = to be ready by December 31, 1974.

DELIVERY OF MUNICIPALITY CONCESSION CONTRACTS

SABESP would take over the municipal systems of the State as follows:

	<u>Percentage</u>	<u>Value of Fixed Assets (UPC million)</u>	
1975	10%	4	Total = UPC million 40 = Cr\$ billion 4.1 = US\$ million 574
1976	20%	8	
1977	25%	10	
1978	20%	8	
1979	15%	6	
1980	10%	4	
	100%	40	

These systems do not include the Sao Paulo municipality and those operated by SBS and SANEVALE before SABESP creation. SABESP already operates these systems.

POPULATION

a) Rate of Increase

During the last 30 years (1940, 1950, 1960 and 1970 census) the

total state and urban population increased as follows:

	<u>1940</u>	<u>1950</u>	<u>1960</u>	<u>1970</u>
	-----million-----			
Total State	7.2	9.1	13.0	18.0
Urban Population	3.2	4.8	8.2	14.3
% Urban Population	44	53	63	80

The average annual population increase in the state has been 3.3% (Brazil = 3.0%) - Assuming that this increase would continue during the period 1971-1980, the total population of the state in 1980 would be about 25 million. If the trend of migration from the country to urban areas is also maintained 90% of the state population will live in urban area by 1980. By that time the urban population would represent about 22 million inhabitants. Therefore, it has been assumed that the urban population would increase at an annual rate of 4.5%.

b) Population Served

The percentage of urban population served with water and sewerage services have been projected in order to comply with the PLANASA objectives.

VOLUME PRODUCED AND SOLD

a) Water

Production capacity in the interior of the state (Source = FESB - Levantamento das condições sanitárias das populações urbanas do Interior do Estado de SP-1972)

<u>Range of Urban Population</u>	<u>No. of Communities</u>	<u>Population (million)</u>	<u>Production per Capita (l/day)</u>
0 - 6.000	344	0.8	321
6.000 - 12.000	85	0.7	301
12.000 - 25.000	63	1.1	293
25.000 - 50.000	42	1.4	268
Over 50.000	36	5.2	243

Average for the State 264

The production capacity for the metropolitan region (COMASP Project)

has been fixed at 415 l/per capita and per day.

The volume of water sold has been projected assuming that unaccounted for water represents in 1974 around 30% of total volume produced, and that this percentage would be progressively reduced to about 23% in 1980.

b) Sewerage

The estimated volume of sewerage has been calculated by relating the population served with water and sewerage to the volume of water sold.

INVESTMENT PER CAPITA

a) Water Supply

1. Metropolitan Area

IPC
(expressed in UPC)

Bulk water supply (COMASP Project) 5.2
Distribution (based on the cost of 1 Km
of distribution at 1.700 UPC for 600
inhabitants per Km) 2.8

Total 8.0

2. Interior

Average cost of existing project
2.000 UPC/Km for 800 inhabitants per Km 2.5

b) Sewerage

1. Metropolitan Area

Sewage collection = 3.400 UPC/Km with 700
inhabitants per Km 4.86
Sewage treatment = data from SANESP 4.14
9.00

2. Interior

Assumption 4.86

OPERATION OF SABESP SYSTEMS

a) Tariffs

SABESP's present average tariff per m³ of water sold has been assumed to increase by 25% in October 1974 and in real terms by 4% and 5% in 1975 and 1976 respectively.

b) Operating Costs

Operating costs per m³ produced were equal to 0,53 UPC in 1973. The projections consider that there will have some economy of scale and therefore that operating costs should decrease to reach 0.40 UPC by 1980.

c) Depreciation

Annual depreciation has been fixed at 3% of revalued fixed assets.

October 24, 1974

OUTGOING WIRE

X 3452

TO: COMPANHIA DE SANEAMENTO BASICO
DO ESTADO DE SAO PAULO - SABESP
SAO PAULO

DATE: OCTOBER 23, 1974

CLASS OF
SERVICE: LT

COUNTRY: BRASIL

TEXT:
Cable No.:

ATTENTION ATHAYDE ROSA DIRECTOR

REYURTELEX OCTOBER 21 LOAN 758 BR \$STOP WE CONFIRM THE FOLLOWING PAYMENTS

APPL 47 USDOLLARS 6,550.00 VALUE SEPTEMBER 16

APPL 48 CRUZEIROS 162,086.15 VALUE SEPTEMBER 18

APPL 49 CRUZEIROS 183,604.78 VALUE SEPTEMBER 18

APPL 50 USDOLLARS 6,550.00 VALUE OCTOBER 1

APPL 51 CRUZEIROS 183,752.20 VALUE OCTOBER 8 STOP

PAYMENT ADVICES FOR APPLICATIONS 47 THRU 49 AIRMAILED TO YOU OCTOBER 18 STOP
REGRET DELAY IN ADVISING YOU WHICH IS DUE TO CONVERSION TO COMPUTER FORMAT OF
OUR ADVICES

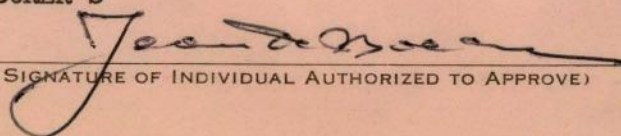
CASHIER'S DIVISION
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME JEAN B. DE BOECK

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch:

ORIGINAL (SEE COPY)

REFERENCE

DATE

RE: JERUSALEM, IS

NAME LEVI B. DE ROSEK

APPROVED BY

OCT 23 6 04 PM 1974

COMMUNICATIONS

STANDARD AND COPY DISTRIBUTION

NOT TO BE REPRODUCED

TELETYPE
CASHIER, 2 DIALS

ONE VOICES

RECEIVED DEPT. IN VOICING FOR WHICH IS DUE TO COMMISSION TO COMPLETION WORK OF

EXHIBIT VOICES FOR VERIFICATION 11 JUNE 1974 APPROVED TO FOR OCTOBER 19 2100

FILE 21 CHANGES 193'125.50 AVTAE OCTOBER 9 2100

FILE 20 ADJUSTMENTS 2'220.00 AVTAE OCTOBER 1

FILE 19 CHANGES 193'201.13 AVTAE SEPTEMBER 18

FILE 18 CHANGES 195'082.12 AVTAE SEPTEMBER 18

FILE 17 ADJUSTMENTS 2'220.00 AVTAE SEPTEMBER 18

RECORDED OCTOBER 31 FROM 123 IN 2100 RE CORRELATE THE FOLLOWING MATERIALS

ATTENTION ALMADE ROSE DIRECTOR

COPY NO.

TEXT

COPY NO. 18217

SAC BUREAU

DO BUREAU DE SAC BUREAU - BUREAU
TO: COMMISSION DE SURETE MILITAIRE

RECEIVED 11

CLASS OF

DATE OCTOBER 23, 1974

OUTGOING WIRE

X 3925

ASSOCIATION

INTERNATIONAL TELEPHONE

RECOMMENDATION AND DEVELOPMENT

INTERNATIONAL TELEPHONE

COMPARISON

INTERNATIONAL TELEPHONE

Brazil - Loan 758 BR

AIR MAIL

October 22, 1974

Companhia de Saneamento Basico do Estado
de Sao Paulo - SABESP
Atta Athayde Rosa
Avenida Paulista, 1776, 21^o andar
01310 Sao Paulo, Brazil

Re: Loan No. 758 BR
Loan Service Payments Due in Various Currencies

Gentlemen:

The Bank has recently revised its policy regarding the acquisition of currencies due under Loans. In addition to U. S. dollars and Pounds sterling we now are prepared to accept French francs to be used for the purchase, as your agent, of the various currencies due under the above-mentioned Loan. Should you wish to take advantage of this option, please sign and return to us the copy of the enclosed form letter.

Sincerely yours,

Victor C. Chang
Deputy Controller

Enclosure:

JA

Brazil - Loan 758 BR

AIR MAIL

October 22, 1974

Companhia de Saneamento Basico do Estado
de Sao Paulo - SABESP

Att: Athayde Rosa
Avenida Paulista, 1776 21^o andar
01310 Sao Paulo, Brazil

Re: Loan No. 758 BR
Loan Service Payments Due in Various Currencies

Gentlemen:

In accordance with Section 4.05 of the General Conditions applicable to the Loan Agreement of the above-mentioned Loan the International Bank for Reconstruction and Development will, until further notice, accept U.S. dollars, French francs or Pounds sterling and attempt, as your agent, to acquire the currencies actually payable to the Bank under the Loan.

In case you accept this offer for the above-mentioned Loan, our Summary Statement of Account requesting payments in the future will show the amount due in each currency and the estimated U.S. dollar, French franc or Pound sterling equivalent. Upon receipt of the dollars, francs or sterling, the Bank will purchase the required currencies at the best rate it can obtain at the time of purchase. Consequently, as market rates fluctuate, it will not be possible to determine in advance the exact amount of dollars, francs or sterling required to purchase the currencies due to the Bank. Therefore, the amount of dollars, francs or sterling requested by the Bank may be more or less than the amount necessary to purchase the required currencies. Any minor difference will be carried forward to the next payment date. If the difference is significant the Bank will refund the overage to you upon request or ask you to transmit the shortage to the Bank as soon as possible.

Receipt by the Bank of such dollars, francs or sterling will not constitute fulfillment by the borrower of its payment obligations under the Loan Agreement. Such payment obligations will be fulfilled only when the Bank has acquired the necessary currencies due to the Bank. Therefore, any borrower who wishes to accept this offer must transmit the dollars, francs or sterling to the Bank at least five working days in advance of the regular payment date of the loan. This is particularly important as some of the amounts due must be paid to others who have purchased parts of loans from the Bank.

2/cont'd

October 22, 1974

If you wish the Bank to act as your agent in accordance with the foregoing will you please sign and return to us the enclosed copy of this letter, indicating whether you will use dollars, francs or sterling for that purpose.

Sincerely yours,

Victor C. Chang
Deputy Controller

Enclosure

We wish to accept the above arrangement and will in the future furnish U.S. dollars/French francs/Pounds sterling* to the International Bank for Reconstruction and Development so that it may, as our agent, attempt to acquire the currencies due under the above Loan and apply them to the payments thereof.

Date _____ By _____
Authorized Representative*

* Please ensure that the currencies not chosen are crossed out from the above authorization and the person signing is duly authorized for this purpose. Those persons authorized for signing withdrawal applications are not necessarily authorized for signing this type of document.

INCOMING CABLE

Brazil - loan 757 Alu

✓ Brazil - loan 758 Alu

Distribution:

Contr. Mr. Davies

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11/13/22 201

757-BR



companhia de saneamento básico do estado de são paulo - sabesp
SABESP/CEF/SFI/C/Nº255/74

São Paulo, 18 de outubro de 1974.

Date Received Oct. 31/74

Date Acknowledged _____

Assigned to Int. / CE

no reply

BR-4-41

Ao Sr.

RENÉ COSTA

INTERNATIONAL BANK OF RECONSTRUCTION AND

DEVELOPEMENT - WATER DIVISION

1818 "H" Street, N.W.

Washington, D.C. 20433

U.S.A.

Conforme solicitação de V. Sa.,
estamos enviando-lhe, em anexo, curriculums dos empregados que
exercem funções executivas na Coordenadoria Econômico-Financei
ra desta Companhia.

Sendo só para o momento, subscre
vemo-nos

Atenciosamente,


Econ. MODESTO STAMA

Superintendente de Finanças

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: SABESP

DATE: October 9, 1974

SAO PAULO

CLASS OF
SERVICE: LT (2437)

COUNTRY: BRAZIL

TEXT:
Cable No.:

ATTENTION ATHAYDE ROSA REURCAB OCTOBER SEVEN LOANS 757 BR AND 758 BR PAYING
NOVEMBER ONE STOP STATEMENTS AIRMAILED SEPTEMBER 30 STOP IF NOT RECEIVED
SOON PLEASE ADVISE BY CABLE

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Hywel M. Davies

DEPT. Controller's

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Bararia - Cashier's Div.
Messrs. Davies/Gray, Elliott,
Kaibni/Selb, Crausway
File - Statement Folders 757.
& 758 BR

CDavis - bjm

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for processing form)

Checked for Dispatch:

OFFICE MEMORANDUM

TO: Mr. Gunter K. Wiese, Director, LAC II

DATE: October 8, 1974

FROM: Robert F. Skillings, Division Chief, LAC II

SUBJECT: BRAZIL - Sao Paulo Water Supply and Sewerage Project, Loans 757-BR and 758-BR

Proposed Repeater Project for the State of Sao Paulo

1. I am attaching for your information a copy of the Back-to-Office Report of Ms. Johnson-Sirleaf on negotiations of a Loan Assumption Agreement held recently in Brazil with SABESP, the company which assumed the rights and responsibilities of SAEC and SANESP, borrowers for our Loans 757-BR and 758-BR. The report also covers discussions held with authorities of the Banco Nacional da Habitacao, the State Government of Sao Paulo and SABESP on a possible follow-up water supply and pollution control project for the State of Sao Paulo.

2. As you know, the Bank has provided two loans for the water and sewerage sector in the municipality of Sao Paulo. Loan 757-BR for an amount of \$22 million finances a project for the expansion of the water supply system and Loan 758-BR for an adjusted amount of \$12 million (the original loan of \$15 million was reduced because of a change in the scope of the project) finances a project embodying sewage collection and disposal and reduction in the pollution of Sao Paulo's rivers. We experienced initial delays in the implementation of the projects due, in the case of the pollution control project, to a delay by the Government of Sao Paulo to provide the necessary counterpart funds and to a change in the project scope and, in the case of the water supply project to certain misunderstandings regarding the Bank's disbursement procedures. These problems have now been resolved through discussions with SABESP and we expect that the balances remaining in both Loans 757-BR and 758-BR will be fully committed before the end of next year. The Loan Assumption Agreement has been fully negotiated, except for a covenant covering SABESP's financial position. We expect that issue to be resolved after the return of Mr. Costa to Washington next week.

3. The mission has proposed that the Bank consider a second pollution control project as a follow-up to the project now under implementation. It appears that the program for expansion of the water supply system in the State is well advanced and does not require further assistance from the Bank. However, there is still a great need for our assistance and support of the pollution control program which is designed to extend sewerage facilities to a greater number of the lower income group within and beyond the metropolitan area and to free the city's rivers of the intense pollution that has made them practically pure sewage.

4. The greater metropolitan area of Sao Paulo has an estimated population of 8 million and is reportedly growing at more than 450,000 persons each year. Investment in public services, particularly those services of social orientation, have lagged far behind the high population growth, which

Mr. Htn - 758
I would like you to know that I have approved this even though it is in the richest state

as some people would argue; an argument that I consider fallacious

for

October 8, 1974

could result over time in a deterioration in the overall welfare of the population. It is estimated that in the metropolitan area of Sao Paulo, about 25% of the population lack piped water and two-thirds have no sewers. That portion of the population that remains unserved by such basic sanitation services is primarily the lower income group.

5. I recommend that the Bank support the pollution control program for the State of Sao Paulo by considering a follow-up project for FY 1976. Our participation in the project would mean endorsement of a program that will have significant social impact in the State of Sao Paulo. By channeling the loan through BNH, we would also support further the PLANASA program, a program that has at least 50% of its beneficiaries in the State of Sao Paulo.

6. The approved FY75-79 operations program for Brazil calls for four water and sewerage project loans, one each for FY76 through FY79. A loan of \$55 million is programmed for FY76 to support a second phase of the Minas Gerais project. This project has now slipped to FY77 (and replaced an "unidentified" project previously included for that year) because the first stage of the Minas Gerais program has not progressed as rapidly as we expected. I propose that we revise the program to replace the Minas Gerais project with the proposed Sao Paulo project, leaving unchanged the programmed amount of \$55 million. This means that in terms of magnitudes, the FY75-79 operations program will remain unaffected. If you agree, we would amend the operations program accordingly and proceed to identify and prepare the second pollution control project for Sao Paulo.

Attachment

Cleared with and cc: Messrs. Kalbermatten, Division Chief, LCPWS
Bühler, Legal Department

cc: Messrs. Costa, Financial Analyst, LCPWS
Rodriguez, Procurement Officer, LCPWS

OK, but we should call it to the
attention of GBK + P + B when a
convenient opportunity presents
itself and before preparation
is far advanced. gsh

Mr. Gunter K. Wiese, Director, LAC II

October 8, 1974

Robert F. Skillings, Division Chief, LAC II

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Mr. Gunter K. Wiese

- 2 -

October 8, 1974

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Attachment

Cleared with and cc: Messrs. Kalbermatten, Division Chief, LCPWS
Buhler, Legal Department

cc: Messrs. Costa, Financial Analyst, LCPWS
Rodriguez, Procurement Officer, LCPWS

EJohnson-Sirleaf:glw

Bras. - Loc 757 Alen
✓ Bras. - Loc 758 Alen
INCOMING CABLE

RECEIVED

Jack
Lee
Distribution:

Controller-Mr. Davies

ITT5/8 OCT

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UIWA HL BRSP 041

SAOPAULO 41/39 7 1825

Oct. 7, 1974

LT

INTBAFRAD MR WALTER CPRUTLAND CONTROLLERS DEPARTMENT ACCOUNTING
DIVISION

WASHINGTONUSA

PARA CONHECIMENTO VSA COMUNICAMOS FALTA RECEBIMENTO ATE ESTA DATA
STATEMENT OF ACCOUNT CONTRATOS 757-BR ET 758-BR REFERENTES PAGAMENTO
ENCARGOS A SEREM EFETUADOS PRIMEIRO NOVEMBRO 1974 ATENCIOSAMENTE

ATHAYDE ROSA DIRETOR

BR-757
- 758

OFFICE MEMORANDUM

TO: Mr. Robert F. Skillings, Division Chief, LAC II DATE: October 7, 1974

FROM: Ellen Johnson-Sirleaf, Loan Officer, LAC II

SUBJECT: BRAZIL - Back-to-Office Report: Negotiation of a Loan
Assumption Agreement with SABESP and the Prospects
for a Follow-up Project
Sao Paulo Water Supply and Sewerage Project
Loans 757-BR and 758-BR

1. The mission, composed of Messrs. Buhler, Costa, Rodriguez and Ms. Johnson-Sirleaf, first met with Mr. Rego Monteiro, Director of Banco Nacional da Habitacao (BNH) in Rio on September 23, 1974. The purpose of the meeting was to brief Mr. Monteiro on the major issues that would be covered by the mission in its review of the subject project and to discuss BNH's views on a repeater pollution control project for the State of Sao Paulo.
2. Mr. Monteiro (who we later learned will probably leave BNH soon) stated that pollution control was an established priority for Sao Paulo, a program to which the State Government had committed up to CR\$500 million. He welcomed the idea of a second Bank water and sewerage project for the State, with the understanding that the loan would be negotiated and the project implemented through BNH in accordance with the PLANASA agreement. However, Mr. Monteiro expressed concern over what he considered the inadequate financial condition and financial management of SABESP and the resulting adverse effect such a situation could have on the preparation of a project.
3. During the week of September 23, 1974, the mission held discussions with SABESP on the terms of a draft Loan Assumption Agreement covering Loans 757-BR and 758-BR. You may recall that among other provisions concerned mainly with procedural changes, the draft Loan Assumption Agreement provides for an increase in the percentage of local costs to be financed by the Bank under each project -- from 37% to 48% in the case of Loan 757-BR and from 14% to 18% in the case of Loan 758-BR -- and for a rate of return of 7% for both projects (the existing Loan Agreements provide for a rate of return of 5 $\frac{1}{2}$ % in 1972 and 7% thereafter for the water supply project and 7 $\frac{1}{2}$ % for the pollution control project.) Agreement was reached on all provisions of the draft Assumption Agreement except on the rate of return covenant. SABESP counter-proposed a rate of return of about 2%-3%, a rate they consider more achievable, at least in the short term, given the fact that the companies which merged into SABESP had different financial policies and objectives and were subject to varying degrees of State sponsorship and control. Furthermore, they pointed out that because of the limitation imposed on increases in tariffs under the PLANASA program, it might be difficult to achieve a rate of return of more than 5% in the first few years after January 1, 1975, when the PLANASA program goes into operation in the State.

October 7, 1974

4. It became clear that SABESP is going through a difficult period of organizational transition, a condition not made easier by the fact that the company is headed by a retired Army General with little management experience or expertise in the operation of the water and sewerage sector. However, the company does have the potential, both in terms of human and financial resources, to become a smoothly functioning and efficiently run organization. The newly appointed Director of Planning (Mr. Masoto Yakota) is young, appears efficient, and has already embarked on a program of management reform including the designing of new systems, the institution of training seminars, and a complete reorganization of the company along functional lines. He has requested that the Bank consider the financing of the training seminars under the project. Schedule 1 of Loan 758-BR provides specifically for training while Loan 757-BR does not carry this provision. Mr. Buhler is reviewing the means whereby Mr. Yokota's request can be met. The company is also undertaking the "global" feasibility (investment) study, required under the PLANASA program, which is scheduled to be completed by the end of December 1974. In spite of the potential management improvement and the efforts being taken, a period of more than six months may be required before positive results are realized from the management reform initiatives. This period of transition and adjustment of SABESP may appear unduly long but is occasioned by the fact that reform will be attempted cautiously until after the new State Government takes over in March 1975 and persons holding top positions in SABESP have been reconfirmed.

5. There are certain difficulties in determining an appropriate and mutually acceptable financial covenant for the existing projects. This could result in an undesirable delay in executing an Assumption Agreement with SABESP. There are two courses of action that we might take to avoid further delay in finalizing the Assumption Agreement. First, we could accept, after his subsequent confirmation in the next few days, the rates of return determined by Mr. Costa on the basis of his review of the limited financial data that was available. He has suggested 3% in the first year (1974), 4% in the second year (1975), and 5% thereafter. As an alternative we could replace the specified rate of return covenants with a cash covenant similar to that required for the Minas Gerais project (Loan 1009-BR). In my view, a cash covenant provision is more reasonably suited to the present, although short-term, management and financial condition of SABESP, and would allow SABESP the time required by any newly formed company to re-assess its financial position. Time is also required to determine the effect which the new law regarding revaluation of assets in the State of Sao Paulo will have on the value of the company's assets as determined by SABESP. The adoption of a cash covenant would also mean a movement toward consistent and uniform provision for all projects in which the Bank participates under the PLANASA programs. Also, an early and satisfactory conclusion of the rate of return issue would pave a way for action on a follow-up project, the detailed appraisal of which would allow us the needed insights into the overall financial position, policies and practices of SABESP. I have discussed this matter with Mr. Kalbermatten and he is inclined to support in principle a

cash covenant as replacement for the 7% rate of return covenant specified in the draft Loan Assumption Agreement. However, he has stated that he would prefer that final management decision on the matter be deferred until he has received from Mr. Costa some hard and fast financial data that would give support to this change. In effect, he would need data showing, perhaps, the rate of return attained by SABESP, say in the previous year, and preliminary data which show possible rates of return attainable in the next few years if the cash flow covenant were observed. If you also agree in principle with the adoption of a cash covenant, then Messrs. Costa and Rodriguez could be authorized to reach tentative agreement with SABESP on a cash covenant, similar to the one adopted in the case of the Minas Gerais project. Discussion with SABESP on a cash provision would of course be first subject to Mr. Costa's review and determination in the field that such a provision represents the most suitable solution to the problem. If found acceptable, the draft Loan Assumption Agreement could then be finalized immediately upon Mr. Costa's return to the Bank and his submission of the supportive data.

6. As regards a second pollution control project, SABESP expressed interest in the Bank participation in a follow-up project, although they stated a preference for obtaining a loan directly from the Bank rather than through BNH. As you know, under the PLANASA scheme, SABESP would obtain 50% of its required investment funds from the State (FAE) and the remaining 50% from BNH. The obvious reason, therefore, for wanting a loan directly from the Bank is to hopefully replace (with Bank funds) BNH funds which would be lent to SABESP at an interest rate of 8% in real terms. We indicated that in accordance with the policies established by the Federal Government, the Bank could lend to the water and sewerage sector in Brazil only through BNH. I have no doubt that SABESP will accept a second Bank project under the established procedures.

7. On September 27 the mission met with Mr. Carlos Antonio Rocca, Secretary of Finance of the State of Sao Paulo, primarily to review the mission's findings on the financial condition of SABESP and to obtain the view of the State on a possible Bank repeater project. Mr. Rocca welcomed the participation of the Bank in the SABESP program, noting a desire for more involvement of the Bank in the development efforts of the State of Sao Paulo. With regard to the financial condition of SABESP, Mr. Rocca noted that although SABESP was due to commence operation under PLANASA, which would limit, somewhat, their prerogative in increasing water and sewerage tariffs, he saw no reason why they could not adopt significant tariff increases, assuming that they would be structured to lean more heavily on higher income customers. He said that SABESP had submitted to his office a tariff proposal which was under review. Mr. Rocca further informed the mission of his initiatives in establishing an external cooperation unit within the Secretariat of Finance (Sao Paulo) which would be concerned with the planning and negotiation of project loans. He indicated a desire to continue discussions on expanded Bank assistance to the State of Sao Paulo during his visit to Washington for the Annual Meeting.

October 7, 1974

8. The prospects for a follow-up project in the State of Sao Paulo are good on all counts and can probably be programmed for FY 1976. I recommend that the Bank support the project for several reasons including:

- (a) The State of Sao Paulo represents at least 50% of the entire PLANASA program, a program that the Bank is already giving support.
- (b) The Bank should, through a second project, deepen its presently small leverage in influencing the policies of the water and sewerage sector in the State of Sao Paulo, particularly since the Bank had a major part to play in the formulation of the water supply and pollution control programs.
- (c) The Bank could achieve valuable institutional development goals particularly during this period of transition for both the State Government and SABESP.
- (d) A project could be easily made ready for implementation in FY76 to replace the second project for Minas Gerais, which has already slipped to FY77.

9. It is necessary, however, that an early decision is made as to our participation in a follow-up project since SABESP has already prepared tender documents and is ready to commence bidding on certain works that would form part of a possible Bank-financed project.

Attachment

Cleared with and cc: Messrs. Kalbermatten, Division Chief, LCPWS
Buhler, Legal Department

cc: Messrs. Costa, Financial Analyst, LCPWS
Rodriguez, Procurement Officer, LCPWS

Primary Persons Met

Mr. Carlos Antonio Rocca, Secretary of Finance, Sao Paulo State

Mr. Rego Monteiro, Director, Banco Nacional da Habitacao

General Luiz P. Galvao da Cunha, President, SABESP

Mr. Masoto Yakota, Director, SABESP

Mr. Mario Angelo Capocchi, Director, SABESP

Eng. Luis Augusto Pontes, Superintendente de Planejamento e Control, SABESP

OFFICE MEMORANDUM

Brazil - Terms of Reference
Brazil - Loan 757 - adm
Brazil - Loan 758 - adm
Brazil - Loan 1009 - adm
DATE: September 19, 1974

TO: Messrs. R. Costa (FNA, ICPWS) and
F. Rodríguez (EGR, ICPWS)

FROM: John M. Kalbernatten (Chief, ICPWS)

SUBJECT: BRAZIL - Loans 757 and 758-BR
Sao Paulo Water Supply and Pollution Control Project
Loan 1009-BR
Minas Gerais Water Supply and Sewerage Project
Supervision
Terms of Reference

1. You should plan to arrive in Rio on September 23, where Mrs. E. Johnson-Sirleaf, Loan Officer, will join the mission. You will discuss there your mission program in Sao Paulo and Belo Horizonte with Rego Monteiro, head of the Superintendencia de Financiamento do Saneamento (SFS). You should then proceed to Sao Paulo to discuss with the management the Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) the draft legal documents prepared by the Bank for the transfer of the existing two loans to SABESP, and to decide if the financial data available is adequate to establish a sound financial covenant. Mr. Buhler, of the Legal Department, will participate in these discussions. On September 30 you should proceed to Belo Horizonte to review with the officials of the Companhia Mineira de Aguas e Esgotos (COMAG) the diagnosis of the company made by their management consultants and review the feasibility studies of subprojects to be financed by the Bank. Messrs. James H. Jennings and John Wall will join the mission in Belo-Horizonte. Mr. Jennings will help the mission evaluate the recommendations made by COMAG's management consultants and Mr. Wall will assist the mission in subprojects economic evaluation and in the review of the Global Feasibility Study for the State. Also, Mr. R. Monteiro has agreed that an SFS official should accompany the mission to Belo Horizonte.

Sao Paulo Water Supply and Pollution Control Projects

2. In Sao Paulo you should in particular:

- (a) obtain the financial and technical data needed for the preparation of SABESP's financial projections and the determination of a financial covenant to be introduced in the draft of the legal documents prepared on the basis of the Bank's last supervision mission to Sao Paulo;
- (b) review the progress made in projects construction;
- (c) discuss with SABESP's management the preparation of a new Pollution Control Project which might eventually be financed by the Bank.

September 19, 1974

Minas Gerais Water Supply Project

3. In Belo Horizonte you should in particular:
 - (a) review the subprojects feasibility studies prepared in accordance with the program established during the last Bank supervision mission;
 - (b) review COMAG's financial results as of August 31, 1974;
 - (c) discuss the recommendations of COMAG's management consultants and particularly those regarding the set up of an efficient information system.
4. In Rio you should review the measures taken by BNH to improve its technical agency in Minas Gerais (CT), establish an adequate procedure for Bank disbursements of the Loan and prepare guidelines for BNH's quarterly progress reports.
5. You should stay about three weeks in Brazil. On your return you should prepare a back-to-office and/or full report which would record the agreements reached with SABESP on the proposed legal documents and revised financial covenant and your recommendations thereupon.

Cleared with and cc: Mr. Skillings (LC2DA)

cc: Messrs. Geli (LCPDR), van der Tak (VPSVP), Rovani (PBFDR)(3),
Bowron (PAB), Cancio (LEG), Böhler (LEG), Helne (CTR),
Jennings (PBP), Wall (LCPMS), Ms. Johnson-Sirleaf (LC2DA),
Ms. Steiner (LCPMS), LAC Files, Division Files

RCosta:nq

OFFICE MEMORANDUM

File
Sao Paulo
757-BR

TO: Mr. Robert F. Skillings
Acting Director, IAC/II

FROM: Ellen E. Johnson-Sirleaf, Loan Officer, IAC II

SUBJECT: BRAZIL - Sao Paulo Water Supply and Pollution Control Project
Loan Nos. 757-BR and 758-BR

DATE: September 6, 1974

OK
Skillings
BRZ Ln 757
BRZ Ln 758

1. The referenced project is comprised of a major expansion of the water distribution and sewerage disposal facilities in the Sao Paulo metropolitan area. The objectives of the project are to extend water service to more than two million inhabitants of Sao Paulo who previously obtained water from polluted wells and, as the first stage of a long-range program, to free the metropolitan area rivers of a significant proportion of their solid and biochemical pollutants. Because the Bank dealt with two separate entities -- Superintendencia de Agua e Esgotos da Capital (SAEC) and Companhia Metropolitana de Saneamento de Sao Paulo (SANESP) -- two loan agreements were executed.

2. The water supply component of the project was estimated at a total cost of \$59.8 million, of which \$22 million, representing the estimated foreign exchange costs, was provided through a Bank loan (Ln. 757-BR). The Loan Agreement provided for the disbursement against 100% of foreign expenditures on equipment and consulting services and 20% of expenditures relating to locally procured civil works and machinery and equipment. The agreement further provides for an increase in the percentage applicable to local costs (20%) to the extent necessary to permit full withdrawal of the loan amount up to a Bank participation limit of 37% of the total estimated cost of the project. In May 1972, as provided for in Section 4(c) of Schedule 1 of the Loan Agreement, SAEC requested, and the Bank agreed, to increase from 20% to 37%, the percentage of expenditures for local costs which the Bank finances. Our approval was based on a desire to insure full withdrawal of proceeds of the loan since the early results of international competitive bidding had shown that virtually all of the goods and services to be financed under the loan would be procured in Brazil. In April 1973, SAEC further requested an increase from 37% to 100% of the disbursement percentage for local procurement of equipment and supplies. We refused their request because this would have meant our complete uninvolvedness in civil works construction.

3. As of July 31, 1974, although procurement under the project was well advanced, only \$4.3 million of the Bank loan of \$22 million had been disbursed. Except for disbursements in respect of consultancy services, no disbursements have been made for foreign expenditures. Our last supervision mission (June 1974) have advised that an estimated \$6 million of the total loan amount will probably be unwithdrawn upon completion of the project, due primarily to the fact that contracts that would have been otherwise eligible for Bank financing were improperly awarded by SAEC.

4. During appraisal, the pollution control component of the project was estimated to cost \$81.5 million, of which \$15 million, representing the estimated foreign exchange costs, was provided through a Bank loan (Ln. 758-BR). The Loan Agreement provides for the financing of 100% of foreign expenditures and 14% of expenditures in respect of local procurement and civil works. The agreement also provides for an increase in the percentage of local costs which the Bank finances to the extent necessary to permit full withdrawal of the loan amount, up to a Bank participation limit of 18% of the total estimated cost of the project. In late 1972, the design of the project was changed and the estimated total cost was reduced from \$81.5 million to \$78 million. SANESP requested, and we agreed, to reduce the Bank loan from \$15 million to \$12 million. The allocation of proceeds of the loan (Schedule 1 of the Loan Agreement) was also changed to reflect reductions in all categories of estimated expenditures under the project. All other provisions of the Loan Agreement, including the disbursement percentages to be financed by the Bank, under each category of expenditure, remained unchanged. In March 1973, as provided for in the Loan Agreement, SANESP requested an increase from 14% to 18% of the percentage of local costs to be financed by the Bank. We refused their request on the basis that there was still a significant value of foreign procurement included in the then remaining estimated project costs. As in the case of the water supply project, local suppliers have won almost all of the bids for the supply of goods and services for the pollution control project. As of July 31, 1974, \$1.2 million of the adjusted Bank loan of \$12 million had been disbursed, mainly in respect of expenditures for local procurement and civil works. Except for consultancy services, no disbursements have been made in respect of foreign expenditures.

5. The records indicate that we have encountered three major problems in the implementation of the project. The first problem relates to late commencement of the project due to the delay by the Government of Sao Paulo to provide the necessary counterpart funds. This problem has long since been resolved. The second problem concerns the composition of the project. As envisioned by the appraisal report the project involved, as a first stage, the collection and pumping of liquid wastes into a central reservoir, the treatment of which would form the second stage. However, because of opposition by the public to a first stage that did not encompass treatment facilities, the Bank collaborated with the State of Sao Paulo to effect changes in the design of the project that would provide for construction of various secondary treatment plans which would discharge treated effluent into the river system. The third problem involves procurement procedures which would facilitate scheduled and full withdrawals from the loan accounts. During negotiations it was agreed that the Bank loans would cover all foreign exchange expenditures including the estimated foreign exchange component of local procurement and civil works. Procurement would be on the basis of international competitive bidding with a 15% margin of preference for Brazilian manufacturers. Civil works contracts would be open to Brazilian and foreign bidders. Schedule 1, Withdrawal of Proceeds of the Loan, and Schedule 4,

Procurement, of both Loan Agreements specify the withdrawal conditions of the loan -- that is, that the Bank loans would be disbursed against the CIF cost of all direct imports, the foreign exchange costs of consultants and the specified percentages of expenditures for local procurement and civil works contracts. The Bank's participation is limited to 37% of the estimated total cost of the water supply project, or about \$22 million, and 18% of the estimated total cost of the pollution control project or an estimated \$12 million.

6. There is a long stream of correspondence regarding the utilization of the proceeds of the Bank loans. Several supervision missions reported discussions with staff of both SAEC and SANESP regarding the Bank's procurement procedures. Draft bidding documents prepared by SAEC and SANESP were revised by the Bank and agreement was reached on modifications needed to meet the Bank's requirements. In spite of the many exchanges between the Bank and the Borrowers regarding the procurement procedures for withdrawal of proceeds of the loan, the records show a checkered pattern of approvals and disapprovals of the Borrowers' request for disbursements of Bank funds. In cases where the Bank did not give its approval, it was due to the Borrower's failure to conform fully to the Bank's Guidelines for Procurement as regards the awarding of contracts or to their failure to obtain prior clearance by the Bank of contract documents as required by Schedule 4 of the Loan Agreements. However, throughout the history of the execution of the projects, it appears that there was full awareness that because of the relative simplicity of the project, and the relatively high level of development and sophistication of the Brazilian construction and equipment industries, most contracts would be won by local contractors.

7. As you know, SANESP and SAEC, Borrowers for the two subject loans, no longer exist and their responsibilities were assumed in June 1973 by a new company, Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP). We have advised the Government of the State of Sao Paulo and the Federal Government of Brazil that it will be necessary to enter into supplemental agreements with SABESP, Sao Paulo State and the Federative Republic of Brazil in order to assure the succession of SABESP to the rights and obligations of SAEC and SANESP under the existing Loan Agreements. In the meanwhile, we have agreed to continue disbursements, without renegotiation of the Loan Agreements, until November 30, 1974, in order that implementation of the project might not be delayed.

8. The mission which supervised the project last June reports that procurement is expected to be completed by June 1975. However, because many of the contracts costs were determined ineligible for Bank financing, it is likely that \$6 million of the proceeds of Loan 757-BR will remain unutilized upon completion of the project, if the Bank only disburses against 37% of local procurement. Under the circumstances, the mission has recommended that the Bank finance, in addition to 100% of foreign expenditures, 26% of expenditures for local procurement and civil works for both the water supply and pollution control projects. The mission further suggests that the change be effected at the time SABESP negotiates with the Bank a Loan Assumption Agreement covering Loans 757-BR and 758-BR.

9. I have some sympathy with the recommendation of the supervision mission that we increase the level of our financing of local costs particularly under the pollution control project. However, we would have difficulty in implementing their recommendation along the lines they have proposed -- by simultaneously increasing the disbursement percentage for local costs under Loan 758-BR and reducing the disbursement percentage for local costs under Loan 757-BR to achieve a uniform disbursed percentage of 26% of local costs under both projects. The difficulty we would have stems from the fact that, in effect the recommendation of the supervision mission would mean a transfer of the expected balance of \$6 million under Loan 757-BR to finance a higher percentage of local costs under Loan 758-BR. For this we would need explicit Board approval.

10. As an alternative, I propose that we increase the percentage of local costs to be financed by the Bank under each project to the extent necessary to achieve full utilization of the proceeds of the loan but within the limitation of our overall participation in the estimated total cost of the project as prescribed in the Loan Agreement -- 37% in the case of Loan 757-BR and 18% in the case of Loan 758-BR. In order to calculate the increase in the disbursement percentage, we would need to know the value of the remaining civil works, equipment and materials under each project, which is yet to be contracted (along procedures satisfactory to the Bank) and yet to be disbursed under Bank-approved contracts already under execution. The Projects Department has advised that the total cost of the water supply project (Ln. 757-BR) has been reduced to an estimated \$52.8 million as compared with an appraisal estimate of \$59.8 million. This means that our participation in the project, at 37% of the estimated total project cost, would be \$19.5 million rather than the \$22 million provided for in the Loan Agreement. They have also estimated the value of remaining contracts that may be eligible for Bank financing at \$23.3 million. It is likely therefore that the disbursement percentage for the remaining local procurement and civil works would probably have to be raised from 37% to 48% if we are to disburse the full amount of \$19.5 million which can be disbursed under the loan in accordance with existing terms of the agreement. We would then probably have to consider an identification of additional items that could be financed under the description of the project and which would increase the estimated total project cost, thereby allowing us to disburse the full amount of \$22 million provided under Loan 757-BR. In the case of the pollution control project, Loan 758-BR, the Projects Department envisions that we would not be requested to finance any foreign expenditures from proceeds of the adjusted loan amount of \$12 million. We could therefore increase the percentage of local expenditures which the Bank finances from 14% to 18% in order to ensure full utilization of the Bank loan. If you agree with this approach, I suggest that a letter be sent to SABESP informing them of our agreement to negotiate, during the next supervision

September 6, 1974

mission scheduled to commence on September 23, possible changes in provisions of the Loan Agreements regarding the disbursement percentages for local costs. We should also inform them of our intention to negotiate the Loan Assumption Agreement during that time. A draft of the proposed letter to SABESP is attached for your clearance.

Attachment

Cleared with and cc: Messrs. Rodriguez, Procurement Engineer, LACP
Buhler, Legal Department
McCarthy, Controller's

cc: Messrs. Kalbermatten, Division Chief, LACP
Costa, Financial Analyst, LACP



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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Area Code 202 • Telephone - EXecutive 3 6360 • Cable Address - INTBAFRAD

September 6, 1974

General Luiz P. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Basico do Estado
de Sao Paulo (SABESP)
Rua Costa Carvalho, 300 - Purheiros
Sao Paulo, SP, Brasil

Re: Sao Paulo Water Supply and
Pollution Control Projects
(Loan Nos. 757-BR and 758-BR)

Dear Sir:

The Bank's records of disbursements under the subject Loan Agreements show that as of July 31, 1974, only \$4.3 million of the amount of \$22 million provided under Loan 757-BR and only \$1.2 million of the adjusted amount of \$12 million under Loan 758-BR has been disbursed. All of the disbursements of proceeds of the Bank loans have been in respect of expenditures for civil works and locally procured goods. Except for disbursements for consultancy services, no disbursements have been made for foreign expenditures.

We are happy to learn from the Bank mission which reviewed the projects in Brazil last June that certain procurement difficulties which have contributed to slow utilization of our loans have now been resolved. In these circumstances, and in order to facilitate full utilization of the loans, we are prepared to review the percentages of local expenditure eligible for reimbursement from proceeds of Loans 757-BR and 758-BR. On the basis of our estimation of the value of civil works, equipment and related supplies remaining to be paid for under each project and which may be procured through procedures that will render them eligible for financing by the Bank, it appears that we might be able to increase the percentage of local costs which the Bank finances under Loan 757-BR to 48% and under Loan 758-BR to 18%. Our mission which is scheduled to review the progress of the projects commencing on the 23rd of this month will discuss with you the reasonableness of the suggested percentages.

General Luiz P. Galvao Carneiro da Cunha

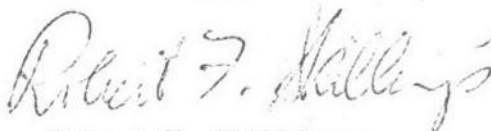
September 6, 1974

In this connection, we would also like to remind you of our desire to negotiate with SABESP a Loan Assumption Agreement which would provide for the succession of SABESP to the rights and obligations of SAEC and SANESP under Loan Agreements 757-BR and 758-BR. We expect to also negotiate a Supplemental Guarantee Agreement with the Federative Republic of Brazil and to seek approval of the State of Sao Paulo to the execution of the assumption agreement.

The forthcoming mission, to which a member of the Bank's Legal Staff will be attached, will discuss with you proposed drafts of such agreements, copies of which are attached for your prior review.

With kind regards,

Sincerely yours,



Robert F. Skillings
Acting Director
Country Programs Division
Latin America and Caribbean
Regional Office

cc: Mr. Mauricio Schulman
Presidente
Banco Nacional da Habitacao (BNH)
Avenida Chile, 230
Rio de Janeiro, GB, Brasil

Dr. Moacyr Lisboa Lopes
Procurador Geral da Republica
Ministerio da Fazenda
Av. Presidente Antonio Carlos
9º Andar, Sala 914
Rio de Janeiro, GB, Brasil

Mr. Jose Meiches
Secretario de Servicos e Obras Publicas
Rua Riachuelo, 115
Sao Paulo, S.P., Brasil

Mr. John H. Kalbermatten (Chief, LCPWS)

September 6, 1974

Fritz Rodriguez (EGR, LCPWS)

BRAZIL - Loans 757 and 758-BR

Sao Paulo Water Supply and Pollution Control Project
Revision of Schedule 1 of Loan Agreements

As you know, our last supervision mission to Sao Paulo recommended to consolidate the present percentages of total expenditures the Bank finances on purchase of local goods and civil works for the Water Supply and Pollution Control Projects, and to use the same percentage (26%) for both loans. This recommendation was made with a view of improving our relations with the management of the former SANESP and permitting full withdrawal of the loan amounts. We have been informed that Programs and Legal Departments have not concurred in our proposal and consequently we would continue to apply different percentages for Loans 757-BR and 758-BR.

It is now suggested that we take the opportunity of the forthcoming renegotiations on these loans to revise the percentages of eligible expenditures set forth in Schedule 1 of the Loan Agreements and introduce in the Loan Assumption Agreement any changes required for full withdrawal of the loan amounts.

Loan 757-BR

The cost of the Water Supply Project is now estimated at US\$52.8 million. This represents a decrease of US\$7.0 million in the original cost estimates of the Appraisal Report. Under the provisions of the Loan Agreement, the Bank would finance 37% of the total project cost. Based on the actual estimates, the Bank financing would amount to US\$19.5 million upon project completion. Although contracts for US\$29.5 million of works have already been placed by the borrower (SAEC), only contracts for about US\$23.5 million have been approved by the Bank. Therefore, about US\$8.3 million of the loan amount is committed.

To date there have been no foreign expenditures for the project and none are expected in the future. Consequently the uncommitted loan amount of US\$11.2 million can be entirely applied to local procurement and civil works contracts to cover about 48% of the remaining expenditures to reach 37% of the total project costs.

Loan 758-BR

There has been no significant change in the original cost estimates of the Pollution Control Project and to date all the SANESP contracts have been approved by the Bank. However, as in the case of Loan 757-BR no substantial foreign expenditures are expected in the future. In order to permit full withdrawal of the loan amount, the percentage of eligible expenditures on local purchases and civil works should be immediately increased to 18%.

September 6, 1974

Recommendation

We recommend that the Loan Assumption Agreement provide for immediate increases of the percentage applicable to Category IV in Schedule 1 of Loan 757-BR to 48%, and to Category II in Schedule 1 of Loan 758-BR to 18%. We also suggest that the next supervision mission identify with SABESP's management additional related water supply works that the Bank should agree to partly finance with the SAEC expected loan balance of US\$2.5 million.

cc: Ms. Johnson-Sirleaf
Messrs. Buhler
Costa
Helne


FRodriguez

Brasil - Loan 757 - Alina
✓ Brasil - Loan 758 - Alina

September 6, 1974

General Luiz P. Calves Carneiro da Cunha
Presidente
Companhia de Saneamento Basico do Estado
de Sao Paulo (SABESP)
Rua Costa Carvalho, 300 - Purnheiros
Sao Paulo, SP, Brasil

Re: Sao Paulo Water Supply and
Pollution Control Projects
(Loan Nos. 757-BR and 758-BR)

Dear Sir:

The Bank's records of disbursements under the subject Loan Agreements show that as of July 31, 1974, only \$4.3 million of the amount of \$22 million provided under Loan 757-BR and only \$1.2 million of the adjusted amount of \$12 million under Loan 758-BR has been disbursed. All of the disbursements of proceeds of the Bank loans have been in respect of expenditures for civil works and locally procured goods. Except for disbursements for consultancy services, no disbursements have been made for foreign expenditures.

We are happy to learn from the Bank mission which reviewed the projects in Brazil last June that certain procurement difficulties which have contributed to slow utilization of our loans have now been resolved. In these circumstances, and in order to facilitate full utilization of the loans, we are prepared to review the percentages of local expenditure eligible for reimbursement from proceeds of Loans 757-BR and 758-BR. On the basis of our estimation of the value of civil works, equipment and related supplies remaining to be paid for under each project and which may be procured through procedures that will render them eligible for financing by the Bank, it appears that we might be able to increase the percentage of local costs which the Bank finances under Loan 757-BR to 10% and under Loan 758-BR to 10%. Our mission which is scheduled to review the progress of the projects commencing on the 23rd of this month will discuss with you the reasonableness of the suggested percentages.

General Luis F. Salvaio Carneiro da Cunha

September 6, 1974

In this connection, we would also like to remind you of our desire to negotiate with SABESP a Loan Assumption Agreement which would provide for the succession of SABESP to the rights and obligations of SAEC and SANESP under Loan Agreements 757-BR and 758-BR. We expect to also negotiate a Supplemental Guarantee Agreement with the Federative Republic of Brazil and to seek approval of the State of Sao Paulo to the execution of the assumption agreement.

The forthcoming mission, to which a member of the Bank's Legal Staff will be attached, will discuss with you proposed drafts of such agreements, copies of which are attached for your prior review.

With kind regards,

Sincerely yours,

Robert F. Skillings
Acting Director
Country Programs Division
Latin America and Caribbean
Regional Office

cc: Mr. Mauricio Schulman
Presidente
Banco Nacional da Habitacao (BNH)
Avenida Chile, 230
Rio de Janeiro, GB, Brasil

Dr. Moacyr Lisboa Lopes
Procurador Geral da Republica
Ministerio da Fazenda
Av. Presidente Antonio Carlos
9º Andar, Sala 914
Rio de Janeiro, GB, Brasil

Mr. Jose Melchior
Secretario de Servicos e Obras Publicas
Rua Machado, 115
Sao Paulo, S.P., Brasil

Cleared in substance with and cc: Messrs. Buhler, Legal Department
Rodriguez, Procurement Engineer, LACP
cc: Messrs. Kalbermatten, Division Chief, LACP
McCarthy, Controller's

Paral - Loan 757
✓ Paral - Loan 758

Mr. Robert F. Skillings
Acting Director, LAC II
Ellen E. Johnson-Sirleaf, Loan Officer, LAC II

September 6, 1974

BRAZIL - Sao Paulo Water Supply and Pollution Control Project
Loan Nos. 757-BR and 758-BR

1. The referenced project is comprised of a major expansion of the water distribution and sewerage disposal facilities in the Sao Paulo metropolitan area. The objectives of the project are to extend water service to more than two million inhabitants of Sao Paulo who previously obtained water from polluted wells and, as the first stage of a long-range program, to free the metropolitan area rivers of a significant proportion of their solid and biochemical pollutants. Because the Bank dealt with two separate entities -- Superintendencia de Agua e Esgotos da Capital (SAEC) and Companhia Metropolitana de Saneamento de Sao Paulo (SANESP) -- two loan agreements were executed.

2. The water supply component of the project was estimated at a total cost of \$59.8 million, of which \$22 million, representing the estimated foreign exchange costs, was provided through a Bank loan (Ln. 757-BR). The Loan Agreement provided for the disbursement against 100% of foreign expenditures on equipment and consulting services and 20% of expenditures relating to locally procured civil works and machinery and equipment. The agreement further provides for an increase in the percentage applicable to local costs (20%) to the extent necessary to permit full withdrawal of the loan amount up to a Bank participation limit of 37% of the total estimated cost of the project. In May 1972, as provided for in Section 4(c) of Schedule 1 of the Loan Agreement, SAEC requested, and the Bank agreed, to increase from 20% to 37%, the percentage of expenditures for local costs which the Bank finances. Our approval was based on a desire to insure full withdrawal of proceeds of the loan since the early results of international competitive bidding had shown that virtually all of the goods and services to be financed under the loan would be procured in Brazil. In April 1973, SAEC further requested an increase from 37% to 100% of the disbursement percentage for local procurement of equipment and supplies. We refused their request because this would have meant our complete uninvolved in civil works construction.

3. As of July 31, 1974, although procurement under the project was well advanced, only \$4.3 million of the Bank loan of \$22 million had been disbursed. Except for disbursements in respect of consultancy services, no disbursements have been made for foreign expenditures. Our last supervision mission (June 1974) have advised that an estimated \$6 million of the total loan amount will probably be unwithdrawn upon completion of the project, due primarily to the fact that contracts that would have been otherwise eligible for Bank financing were improperly awarded by SAEC.

September 6, 1974

4. During appraisal, the pollution control component of the project was estimated to cost \$81.5 million, of which \$15 million, representing the estimated foreign exchange costs, was provided through a Bank loan (Ln. 758-ER). The Loan Agreement provides for the financing of 100% of foreign expenditures and 14% of expenditures in respect of local procurement and civil works. The agreement also provides for an increase in the percentage of local costs which the Bank finances to the extent necessary to permit full withdrawal of the loan amount, up to a Bank participation limit of 18% of the total estimated cost of the project. In late 1972, the design of the project was changed and the estimated total cost was reduced from \$81.5 million to \$78 million. SANESP requested, and we agreed, to reduce the Bank loan from \$15 million to \$12 million. The allocation of proceeds of the loan (Schedule 1 of the Loan Agreement) was also changed to reflect reductions in all categories of estimated expenditures under the project. All other provisions of the Loan Agreement, including the disbursement percentages to be financed by the Bank, under each category of expenditure, remained unchanged. In March 1973, as provided for in the Loan Agreement, SANESP requested an increase from 14% to 18% of the percentage of local costs to be financed by the Bank. We refused their request on the basis that there was still a significant value of foreign procurement included in the then remaining estimated project costs. As in the case of the water supply project, local suppliers have won almost all of the bids for the supply of goods and services for the pollution control project. As of July 31, 1974, \$1.2 million of the adjusted Bank loan of \$12 million had been disbursed, mainly in respect of expenditures for local procurement and civil works. Except for consultancy services, no disbursements have been made in respect of foreign expenditures.

5. The records indicate that we have encountered three major problems in the implementation of the project. The first problem relates to late commencement of the project due to the delay by the Government of Sao Paulo to provide the necessary counterpart funds. This problem has long since been resolved. The second problem concerns the composition of the project. As envisioned by the appraisal report the project involved, as a first stage, the collection and pumping of liquid wastes into a central reservoir, the treatment of which would form the second stage. However, because of opposition by the public to a first stage that did not encompass treatment facilities, the Bank collaborated with the State of Sao Paulo to effect changes in the design of the project that would provide for construction of various secondary treatment plans which would discharge treated effluent into the river system. The third problem involves procurement procedures which would facilitate scheduled and full withdrawals from the loan accounts. During negotiations it was agreed that the Bank loans would cover all foreign exchange expenditures including the estimated foreign exchange component of local procurement and civil works. Procurement would be on the basis of international competitive bidding with a 15% margin of preference for Brazilian manufacturers. Civil works contracts would be open to Brazilian and foreign bidders. Schedule 1, Withdrawal of Proceeds of the Loan, and Schedule

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7. As you know, SANESP and SAEC, Borrowers for the two subject loans, no longer exist and their responsibilities were assumed in June 1973 by a new company, Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP). We have advised the Government of the State of Sao Paulo and the Federal Government of Brazil that it will be necessary to enter into supplemental agreements with SABESP, Sao Paulo State and the Federative Republic of Brazil in order to assure the succession of SABESP to the rights and obligations of SAEC and SANESP under the existing Loan Agreements. In the meanwhile, we have agreed to continue disbursements, without renegotiation of the Loan Agreements, until November 30, 1974, in order that implementation of the project might not be delayed.

8. The mission which supervised the project last June reports that procurement is expected to be completed by June 1975. However, because many of the contracts costs were determined ineligible for Bank financing, it is likely that \$6 million of the proceeds of Loan 757-IR will remain unutilized upon completion of the project. If the Bank only disburse 37% of local procurement. Under the circumstances, the mission has recommended that the Bank finance, in addition to 100% of foreign expenditures, 37% of expenditures for local procurement and civil works for both the water supply and pollution control projects. The mission further suggests that the change be effected at the time SABESP negotiates with the Bank a Loan Assumption Agreement covering Loans 757-IR and 758-IR.

September 6, 1974

9. I have some sympathy with the recommendation of the supervision mission that we increase the level of our financing of local costs particularly under the pollution control project. However, we would have difficulty in implementing their recommendation along the lines they have proposed -- by simultaneously increasing the disbursement percentage for local costs under Loan 758-RR and reducing the disbursement percentage for local costs under Loan 757-RR to achieve a uniform disbursed percentage of 26% of local costs under both projects. The difficulty we would have stems from the fact that, in effect the recommendation of the supervision mission would mean a transfer of the expected balance of \$6 million under Loan 757-RR to finance a higher percentage of local costs under Loan 758-RR. For this we would need explicit Board approval.

10. As an alternative, I propose that we increase the percentage of local costs to be financed by the Bank under each project to the extent necessary to achieve full utilization of the proceeds of the loan but within the limitation of our overall participation in the estimated total cost of the project as prescribed in the Loan Agreement -- 37% in the case of Loan 757-RR and 18% in the case of Loan 758-RR. In order to calculate the increase in the disbursement percentage, we would need to know the value of the remaining civil works, equipment and materials under each project, which is yet to be contracted (along procedures satisfactory to the Bank) and yet to be disbursed under Bank-approved contracts already under execution. The Projects Department has advised that the total cost of the water supply project (Ln. 757-RR) has been reduced to an estimated \$52.8 million as compared with an appraisal estimate of \$59.8 million. This means that our participation in the project, at 37% of the estimated total project cost, would be \$19.5 million rather than the \$22 million provided for in the Loan Agreement. They have also estimated the value of remaining contracts that may be eligible for Bank financing at \$23.3 million. It is likely therefore that the disbursement percentage for the remaining local procurement and civil works would probably have to be raised from 37% to 48% if we are to disburse the full amount of \$19.5 million which can be disbursed under the loan in accordance with existing terms of the agreement. We would then probably have to consider an identification of additional items that could be financed under the description of the project and which would increase the estimated total project cost, thereby allowing us to disburse the full amount of \$22 million provided under Loan 757-RR. In the case of the pollution control project, Loan 758-RR, the Projects Department envisions that we would not be requested to finance any foreign expenditures from proceeds of the adjusted loan amount of \$12 million. We could therefore increase the percentage of local expenditures which the Bank finances from 14% to 18% in order to ensure full utilization of the Bank loan. If you agree with this approach, I suggest that a letter be sent to SACSOP informing them of our agreement to negotiate, during the next supervision

mission scheduled to commence on September 23, possible changes in provisions of the Loan Agreements regarding the disbursement percentages for local costs. We should also inform them of our intention to negotiate the Loan Assumption Agreement during that time. A draft of the proposed letter to SAESP is attached for your clearance.

Attachment

Cleared with and cc: Messrs. Rodriguez, Procurement Engineer, IACP
Buhler, Legal Department
McCarthy, Controller's

cc: Messrs. Kalbermatten, Division Chief, IACP
Costa, Financial Analyst, IACP

EEJohnson-Sirleaf:nev

✓ 758

Ms. Ellen Johnson-Sirleaf, Loan Officer, LAC II

September 3, 1974

Robert F. Skillings, Division Chief, LAC II WVS

BRAZIL - Amended Terms of Reference for Visit

1. This memorandum is further to my memorandum of August 15, 1974, regarding your forthcoming visit to Brazil.
2. You will proceed to Brazil on September 8, rather than September 1, and will remain for about three weeks. In addition to those activities outlined in the memorandum of August 15, you will participate along with representatives of the Projects and Legal Departments, in the negotiation of a Loan Assumption Agreement with SABESP, the company that is to assume the rights and responsibilities under Loan Agreements 757-ER and 758-ER. You will also join in discussions of the supervision mission on the Alto Turi project and you will contact SUVALE and, if necessary, the Minister of Interior, to obtain a reaction to our letter of August 14 regarding the proposed Lower Sao Francisco Emergency Polder project.
3. Upon your return, you will report your findings.

cc: Messrs. Senner, LAC II
Berg/Jones, PNPD
Greening, LACP
Kalbermatten, LACP

EEJohnson-Sirleaf:nev

IBRD LANGU.		SERVICES DIVISION	
CONTROL NO.	262/75	DATE:	August 27, 1974
ORIGINAL LANGUAGE:	Portuguese (Brazil)		
DEPT.	Latin Am. & C.	TRANSLATOR:	MB/RS

Diário Comércio & Indústria, July 13-15, 1974

COMASP FACES SUPPLY CHALLENGE FOR YEAR 2000

Investment Research

Antônio Vieira Silva

(By the year 2000 the population of the State of Sao Paulo will be almost 45 million, with an average annual growth rate of 3.484%. The population of the municipality will total 25 million (5.488% annual growth). Faced with these statistics, how is the Government meeting the challenge of water supply in the state?)

The official establishment of COMASP (now SABESP) on February 26, 1963 was the beginning of an industry with no technical basis in Brazil. The company's structure is based on a type of administration developed in the United States as a result of the need for optimum management of large-scale, highly complex government projects such as public investments in space engineering. Hence it is difficult to predict whether SABESP -- now organized as a holding company -- will be able to meet the challenge of population growth with the basic resources available. The following table, based on an average annual increase of 3.484%, projects the state population for the next 25 years.

(For table please see original document.)

In 1972 Greater Sao Paulo had a population of 8.5 million, only 55% of which was served by the water supply system. However, the Cantareira system when complete should triple the supply, with 83% of the population being served by 1975.

PRODUCTION-INVESTMENTS

Consumption in 1972 was $15.9 \text{ m}^3/\text{s}$, while demand was about $31 \text{ m}^3/\text{s}$. In 1968 total production was $13 \text{ m}^3/\text{s}$, rising to $16.2 \text{ m}^3/\text{s}$ by December 1972. The total system will have a capacity of $33 \text{ m}^3/\text{s}$ with the tapping of the Jaguarí River. Therefore, to keep pace with population growth through the year 2000, COMASP plans to build a series of dams, a treatment plant and a final reservoir, which will ensure a flow rate of $25 \text{ m}^3/\text{s}$ of water for industrial and residential supply, bringing the total to $58 \text{ m}^3/\text{s}$ by the year 2000, in addition to the $16.2 \text{ m}^3/\text{s}$ produced by the systems now existing.

To fulfill these objectives, however, large-scale investments will be required over the next 20 years. According to studies made by the company these investments will total almost US\$2 billion, an average annual outlay of US\$100 million.

If the present rate of growth (5.488% per year) continues, the population of the municipality of Sao Paulo will total almost 25 million by the year 2000 unless the policy of decentralization to the interior is intensified.

POPULATION OF MUNICIPALITY OF SAO PAULO

1970-2000

(For table please see original document.)

Total and per capita fixed investment will increase substantially, as shown in the following table.

PER CAPITA FIXED INVESTMENT

(For table please see original document.)

Per capita investment clearly will be less than that shown above, inasmuch as only the population of the municipality of Sao Paulo has been considered.

In the United States, with a population of 174.5 million served by water supply in 1973, there was an estimated per capita investment of US\$330. In 1975 with a population of 178.5 million, it will reach US\$400. In terms of population, the investments of the municipality of Sao Paulo are greater when those of the holding company are taken into account.

SUPPLY

The sources of water supply in Brazil are rivers, lakes, reservoirs and wells, and dams in the Northeast. However, in order for water to be brought to houses it is necessary to provide an entire infrastructure including pumps, pipelines and collecting stations, to transport the water to the treatment plant or distribution system. The minimum treatment for high-quality water consists of its disinfection. The water is distributed by pipes along the streets. Unfortunately, the water supply industry in Brazil has begun to receive attention only recently. The following statistical table shows that 3,943 municipalities, only 2,332 (59.1%) had water supply service in 1970.

Looking at the statistics for sanitary sewerage, we find that 25.8% of the 3,948 municipalities had sewerage systems in 1970.

In 1850 the United States had a water supply system which served a population of 22.5 million. In 1966 this industry served 160 million persons; investments in 1956-65 totaled US\$10.2 billion, with over 20,000 companies operating in the sector and a per capita investment of US\$275.

WATER SUPPLY 1960-1970

	1960	1963	1965	1967	1970
Number of municipalities					
Municipalities with water supply					
Springs tapped					

(For figures please see original document)

(Table continued)

Pumping stations

Reservoirs

(For figures please see original document)

Number of public ways with pipelines

Connections to distribution network

Water meters

Water fountains

Fire hydrants

Source: Anuário Estatístico do Brasil - IBGE.

n.d.: not available.

The State of Sao Paulo, with 573 municipalities in 1967, had 452 with water supply. There was a significant increase in 1970 as may be seen in the following table:

WATER SUPPLY IN SAO PAULO

	1967	1969	1970
Number of municipalities			
Municipalities with water supply			
Number of springs tapped			
Pipelines (in meters)			
			(For figures please see original document)
Number of reservoirs			
Connections to distribution network			
Water meters			
Fire hydrants			
n.d.: not available.			

MUNICIPALITY OF SAO PAULO

1967 1969 1970

Number of springs tapped

Pipelines (in meters)

(For figures please see original document)

Number of reservoirs

Total length of distribution lines (meters)

Water meters

Fire hydrants

QUALITY

The development of modern water treatment has reduced the incidence of disease to low levels. However, from time to time there are epidemics related to water quality, such as cholera or typhoid, as well as gastrointestinal problems which the municipalities must face.

Recent research indicates that certain metals and residual elements found in the water supply can be toxic. In most cases, however, the concentration of such elements is low. On the other hand, little is known of the long-range effects of ingestion of a small concentration of trace elements over a very long period. Many of these substances are not removed in normal water treatment. These residuals, which may be called unknown elements, have been a factor in water pollution. Various types of potential toxic chemical agents are present in treated water as well as in raw water. Studies show that the substances found are the result of industrial pollution or are generated by the dissolving of metals used in the pipes and pumps that bring the treated water to the consumer.

The chemistry of natural water is highly complex and is still far from being completely understood. 12,000 different toxic chemical compounds are known to be involved in the industrial process, and this number increases by an average of 500 a year.

The development of new and sophisticated testing equipment opens up a new field of water research, enabling investigators to find minute chemical substances concentrated in food, water and air. The substance is known and detected, but little is known about its composition and physiological effects. One example is that of the effects on health produced by mercury and methylmercury.

An October 1970 report of the Water Resources Division, US Geological Survey noted seven elements found at the surface of water, based on 920 samples taken from rivers and lakes; one was cadmium, found in 42% of the samples in a concentration of 1:10 UG/l (micrograms per liter). This element was found in sources of water for consumption and industrial complexes, in an amount exceeding the level permissible for use. The largest amount was found in areas with high population density.

Arsenic was found in 72% of 727 samples tested, with a concentration of less than 10 UG/l or the lowest limit of detection.

Copper, zinc and lead found in water, soils and rocks vary according to the region.

The Columbia University geologists V. Warren and Robert Delavaut have noted that the "ideal" and "acceptable" quantities of metals for human consumption are as follows:

	Volume in parts per million	
	Copper	Zinc
Ideal water (nontoxic)	0.2	1.0
Standard potable water	1.0	5.0

Note: See "A Geologist Looks at Pollution: Mineral Variety", in Water Quality in a Stressed Environment, p.2, 3, 5.

CRITERIA

The criteria adopted for analysis of water for public use follow various standards, such as physical, microbiological and chemical quality and level of radioactivity. The system used in "Standard Methods for the Examination of Water and Waste Water" sets a color limit of 75 units (platinum-cobalt standard) recommended with moderate applications of chemical coagulants.

The odor of water depends on the nature of the substance that causes it. Raw water treated by COMASP (now SABESP) has a pH of 6 or less, which causes rapid deterioration of concrete structures and metal parts of tanks.

The pH of neutral water is equal to 7.

pH varies from 0 to 14 and can be increased or decreased by the introduction of chemical elements. Strong acids such as sulphuric, hydrochloric or nitric acid added to neutral water reduce pH to 0. Caustic soda works in the opposite direction, increasing pH to above 14. In any case, both a low pH and a high pH make water extremely corrosive for any equipment.

CONCLUSIONS

The problem of water requires the use of advanced technology and large-scale investments. However, more complete data must be compiled on the activities of the sector, such as total production and forecasts possibilities of exploration of juvenile waters consumption and demand data for various economic areas,

as well as data on residential consumption and its prospects for the next decade. Aid also should be given to communities in the interior to develop their water supply systems, together with technical assistance.

The program of assistance to rural communities in the United States covers areas with populations over 5,500, the Federal Government investment being about 50% as a contribution to water supply projects.

The problem of rates must be considered in terms of maximization of supply; i.e., an increased supply at a lower price since the capital invested will actually be returned. The lack of resources or the inability to decide on financing hinders the initiation of new projects or the development of existing units. For many communities it is difficult to make large-scale investments in order to bring the water from distant sites and treat it. In such projects the solution would be some type of cooperative venture, or in the case of a larger community, to finance the project and sell the water to smaller communities. It also is suggested -- not only in Sao Paulo but in other states as well -- that dividend-paying bonds be issued to finance large-scale projects. These bonds could be compulsory for economic areas and optional for the residential consumer.

COMPANHIA METROPOLITANA DE AGUA DE SAO PAULO -- COMASP
(incorporated in SABESP)

1970-1972 (Fiscal year: December 31)

1970 1971 1972

Profit per share

Cash flow per share

Net worth per share

Rate of return on net capital

Rate of return on total investment

Recovery factor

Current lig

Current liquidity

General liquidity

Financing of working capital

Financial dependence

Financial autonomy

(For figures please see original document.)

Financing of fixed capital

Benefit-cost index

Capital stock (Cr\$1,000)

Net Worth (Cr\$1,000)

Total investments (Cr\$1,000)

Gross income (Cr\$1,000)

Total debt (Cr\$1,000)



Record Removal Notice



File Title Sao Paulo Water Supply and Pollution Control Projects - Brazil - Loan 0757, Loan 0758 - P006246 - Correspondence - Volume 2		Barcode No. 30319097		
Document Date 19 August, 1974	Document Type Memorandum			
Correspondents / Participants From: Rainier R. Buhler To: Mrs. E. Johnson-Sirleaf				
Subject / Title Loan Nos. 757-BR and 758- BR				
Exception(s) Attorney-Client Privilege				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Kelli Gordon</td><td>Date June 21, 2017</td></tr></table>	Withdrawn by Kelli Gordon	Date June 21, 2017
Withdrawn by Kelli Gordon	Date June 21, 2017			

Sup

IBRD AND IDA - SUPERVISION SUMMARY

Brazil - loan 757-acc
✓ Brazil - loan 758-acc
Brazil - Water Supply + Sewerage

Regional Office: LCP	Country: Brazil	Project Name: Sao Paulo Water Supply and Pollution Control Project	Project No.: 6BRWW01	Loan No.: 757 & 758-BR	
Board Date: 05-18-71	Signing Date: 06-21-71	Projects Dept./Div.: LCPWS	Code: 166-42	Projects Officer: R. Costa	Loan Officer: Ms. E. Johnson-Sirleaf

SECTION 1: PERFORMANCE RATING

STATUS: Problem Free - 1; Minor Problems - 2; Major Problems - 3

TREND: Improving - 1; Stationary - 2; Deteriorating - 3

TYPES OF PROBLEM: Financial - 1; Managerial - 2; Technical - 3; Political - 4; Other (explain) - 5

Designated a "problem project" in most recent SVP review: Yes - Y; No - N ☒ N

Last Summary	This Summary																								
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SECTION 2: SUMMARY PROJECT DESCRIPTION

The project includes: a) the supply and installation of about 2,800 km of water distribution pipes ranging in size from 75 mm to 700 mm in diameter inside the boundaries of the Municipality of Sao Paulo; b) the construction of 48 km of interceptor sewers along the Dos Meninos, Tamanduatei and Tiete Rivers; c) the construction of storage reservoirs; and d) the construction of sewage treatment plants.

SECTION 3: PROJECT DATA (Do not advance FY time frame until after 3-month updating cycle which ends July 31.)

Estimated/Actual As of:	Loan/ CLOSING Effectiveness (Mo./Day/Yr.)	Project Completion (Mo./Yr.)	Loan/ CLOSING Closing (Mo./Day/Yr.)	Project Cost (\$xx.xm)	Loan/ CLOSING Amount (\$xx.xm)	Cumulative Disbursements Through		
						Past FY 73 (\$xx.xm)	Current FY 74 (\$xx.xm)	Next FY 75 (\$xx.xm)
Signing	10.29.71	12.74	06.30.75	111.3	37.0	23.7	34.9	37.0
Beginning of FY*		12.75	06.30.76	123.8	34.0		10.7	24.0
Latest	01.13.72	12.76	06.30.77	119.0	34.0	2.2	5.1	15.2
Date of latest: 08.08.74			Legal closing date: 06.30.75			Disbursements to date: 5.5		
						As of date: 07.29.74		

* Use estimate which is "latest" at beginning of FY. A special beginning-of-FY estimate not required.

SECTION 4: SUPERVISION SCHEDULE

Msn. Return to HQ (Mo./Day/Yr.)	Final Rpt. Date (Mo./Day/Yr.)	Next Msn. Departure 09.74	Recommended interval between Missions (months)	6	Time Expenditure (Optional) Projects (mw) Programs (mw)
Latest 07.15.74	08.08.74 (FS)		End of period covered by latest progress report	06.30.74	FY Plan 14 FY to date 4
Previous 03.04.74	03.14.74 (CS)				

* Type of Report: FS = Full Supervision; CS = Combined Full/B-T-O; C = Completion; A = Appraisal; O = Other (explain in Section 5)

SECTION 5: COMMENTS (Explain "other" in Section 1 and clarify, if necessary, the data contained in Sections 3 and 4.)

Upon the borrower's request, US\$3.0 million was cancelled from the original loan amount. The mission was in Sao Paulo from July 8 to 12. A Back-to-Office report was issued July 18, 1974.

SECTION 6: SUMMARY OF PROJECT STATUS, TREND, AND MAJOR PROBLEMS

The project execution had a slow start caused by long delays in obtaining state funds in 1971-72. As a consequence, disbursements are lagging behind the appraisal forecasts. However, the execution is now proceeding on a satisfactory schedule. Design and construction on the project are of good quality, and construction of the facilities is well advanced. Contracts for civil works construction of the sewage treatment plants and related pumping stations have been placed and plant equipment bidding will start soon. About half of the water distribution mains have been installed and construction of the water storage tanks is under way.

Procurement conflicts we had with the borrower (SAEC) have been solved and bidding procedures are now acceptable to the Bank. Procurement is expected to be completed by June 1975. As of May 31, 1974, the financial situation of the borrower was good.

The borrowers (SAEC and SANESP) were disestablished in June 1973 and consolidated with other state utilities into a new state company, SABESP. As a consequence of this merger, the Bank would have to conclude supplemental agreements with SABESP, the State of Sao Paulo and the Federal Government.

SABESP's present organizational structure is inadequate. The President of SABESP lacks managerial experience and the Directors do not have the required professional training and experience to manage their department properly. The company is plagued by a political fight between the Directors. The organization of SABESP will be discussed

R. Costa

during the forthcoming renegotiations of the loans, and provision for the employment by SABESP of management consultants for reorganizing the company should be introduced in the Loan Assumption Agreement.

Section 7: Action Taken and Recommended

The Bank has authorized SABESP to continue withdrawing the loan proceeds until November 30, 1974 without prior approval of the supplemental agreements (see Mr. Wiese's letter of July 23, 1974 to SABESP).

Upon receipt of the financial data requested by the mission from SABESP, a draft Loan Assumption Agreement should be prepared and later discussed with SABESP. Renegotiations could be held in Sao Paulo.

Schedule 1 of the SAEC and SANESP loan agreements should be amended. The Bank should be willing to finance 100% of foreign expenditures and 26% of local and civil works expenditures on both projects.

The next supervision mission should take place in September 1974.

Section 8: Draft Paragraph for the Next President's Report

Loans 757 & 758-BR - Sao Paulo Water Supply and Pollution Control Project, US\$34 million, June 1971.

As of July 31, 1974, disbursements under these loans amounted to US\$5.5 million compared with the appraisal estimates of US\$35 million. This backlog in disbursements is due to the project's late start and to modifications in the original design of the appraisal report. The project execution is now proceeding on a satisfactory schedule. Design, procurement and construction are of good quality. The two borrowers, SAEC and SANESP have merged into a new company, SABESP, and as a consequence the Bank will have to conclude a Loan Assumption Agreement with SABESP. Renegotiations will be held next September.

Section 9: Organization, Management and Personnel

SABESP, a year after its creation in June 1973, is still unorganized. The original organizational structure was modified last July 8, to include seven departments: administrative, financial, planning, commercial, legal, operational and construction. In addition, three separate offices were set up: internal audit, public relations and coordination of SABESP's activities in the interior of the State. With the exception of the administrative director, all the department heads have been appointed. The administrative functions are now performed by SABESP's President.

The new structure is not an improvement on the former and seems to be heavier. It is likely that SABESP's President would have enormous difficulties in coordinating the activities of the seven departments. The legal and planning offices have been promoted to departments because of their Director's strong political influence. We were told that the commercial, administrative and financial activities would be grouped in one department once they are fully organized.

There are important misconceptions in the repartition of responsibilities between the Directors. For example, the Planning Department performs both planning (technical and financial long-range planning) and administrative functions (personnel, organization and methods). There is also serious incertitude on how the company should be organized to cope with its present and future responsibilities in the interior of the State. Other major problems lie in lack of an information system, difficulties of communication between the various buildings of the Company.

On April 1974, SABESP hired a Brazilian management consulting firm (PROJADE) to make a diagnosis of the Company. The consultants have not yet completed their studies. However, the recent decisions taken by SABESP's management to restructure the company cast some doubt upon the seriousness with which the consultants' conclusions will be considered.

SABESP's President, Mr. Felipe Galvao, is a retired army general without any experience in management. So far, his decisions have been influenced by the Planning Director, Mr. Masato Yokota, 31 years old, graduated in Business Administration, and former deputy to the State Minister of Finance. Because of Mr. Galvao's lack of leadership, serious conflicts have developed within the company, particularly between the Planning and Construction, and Financial Departments, which are headed by two experienced men: Mr. Lotito, from the former SANESP, and Mr. Athayde Rosas, from the former COMASP. It is unlikely that these conflicts would disappear before the new State Government takes office in March 1975. A change in SABESP's Presidency is expected at this time.

There are presently about 14,000 employees in SABESP, 25% of which are civil servants (CLF) whereby they cannot be dismissed. This high number of personnel constitutes a heavy handicap to the company's efficiency. Labor costs represent about 29% of total operating costs in 1974. No specific personnel policy has been established so far; no training program has been set up.

Section 10: PLANASA-Sao Paulo and SABESP Investment Program

In January 1974 BNH and the State of Sao Paulo signed the PLANASA agreement for water.^{1/} This is a seven-year program (1974-1980) whereby 87% of the urban population of the State in 1980 (19 million) is projected to receive adequate water services. In comparison with the population served in 1974 (11 million) this represents an incremental population served of

^{1/} See Minas Gerais Water Supply and Sewerage Project - Appraisal Report

about 8 million and the supply of water to the 571 communities of the State. The investments necessary to reach these objectives have been estimated at US\$500 million. The PLANASA-Sao Paulo agreement stipulates that minimum tariffs should not exceed 3% of the minimum authorized salary in the State.

In accordance with the PLANASA-Sao Paulo agreement, SABESP should have presented a Global Feasibility Study^{1/} for the State to BNH before the end of July 1974. The study has not yet even been contracted. SABESP's management took a deliberate position on this matter: (a) to update and give emphasis to the prefeasibility studies already made for 100 communities of the State^{2/}; (b) to further improve and develop SABESP's water services in the communities located in the Sao Paulo metropolitan area; (c) to make a separate study for the small communities of the State. In addition, a contract has been signed with a local institute of investigation (Fundação Instituto de Pesquisas Economicas) to establish population projections in all the communities which would be used to prepare the Global Feasibility Study. The mission concurred in this approach.

At the Bank's request, SABESP prepared a water supply and sewerage program for the period 1974-1980 and the corresponding financial projections. The PLANASA agreement figures were maintained for water supply. The objectives for sewerage are to serve by 1980 about 50% of the State urban population, which would represent an incremental population served of 7 million. The required investments would be about US\$540 million. In total, SABESP's investments for the period 1974-1980 have been estimated at US\$1.3 billion. This figure includes 20% of direct costs for technical contingencies and administration.

SABESP's investment program has been established on the basis of an estimated per capita cost of construction and on the PLANASA objectives concerning the percentage of population to be served by 1980. This program does not take into account the projects presently under construction. SABESP's 1974 budget is under reformulation. The revised budget will be soon presented to SABESP's Board of Directors for approval. It will be accompanied with a detailed investment program and financial projections for the next three years (1975-1977). The figures provided to the mission showed important discrepancies between this program and the one referred to in the preceding paragraph.

Under these circumstances, it was not possible for the mission to establish reliable financial projections needed for determining the financial covenant (rate of return) to be included in the Loan Assumption Agreement between the Bank and SABESP. The mission's concern was well understood by SABESP's management which agreed upon the urgency to approve a new budget for 1974 and the updating of SABESP's investment program. These projections should have been sent to the Bank before August 5, 1974.

^{1/} See Minas Gerais Water Supply and Sewerage Project - Appraisal Report.
^{2/} Prepared by the former CTESB.

Section 11: Modifications in the Existing Loan Agreements

A draft Loan Assumption Agreement between the Bank and SABESP should be prepared by the Bank and discussed with SABESP's management during the next Bank supervision mission in September 1974. To take into account the enlarged responsibilities of the company and the problems concerning its management and organization, the following changes and additions are proposed:

- (a) Section 5.05 referring to the debt service coverage of the two existing loan agreements, should be abandoned. This condition is not needed any longer because SABESP's future investments will be 100% financed by BNH and the State (through FAE-Sao Paulo) and will be fully covered by the company's tariffs in accordance with the PLANASA-Sao Paulo agreement;
- (b) The Loan Assumption Agreement should stipulate that:
 - (i) management consultants would continue to provide the company with their services until the Bank and SABESP decide that they are not needed any more. The Bank should be given a reasonable opportunity to comment on the consultants' recommendations;
 - (ii) SABESP would present to the Bank, not later than five months after the signing of the Supplemental Agreement a training program which should give special emphasis on the training of its operational personnel;
 - (iii) SABESP would establish management and administrative procedures, manuals and controls; and
 - (iv) SABESP would review with the Bank, whenever necessary, but at least once a year, its investment program and financial projections.
- (c) The present percentages of total expenditures the Bank finances on purchase of local goods and civil works should be modified. We are currently financing 100% of foreign expenditures for both projects, and 37% of local and civil works expenditures of SAEC and 14% of SANESP. Under the provisions of the loan agreements, the Bank would finance only 37% and 18% of the total cost of SAEC and SANESP projects, respectively. To date there have been no foreign expenditures for the projects, other than those for consulting services.

The low percentage of disbursement (14%) for SANESP has strained our relations with the company in the past, which has claimed that we have been putting a lot of burdens on the company, such as procurement by international competitive bidding, in return for so low a percentage of disbursement. Since SABESP is taking over both loans, it is recommended that the same percentage of local and civil works expenditures be established for both projects.

The cost of the remaining works has been estimated at US\$95.9 million and the uncommitted loan amount is about US\$26.3 million. The mission has calculated that about US\$1.3 million would be spent in foreign expenditures and, consequently, applying the loan balance to other expenses would bring the percentage of local and civil works expenditures to 26%. This percentage of 26% would have been the same in the original loan agreement, should both loans have been consolidated. We recommend that such consolidation of the original percentages be made by the Bank.

All these conditions and modifications were discussed with SABESP's management which did not object to them.

Section 12: New Loan to SABESP

SABESP's management expressed to the mission its interest in having the Bank participate in its sewerage expansion program in the Sao Paulo metropolitan area. This is based on the fact that a Bank loan at 8% and expressed in US\$ would be more advantageous for the company than the loans it would receive from BNH at 8% and expressed in UPCI^{1/}. The company pays also an interest of 1% to the BNH's financial agent in the State and a 2% fee on all BNH's disbursements for BNH's administrative expenses and technical assistance.

The mission stressed to SABESP's management how vigorous BNH's reaction could be if such a Bank financing was granted directly to SABESP or indirectly through BNH, but under the same Bank conditions. The company is aware of this problem, but is not interested in a Bank loan on the Minas Gerais model which would not provide SABESP with any financial advantage. It was agreed that the mission would report SABESP's interest to the Bank and that SABESP would officially approach BNH.

^{1/} See Minas Gerais project for the UPC definition. In 1973 the Cr\$ devalued by 12% vis-a-vis the US\$ while the UPC was revalued by 20%.

cc: Messrs: Geli (LCPDR), Skillings (LC2DA), Ms. Johnson-Sirleaf (LC2DA), van der Tak (VPSVP), Rovani (PBPDR)(3), Bowron (PAB), Cancio (LEG) Helne (CTR), Ms. Steiner (LCPWS), Lac Files, Division Files

RCosta/FRodriguez:nq

Brazil - loan 757 - Adm -
✓ Brazil - loan 758 - Adm -

Mr. Robert F. Skillings, Division Chief, LAC II

July 29, 1974

Ellen Johnson-Sirleaf, Loan Officer, LAC II

BRAZIL - Sao Paulo Water Supply and Pollution Control Projects
Loan Nos. 757-BR and 758-BR

1. Under the provisions of Loan Agreement 757-BR, the Bank may finance 100% of foreign expenditures and up to 37% of expenditures for local procurement and civil works in respect of the Sao Paulo Water Supply Project. During appraisal the project cost was estimated at approximately \$50 million, of which \$22 million represented the foreign exchange costs. The greater proportion (about 75%) of the total project costs represents the costs of pipes and valves. Although there were Brazilian firms with adequate capacity to provide all the goods and services required for the project, it was expected that foreign manufacturers would be granted at least one-half of the supply contracts. The project's execution is proceeding normally. However, local suppliers have been used almost exclusively through financing provided by the State of Sao Paulo and the SNE. As of July 23, 1974, a total of \$4.2 million of the Bank loan of \$22 million had been disbursed. Of this amount, \$4.1 million represents 37% of expenditures for local procurement and civil works. Except for disbursements in respect of consultancy services, no disbursements for foreign expenditures have been made. Our last appraisal mission (June 1974) expect local suppliers to continue to win all of the bids, which will result in an estimated \$6 million of the total loan amount unwithdrawn upon completion of the project.

2. In the case of the pollution control project, Loan No. 758-BR, the Bank finances 100% of foreign expenditures and up to 18% of expenditures in respect of local procurement and civil works. During appraisal the total project costs were estimated at \$81.5 million, of which \$15 million, representing the foreign exchange costs, was to be made available through a Bank loan. Subsequent to appraisal and the signing of the Loan Agreement, the design of the project was changed and the total project costs were reduced to \$78 million. Due to the reduced scope of the project the Borrower (SANESP) later requested, and the Bank agreed, to cancel \$3 million of the Bank loan of \$15 million. Similar to the execution of the water supply project, local suppliers have won all the bids for the supply of goods and services for the project. As of July 23, 1974, a total of \$1.2 million of the adjusted Bank loan of \$12 million had been disbursed. Of this amount, \$750,000 represents 14% of expenditures in respect of local procurement and civil works. Except for disbursements for consultancy services, there have been no disbursements for foreign expenditures. The low level of Bank participation in the project has been a source of complaint by the Borrower. In fact, the Borrower is reportedly considering the cancellation of the balance remaining under the loan because they claim that the low level of Bank financing (18%) does not justify the cumbersomeness involved in adhering to the Bank's Procurement Guidelines.

July 29, 1974

3. The Bank has supported and encouraged, through its financing programs, the development and expansion of domestic capacities in the developing countries. Brazil is one of those countries that have responded satisfactorily to such assistance. Both the Sao Paulo Water Supply Project and the Sao Paulo Pollution Control Project were suitable for execution through the exclusive use of local suppliers and contractors. However, the Brazilian authorities and the Bank recognized the institutional development benefits that would accrue to the Brazilian agencies that would be involved in the project's execution. The Bank therefore agreed to finance the full foreign exchange costs under the project as well as that percentage of local costs representing the foreign exchange components.

4. As you know, SABESP, the agency that has assumed the responsibilities for SANESP and SABC, Borrowers for the subject loans, will execute a Loan Assumption Agreement with the Bank. This Assumption Agreement will, in effect, merge the two referenced projects into one project. During renegotiations of the existing Loan Agreements, I suggest that the Bank propose to finance 25% of the costs of local procurement and civil works. This percentage would represent an average of the two percentages (18% and 37%) provided under the existing loans. Both the Projects Department and I agree that it is a reasonable and justified level of Bank participation and would secure our continued participation in the project. In my opinion, the continuation of our participation is necessary to improve our relationship with BNH and would contribute substantially to the overall development of Brazilian capacity. Improved relationship with BNH is also needed to facilitate progress on the development of other possible projects (i.e., sites and services) that are designed to improve the welfare of the lower income groups in Brazil. I recommend that we seek to obtain the Board's approval of this increase on a "no objection" basis. However, we need not go to the Board until after September when the existing loans have been renegotiated, taking into account all possible revisions.

5. The last supervision mission reports that they discussed with the officers of SABESP the possibility of the Bank financing the second stage of the Sao Paulo Pollution Control Project, that is estimated to cost \$60 million. It is desirable that the Bank consider this possibility favorably. However, you may want to raise in a general context during your forthcoming discussions with BNH authorities the means whereby effective Bank participation in projects under their jurisdiction can be achieved. In any event, I propose that, until the matter has been discussed between BNH and SABESP and we have had time to review progress on whatever decision we make regarding the improvement of execution of the two referenced projects, no further action be taken regarding our participation in the second stage of the Sao Paulo Pollution Control Project.

Cleared with and cc: Mr. Rodriguez, Procurement Officer, LCPWS

EJohnson-Sirleaf:glw

LOAN 758-BR

July 23, 1974

General Luis P. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Básico do
Estado de Sao Paulo - SABESP
Rua Costa Carvalho, 300
Pinheiros, Sao Paulo, Brazil

RE: Sao Paulo Pollution Control Project
Procurement

Dear General Carneiro da Cunha:

Thank you for your letter of July 12, 1974 asking for our approval of your proposal to issue invitations to bid for the civil works construction of the Lower Tamanduatei Interceptor, to the firms which were qualified for the ABC and Mogi-Suzano works now under construction.

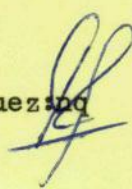
Considering the limited time you have for starting the construction of this interceptor, and since the bidding is limited to national firms, we have no objection to your proposal. However, we suggest that you advertise the contract in local newspapers and permit other firms to bid for the contract. Qualification of these firms could be made at the time bids are received for the contract, and thus would not delay the initiation of the works.

Sincerely yours,

John M. Kalbermatten
Chief, Water Supply and Sewerage Division
Latin America and the Caribbean Regional Office

cc: Mrs. Johnson-Sirleaf
Mr. Kalbermatten

BR-4-29

FRodriguez:mg


LOAN 758-BR

July 23, 1974

General Luiz P. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Básico do
Estado de Sao Paulo - SABESP
Rua Costa Carvalho, 300
Pinheiros, Sao Paulo, Brazil

RE: Sao Paulo Pollution Control Project
Bid No. CSACP-02/74

Dear General Carneiro da Cunha:

We have received your letter of June 17, 1974 together with a copy of your evaluation report on the bids submitted for the civil works construction of the low lift pump station and related works of the ABC Sewage Treatment Plant.

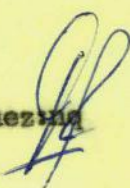
Following our review of the report, we wish to inform you that the Bank has no objection to your award of the contract to ECEL S. A. - Escritorio de Construção e Engenharia, as the lowest evaluated bidder. This contract will be financed under Category II of Schedule 1 of Loan 758-BR.

Sincerely yours,

John M. Kalbermatten
Chief, Water Supply and Sewerage Division

cc: Mrs. Johnson-Sirleaf
Messrs. Helne
Kalbermatten

BR 4-31

FRodriguez 

Brazil - Loan 757 - admin
✓ Brazil - Loan 758 - admin

July 23, 1974

General Luiz P. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Basico do
Estado de Sao Paulo - SABESP
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, SP, Brazil

Re: Sao Paulo Water Supply and Pollution Control
Projects, Loan Nos. 758-BR and 759-BR

Dear Sir:

We wish to thank you and your staff for the kind cooperation and courtesies extended to Messrs. Rodriguez and Costa during their recent visit to Sao Paulo. They are now reviewing their findings and preparing a report on the work progress of the referenced projects. We expect in the near future to convey to you their recommendations.

Our mission discussed in particular with you the transfer of the existing loans to SABESP, and asked your staff to finalize SABESP's investment program and financial forecasts. We want to confirm our mission's request for these data and would appreciate receiving them as soon as possible. As explained to you, this information is needed for drafting the loan assumption agreement that we hope to discuss with you in Sao Paulo next September.

In view of the postponement of renegotiation of the Loan Agreements, we are prepared to continue to process disbursement requests from SABESP, in the absence of a Loan Assumption Agreement, until November 30, 1974. By this time, we hope to be able to have concluded the Loan Assumption Agreement with SABESP and supplemental agreements with the Federal Government and the State of Sao Paulo.

Sincerely yours,

Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

Cleared w/and cc: Mr. Cancio, Senior Counsel
cc: Messrs. Kalbermatten, Division Chief, LCPWS
Rodriguez, Procurement Officer, LCPWS
Helne, Controller's

FRodriguez/EJohnson-Sirleaf:glw

OFFICE MEMORANDUM

BRZ Ln 757
✓ BRZ Ln 758

TO: Mr. Gunter K. Wiese, Director, LAC II

(through Mr. Skillings, Division Chief, LAC II)

DATE: July 23, 1974

FROM: Ellen Johnson-Sirleaf, Loan Officer, LAC II

SUBJECT: BRAZIL - Sao Paulo Water Supply and Pollution Control Projects
Loan Nos. 757-BR and 758-BR

1. You may recall that SANESP and SAEC, borrowers for the two subject Loans, no longer exist and their responsibilities were assumed by a new company, Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP), in June 1973. We advised the Government of the State of Sao Paulo and the Federal Government that it would be necessary to enter into supplemental agreements with SABESP, Sao Paulo State and the Federative Republic of Brazil in order to assure the succession of SABESP to the rights and obligations of SAEC and SANESP under the existing Loan Agreements. In the meanwhile, we agreed to continue disbursements, without renegotiation of the Loans, until April 30, 1974 in order that implementation of the Project might not be delayed.

2. Unfortunately, SABESP has been much slower in getting started than we expected, necessitating an extension of the disbursement period, under the present circumstances, to August 31, 1974. Our recent supervision mission (July 1974) has determined that SABESP will need more time to prepare the required investment program and financial forecasts. A mission is now scheduled to visit Sao Paulo next September to renegotiate the Loan Agreements. We therefore propose a further extension of the disbursement period to November 30, 1974. If you agree, please sign the attached letter to SABESP.

Attachment

July 23, 1974

General Luiz P. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Basico do
Estado de Sao Paulo - SABESP
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, SP, Brazil

Re: Sao Paulo Water Supply and Pollution Control
Projects, Loan Nos. 758-BR and 759-BR

Dear Sir:

We wish to thank you and your staff for the kind cooperation and courtesies extended to Messrs. Rodriguez and Costa during their recent visit to Sao Paulo. They are now reviewing their findings and preparing a report on the work progress of the referenced projects. We expect in the near future to convey to you their recommendations.

Our mission discussed in particular with you the transfer of the existing loans to SABESP, and asked your staff to finalize SABESP's investment program and financial forecasts. We want to confirm our mission's request for these data and would appreciate receiving them as soon as possible. As explained to you, this information is needed for drafting the loan assumption agreement that we hope to discuss with you in Sao Paulo next September.

In view of the postponement of renegotiation of the Loan Agreements, we are prepared to continue to process disbursement requests from SABESP, in the absence of a Loan Assumption Agreement, until November 30, 1974. By this time, we hope to be able to have concluded the Loan Assumption Agreement with SABESP and supplemental agreements with the Federal Government and the State of Sao Paulo.

Sincerely yours,

Gunter K. Wiede, Director
Country Programs Department
Latin America and Caribbean
Regional Office

Cleared w/and cc: Mr. Cancio, Senior Counsel

cc: Messrs. Kallermatten, Division Chief, LCPWS
Rodriguez, Procurement Officer, LCPWS
Helne, Controller's

FRodriguez/EJohnson-Sirleaf:glw

OFFICE MEMORANDUM

TO: Mr. John M. Kalbermatten (Chief, LCPWS) DATE: July 18, 1974

FROM: Fritz Rodríguez (EGR, LCPWS) and René Costa (FNA, LCPWS)

SUBJECT: BRAZIL - Loans 757 and 758-BR
 Sao Paulo Water Supply and Pollution Control Project
 - Loan 1009-BR
 Minas Gerais Water Supply and Sewerage Project
 Supervision Mission - Back-to-Office Report

Introduction

1. In accordance with Terms of Reference dated June 19, 1974, we visited Belo Horizonte between July 1 and 5 to supervise the Water Supply and Sewerage Project of the "Companhia Mineira de Aguas e Esgotos" (COMAG). We then spent a week in Sao Paulo, from July 8 to 12, reviewing progress in the project execution and in organizing the new Sao Paulo State Water Company (SABESP). Mr. José A. Carvalho joined the mission in Sao Paulo and provided us with legal advice. Mr. Costa stayed two more days in Rio de Janeiro, July 15 and 16, and discussed with officials of the "Banco Nacional da Habitação" (BNH) the findings of our mission to Brazil.

2. The main objective of the mission in Sao Paulo was to pre-negotiate the transfer of the Bank loans 757 and 758-BR to the "Companhia de Saneamento Básico do Estado de Sao Paulo" (SABESP). With the disestablishment of SAEC and SANESP in June 1973, the respective borrowers for Loans 757 and 758-BR, and their consolidation with other Sao Paulo State utilities into SABESP, it is necessary that the Bank enter into supplemental agreements with SABESP, the Federal Government and the State of Sao Paulo. With this in view, we discussed with SABESP's officials the Articles and Sections of the existing loan agreements which would have to be modified or deleted.

3. In Belo Horizonte we reviewed with COMAG the status quo of the conditions of effectiveness of Loan 1009-BR. We paid particular attention to the conditions (d) and (e) (Article X of the Loan Agreement) requiring that COMAG employ management and engineering consultants, on terms and conditions satisfactory to the Bank, and that qualified personnel be hired in the "Orgao Tecnico" for carrying out the PLANASA program in Minas Gerais State.

Loans 757 and 758-BRSao Paulo Water Supply and Pollution Control Project

4. The "shaping-up" of SABESP has been much slower than expected at the time of its creation in June 1973. The original organizational structure was recently modified to include seven departments - administrative, financial, planning, commercial, legal, operational and construction. The new structure is not an improvement on the former and

July 18, 1974

appears to be a compromise between the directors fighting for control of the company. However, SABESP intends to contract in the near future with management consultants for organizing the company. During renegotiations, the present organization should be reviewed with SABESP and the loan assumption agreement should provide for the employment by SABESP of management consultants acceptable to the Bank.

5. The existing financial covenants, in particular the rate of return on the SAEC project, would have to be modified. SABESP is preparing an investment program for the next five years and related financial projections, which are needed for setting forth new financial covenants. It was agreed that SABESP will send to the Bank its investment plan and the financial data by the end of this month at the latest.

6. An issue in renegotiating the loans could be the percentage of total expenditures we would finance on local goods and civil works. In addition to 100% financing of foreign expenditures, we presently finance 37% of local and civil works expenditures of SAEC and 14% of SANESP. Under the provisions of the loan agreements, we would finance only 37% and 18% of the total cost of the SAEC and SANESP projects, respectively. To date there have been no foreign expenditures for the projects and none are expected in the future. Based on the present percentage of disbursement, we estimate that about US\$6 million would remain unwithdrawn after completion of the SAEC project.

7. The low percentage of disbursement (14%) for SANESP has strained in the past our relations with the company which has claimed that we have been putting a lot of burdens on the company, such as procurement by international competitive bidding, in return for so low a percentage of disbursement. Since SABESP is taking over both loans, and because of the expected undisbursed amount in the SAEC loan, it is recommended that the percentage of expenditures on SANESP's works be increased, and the same percentage of local and civil works expenditures be established for both projects.

8. The possibility of the Bank financing the second stage of the Sao Paulo Pollution Control Project was also discussed. Now that Sao Paulo State has signed the PLANASA agreement, the question has arisen whether SABESP could negotiate directly with the Bank or through BNH. It was agreed that SABESP will first discuss this with BNH before making its formal request for Bank financing. The total cost of the project is estimated at US\$60 million.

Loan 1009-BR

Minas Gerais Water Supply and Sewerage Project

9. The condition (d) of effectiveness referring to COMAG has been fulfilled. COMAG has signed a contract with a U.S. firm, Booz, Allen and Hamilton International Inc. for management assistance, and is about to contract with a Brazilian firm, PLANIDRO for technical services. We reviewed the terms of reference of these firms and found them satisfactory. Both firms can be accepted by the Bank.

July 18, 1974

10. We visited the "Orgao Técnico" in Belo Horizonte, represented by the regional office of the "Departamento Nacional de Obras Sanitarias" (DNOS) in Minas Gerais State. The DNOS office is relatively well-organized, but is suffering from budgetary constraints. DNOS is negotiating a new contract with BNH for increasing its fees to 2% of BNH's disbursements and limiting its function to approval of the subprojects and supervision of the works. Once this contract is signed, the condition (e) of effectiveness could be considered as fulfilled.

11. COMAG's financial situation as of May 31, 1974 was good. The financial department is well-organized, but the technical division is still weak. We reviewed four subprojects to be financed with the loan proceeds and found their preparation very deficient. However, we think that the consultants (PLANIDRO) will soon correct this situation.

Recommendations

12. Upon receipt of the financial data from SABESP, a draft loan assumption agreement should be prepared. A Bank mission to Sao Paulo should be scheduled for September 1974 to discuss the agreement with SABESP.

13. A letter should be sent to SABESP confirming our request for preparation of an investment program and financial forecasts. The Bank should also authorize SABESP to continue withdrawing the loan proceeds until November 30, 1974 without prior approval of the supplemental agreements (see attachment).

14. Upon Mr. Costa's return to Washington, a Full Report will be issued. As part of this report, a draft letter to COMAG will be included commenting on the selection and preparation of subprojects by COMAG.

Attachment

FRodríguez:nq

cc: Messrs: Geli (LCPDR), Skillings (LC2DA), van der Tak (VPSVP),
Rovani (PBPDR)(3), Bowron (PAB), Helne (CTR), Cancio (LEG),
Ms. Johnson-Sirleaf (LC2DA), Ms. Steiner (LCPWS), Costa (LCPWS),
Rodríguez (LCPWS), LAC Files, Division Files

DRAFT LETTER

Loans 757 and 758-BR

General Luiz P. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Básico do
Estado de Sao Paulo - SABESP
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, Brazil

Re: Sao Paulo Water Supply and Pollution
Control Project

Dear General Carneiro da Cunha:

We wish to thank you and your staff for the kind cooperation and courtesies extended to Messrs. Rodriguez and Costa during their recent visit to Sao Paulo. They are now reviewing their findings and preparing a report on the work progress, and we expect in the near future to convey to you their recommendations.

Our mission discussed in particular with you the transfer of the existing loans to SABESP, and asked your staff to finalize SABESP's investment program and financial forecasts. We want to confirm our mission's request for these data and would appreciate receiving them as soon as possible. As our mission explained to you, this information is needed for drafting the loan assumption agreement that we intend to discuss with you in Sao Paulo next September.

In view of the postponement of the renegotiations, we are prepared to continue disbursements to SABESP until November 30, 1974 without prior approval of the loan assumption agreement. However, we attach the greatest importance to promptly renegotiating the existing agreements with SABESP, and hope to be able to conclude supplemental agreements with SABESP, the Federal Government and the State of Sao Paulo before November 30, 1974.

Sincerely yours,

Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

Brazil - loan 758-adr

LOAN 758-BR

July 17, 1974

General Luiz P. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Básico do
Estado de Sao Paulo - SABESP
Rua Costa Carvalho, 300
Pinheiros, Sao Paulo, Brazil

RE: Sao Paulo Pollution Control Project
Bids No. CSATP 04/74 and 05/74

Dear General Carneiro da Cunha:

We have received your letter of June 17, 1974 together with the enclosures referring to the contract documents for the civil works construction of Ribeirao Una and River Taiaçupeba Sewage Pumping Stations of the Mogi-Suzano System.

After having reviewed the documents you submitted, we wish to inform you that the Bank has no objection to your award of the contracts to Etesco S/A Comercio e Construccoes and Sociedade Construtora Heleno & Fonseca S. A. Expenditures on these contracts will be financed under Category II of Schedule 1 of Loan 758-BR.

Sincerely yours,

John M. Kalbermatten
Chief, Water Supply & Sewerage Division
Latin America & Caribbean Regional Office

cc: Mrs. Johnson-Sirleaf (IC2DA)
Messrs. Helne (with att.)
Kalbermatten

FRodríguez

BR-4-30

companhia de saneamento básico do estado de são paulo - sabesp

São Paulo, 12 de julho de 1.974

PRE/630/0915/74-SABESP-C

Mr. John Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office
International Bank for Reconstruction and Development
1818 H. Street, N.W. - Washington, D.C. 20433
U.S.A.

Date Received

Date Acknowledged

Assigned to

July 15/74
And. Jul 22/74

JMK/PR

BR-4-29

Ref.: Programa de Controle de Poluição de
São Paulo - Contrato de Empréstimo -
758-BR de 21 de junho de 1971.

Prezado Senhor

Esta empresa pretende cumprir o mais rapidamente possível o programa da 1a. Etapa de Obras de Controle de Poluição de São Paulo, objeto do Contrato de Empréstimo 758-BR firmado com esse Banco.

Para tanto, a SABESP tenciona contratar imediatamente as obras do interceptor da margem esquerda do baixo Tamanduateí, que se desenvolve desde a estação de tratamento do ABC até a confluência Tamanduateí-Tietê, numa extensão de 9.500 m aproximados.

Essa obra possui características de grande complexidade e dificuldades executivas, pois atravessa região densamente urbanizada e central da cidade de São Paulo, o que exige precauções especiais na seleção das firmas executantes.

Conforme entendimentos havidos anteriormente, esse Banco aprovou a realização de licitação nacional para a construção do interceptor do baixo Tamanduateí, fato informado pela carta de 30 de março de 1973, do Diretor Gunter K. Wiese, Country Programs Department, Latin America and Caribbean Regional Office.

Considerando-se esses fatos, propomos que sejam automaticamente qualificadas para participarem de tomadas de preço destinadas à execução do referido interceptor, as firmas que vêm executando, a inteiro contento, outros contratos do programa financiado por esse Banco.

companhia de saneamento básico do estado de são paulo - sabesp

Com essa medida que propomos à consideração de Vossa Senhoria, tornar-se-á possível acelerar o programa, objetivo que vem sendo preocupação - constante desta Companhia.

Informamos, ainda, que o assunto em causa já foi objeto de exposição ao Engº Fritz Rodríguez na missão de julho de 1974, com vistas a um perfeito esclarecimento da indicação e oportunidade de nossa proposição.

Atenciosamente


Luiz Phelippe G. Carneiro da Cunha
Presidente

Brazil - Lon 757 - Adm
✓ Brazil - Lon 758 - Adm

copied for
21/6 for not
been executed

Loans 757, 758-BR

June 27, 1974

Mr. Athayde Rosa
Director - SABESP
Cx. Postal 3810
Sao Paulo, Brazil

Dear Mr. Rosa:

I acknowledge, with thanks, receipt of the documents you
sent to Mr. Rene Costa on June 5, 1974.

Should we have any comment on the information received,
we will let you know in the near future.

Very truly yours,

(signed) Alfonso Zavala

(for) John M. Kalbermatten
Chief, Water Supply and Sewerage Division
Latin America and the Caribbean Regional Office

cc: Mr. Kanchuger (LC2DA)

CONTROL NO. BR-4-25

AZavala:clh

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: FELIPE GALVAO
CIA SABESP
SAO PAULO

DATE: JUNE 21, 1974

CLASS OF
SERVICE: FR

COUNTRY: BRAZIL

TEXT:
Cable No.:

MISSION COSTA RODRIGUEZ WILL ARRIVE SAO PAULO JULY SEVEN TO PREPARE
RENEGOTIATIONS LOAN 757-758-BR STOP PLEASE PREPARE DOCUMENTATION
REQUESTED IN MY CABLE OF MAY 31 1972 STOP REGARDS

COSTA
~~KALBERMATTEN~~
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY: John M. Kalbermatten, Chief
NAME: Watter Supply & Sewerage Div.
Lat. Am. & Caribbean Reg. Office

DEPT.

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE

CLEARANCES AND COPY DISTRIBUTION:

RCosta:ld

For Use By Communications Section

ORIGINAL (File Copy)

Brazil - Loan 757 Alu
Brazil - Loan 758 Alu
Brazil - Loan 1009 Alu

Mr. Leopoldo Cancio, Senior Counsel
Legal Department
Edilberto L. Segura, Loan Officer, LAC II

June 19, 1974

BRAZIL - Loans 757-ER, 758-ER and 1009-ER

In accordance with our conversation yesterday, we would like a lawyer from your Department to accompany, for a few days, the Water Supply and Sewerage Mission headed by Mr. Costa which will visit Brazil from July 1 for about two weeks. You mentioned to us the possibility that Mr. Carvalho, who will be in Brazil at that time, might be able to join the mission. The purpose of the lawyer's visit would be to review with the mission the required changes in the Loan Agreements for Loans 757-ER and 758-ER, resulting from the merger of the Superintendencia de Aguas e Esgotos da Capital with Cia. Met. de Saneamento de Sao Paulo. He would also review the progress made by the Brazilians regarding the Conditions of Effectiveness for Loan 1009-ER to the Banco Nacional de Habitacao, especially paragraphs (a), (b) and (c) of Section 10.01 and Section 10.02 of the Loan Agreement. Attached is a copy of Messrs. Costa's and Rodriguez' Terms of Reference.

Attachment

Cleared with and cc: Messrs. Kalbermatten, Division Chief, LCPWS
Costa, Financial Analyst, LCPWS

ELSegura:nev

OFFICE MEMORANDUM

TO: Messrs. R. Costa (FNA, LCPWS) and
F. Rodriguez (FGR, LCPWS)
FROM: John M. Kalbermatten (Chief, LCPWS)

Brazil - Terms of Reference
Brazil - Loan 1009 Alin
Brazil - Loan 757 Alin
DATE: June 19, 1974
Brazil - Loan 758 Alin

SUBJECT: BRAZIL - Loan 1009-BR ✓
Minas Gerais Water Supply and Sewerage Project
- Loans 757 and 758-BR
Sao Paulo Water Supply and Pollution Control Project
Supervision
Terms of Reference

1. You should plan to arrive in Belo Horizonte on July 1, 1974 to review with officials of Companhia Mineira de Aguas e Esgotos (COMAG) the feasibility studies-already completed for some of the subprojects to be partly financed with the proceeds of the Bank loan, and progress made in the selection of management and technical consultants. You should proceed on July 7 to Sao Paulo to study the changes required in the SABEC and SANESP Loan Agreements for Loans 757-BR and 758-BR for the transfer of the existing loans to the new Sao Paulo State Water Company (SABESP). You should then proceed to Rio to discuss with Banco Nacional de Habitacao (BNH) the measures to be taken to improve the Orgao Tecnico's (O.T.) performance in Minas Gerais.

Minas Gerais Water Supply and Sewerage Project

2. In Belo Horizonte, you should in particular:

- (a) discuss with COMAG's management the hiring of management and technical consultants (Condition of Effectiveness);
- (b) review with COMAG the status of preparation of subprojects;
- (c) review COMAG's financial results as of May 31, 1974;
- (d) evaluate progress made by COMAG in entering into Concessionary Agreements with the municipalities of the State, in particular those with subprojects to be financed by the Bank;
- (e) review COMAG's contractual arrangements with commercial auditors;
- (f) check progress made by COMAG in the preparation of the motivation campaign referred to in Section 4.07 of the Loan Agreement;
- (g) review COMAG's training program; and,
- (h) pay a short visit to the O.T. in Minas Gerais.

Messrs. R. Costa and
F. Rodriguez

- 2 -

June 19, 1974

3. In Rio, Mr. R. Costa together with Mr. F. Rodriguez should in particular review the measures taken by ENH to improve the ENH O.T.'s performance in Minas Gerais (Condition of Effectiveness). You should also study the progress made by PAHO in the execution of their management assistance to ENH, and discuss with our Borrower the preparation of Bank progress reports.

Sao Paulo Water Supply and Pollution Control Projects

4. In Sao Paulo, you should in particular:

- (a) obtain the financial, technical and legal information needed for the preparation of supplemental agreements with SABESP, especially regarding the required modification of the rate of return covenants to conform with the new organization;
- (b) review progress in the project evaluation;
- (c) evaluate SABESP's organization; and
- (d) discuss with ENH's representatives in Sao Paulo and SABESP's management an ad hoc system of information for the project.

5. You should stay about two weeks in Brazil. On your return, you should prepare the usual Back-to-Office and/or Full Report. In your report you should particularly recommend subsequent steps for renegotiations of the Sao Paulo loans.

Cleared with and cc: Mr. Segura (LC2DA)

cc: Messrs. Perez (LCWVP), Skillings (2) (LC2DA), Geli (LCPDR), Kalbermatten (LCPWS), Costa (LCPWS), Rodriguez (LCPWS), van der Tak (3) (VPSVP), Rovani (PEPDR) (5), Street (PAB), Cancio (LEG), Helne (CTR), J.D. Elliott (CTR), Armstrong (VPSVP), Ms. Steiner (LCPWS), LAC Files (4), Division Files

RCosta:saf
IBRD

Brazil - 758 - ach

companhia de saneamento básico do estado de são paulo - sabesp

June 17, 1974.

PRE/617/0866/74-SABESP-C

Date Received July 15/74

Date Acknowledged and Jul 22/74

Assigned to JMK/FR

Mr. John M. Kalbermatten
Chief, Water Supply Section

Public Utilities Projects Division

Latin America and the Caribbean Regional Office

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

U. S. A.

Re.: International Competitive Bidding
CSACP-02/74 - SABESP.
Contract N° 758 - BR.

Dear Sir:

not attached
We herewith forward for your appraisal documentation concerned to the judgement of the International Competitive Bidding CSACP-02/74-SABESP.

In accordance with the Report of Judgement the successful bidder for the construction of the preliminary works of the ABC Sewage Treatment Plant is the firm ECEL S. A. - Escritório de Construções e Engenharia.

We request your approval for the Report in order that we may sign the contract with same.

We inform that the judgement of the bidding was in accordance with the invitation to bid and "Guidelines" of IBRD.

Regarding the above we are therefore requesting your kind consideration of the possibility of financing this contract with the proceeds of the Loan Account N° 758 - BR.

Yours very sincerely

Luiz Felipe Galvão Carneiro da Cunha
Luiz Phelippe Galvão Carneiro da Cunha
Presidente

enc. -qualification report
 -award report
 -proposals

companhia de saneamento básico do estado de são paulo - sabesp

PRE/615/0864/74-SABESP-C

Mr. John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U. S. A.

June 17, 1974. *July 15/74*
Date Received

Date Act

Assigned

JMK/PR

BR-4-30

Re.: Mogi-Suzano System Pumping Station.
Contract Nº 758 - BR.

Dear Sir:

We enclose herewith bid documents concerning to the Pumping Station of the River Taiaçupeba, Mogi-Suzano System.

The bid was elaborated in accordance with the "Guidelines" of the International Bank for Reconstruction and Development and the contract for the construction of the Pumping Station was signed with the firm Sociedade Construtora HELENO & FONSECA S. A.

Regarding the above we request your kind consideration of financing this contract with the proceeds of the Loan Nº 758 - BR.

Yours very sincerely

Luiz Felipe Galvão Carneiro da Cunha
Luiz Felipe Galvão Carneiro da Cunha
Presidente

- enc. - copy of the invitation to bid
- designs
- proposals
- report of the Commission
- contract

Brazil - Loan 758 - ad

companhia de saneamento básico do estado de são paulo - sabesp

June 17, 1974.

PRE/616/0865/74-SABESP-C

Date Received July 15/74

Mr. John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U. S. A.

Date Acknowledged _____

Assigned to JMK/PR

BR-4 - 32

Re.: Mogi-Suzano System Pumping Station.
Contract Nº 758 - BR.

Dear Sir:

most attached
We enclose herewith bid documents concerning to the construction of the Pumping Station do Ribeirão Una of the Mogi-Suzano System.

The bid was elaborated in accordance with the "Guidelines" of IBRD, and the contract for the construction of the Pumping Station was signed with the firm ETESCO S.A. - Comércio e Construções.

Regarding the above we request your kind consideration of financing this contract with the proceeds of the Loan Nº 758 - BR.

Yours very sincerely

Luiz Phelippe Galvão Carneiro da Cunha
Luiz Phelippe Galvão Carneiro da Cunha
Presidente

enc. - copy of the invitation to bid
 - designs
 - proposals
 - report of the Commission
 - contract

Brazil - Loan 758 plus

AIR MAIL

June 17, 1974

Companhia de Saneamento Basico do Estado
de Sao Paulo - SABESP
Avenida Paulista, 1776, 21º andar
01310 Sao Paulo, Brazil

Attn: Mr. Athayde Rosa, Manager

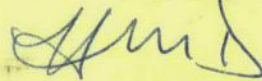
Re: Loan No. 758 BR

Gentlemen:

We refer to your letter numbered F.1893-G.3588 dated May 20, 1974.
The amount of Deutsche mark 11,489.00 credited to your Loan Account was,
indeed, a duplicate payment of interest to us by the Commerzbank AG,
Frankfurt. We have refunded this amount to them and subsequently debited
your Loan Account on April 4, 1974.

We trust this matter is now clarified.

Sincerely yours,



Hywel M. Davies
Chief, Accounting Division
Controller's Department

cc: Messrs. Davies/Gray, Kenney & Davis
File: Loan Statement Folder 758 BR
EBalagot/ea



Brasil - loan 757
✓ Brasil - loan 758

companhia de saneamento básico do estado de são paulo - sabesp

São Paulo, 05 de junho de 1.974.

F.2036 - G.3909

Ilmo. Sr.

Dr. René Costa

Projects LAC - Water Division

1818 - "H" Street N.W.

Washington - D.C. 20 433

U S A

Ref.: - Contratos n.ºs. 757 e 758-BA.

Prezado Senhor,

Prosseguindo a entrega de documentos solicitados por V.Sa., por ocasião de reunião realizada em nossos escritórios no último dia 19 de fevereiro, estamos lhe enviando, em anexo, as seguintes informações:

- a) Cópia do Convênio, com o objetivo de fixar condições para a realização do Programa de Abastecimento de Água do Estado de São Paulo;
- b) Cópia do Convênio, com o objetivo de fixar condições para a realização do Programa Integrado de Controle de Poluição das Águas através da execução de sistemas de esgotos sanitários e de seu adequado destino final em cidades do Estado de São Paulo;
- c) Cópia do Balanço Geral em 31.12.73;
- d) Relação de contratos de Consultoria e Projetistas;
- e) Posição dos empréstimos da SABESP, incluindo os contratos da Companhia de Saneamento da Baixada Santista.

No que diz respeito aos dados adicionais, os mesmos ser-lhe-ão enviados tão logo estejam disponíveis.

Sendo o que se nos apresenta, aproveitamos a oportunidade para reiterar nossos protestos de estima e consideração.

Atenciosamente,

Athayde Rosa

Diretor

Original to:	Mr. Kalbermatter
Date:	JUN 4 1974
	Communications Section

PAGE ONE

OUTGOING WIRE

TO: ATHAYDE ROSA

DATE: MAY 31 1974

CIASABESP

CLASS OF
SERVICE: LT

SAO PAULO

COUNTRY: BRAZIL

TEXT:
Cable No.:

WE ARE MAILING YOU KALHEERMATTEN LETTER STOP LETTER REFERS TO DATA REQUESTED BY OUR FEBRUARY MISSION AND DISCUSSED WITH SABESP MANAGEMENT AND SECRETARY OF PUBLIC WORKS STOP DATA REQUESTED IS PREREQUISITE FOR LOAN RENEGOTIATION AND IS AS FOLLOWS PRIMERO SABESP PROGRAM OF WORK FOR NINETEEN SEVENTYFOUR TO NINETEEN EIGHTY PERIOD WHICH WILL CONSOLIDATE FORMER SAEC COMMA COMASP COMMA SANESP COMMA SANEVALLE COMMA SBS AND FESB PROGRAMS SEGUNDO DESCRIPTION OF MODIFICATIONS THAT HAVE BEEN MADE IN PREVIOUS PROGRAMS IN ACCORDANCE WITH PLANASA-SP AGREEMENT OBJECTIVES TERCEIRO FINANCIAL PROJECTIONS OF SABESP INCLUDING INCOME AND CASH FLOW STATEMENTS QUARTO DESCRIPTION SABESP ORGANIZATION COMMA INCLUDING PROPOSED ACCOUNTING SYSTEM COMMA COST CONTROL COMMA BUDGETARY CONTROL COMMA DATA PROCESSING AND INTERNAL AUDIT SYSTEMS STOP SABESP ANALYSIS OF REQUIREMENTS FOR CONSULTANTS STOP PROPOSE BANK MISSION COSTA/RODRIGUEZ VISIT SAO PAULO BEGINNING OF JULY AND REVIEW FOREGOING INFORMATION AND PROJECT PROGRESS STOP

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Rene Costa, Acting Division Chief
Water Supply & Sewerage Division
DEPT. Latin America & Caribbean Regional Office

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: BR-4-21
RCosta:saf
IBRD ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Mr. Kanchuger

For Use By Communications Section

Checked for Dispatch: _____

PAGE TWO - CONTINUE

OUTGOING WIRE

TO: ATHAYDE ROSA

CIASABESP

SAO PAULO

COUNTRY: BRAZIL

DATE: MAY 31, 1974

CLASS OF LT
SERVICE:

TEXT:

Cable No.:

LOAN NEGOTIATION COULD TAKE PLACE IN WASHINGTON OR SAO PAULO
SUBSEQUENT FOREMENTIONED REVIEW

REGARDS

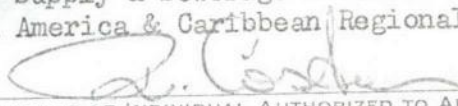
COSTA

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Rene Costa, Acting Division Chief
Water Supply & Sewerage Division
DEPT. Latin America & Caribbean Regional Office

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

BR-4-21

RCosta:saf

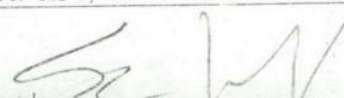
IBRD

ORIGINAL (File Copy)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Mr. Kanchuger

For Use By Communications Section



INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: ATHAYDE ROSA
CIASABESP
SAO PAULO, SP

DATE: MAY 30, 1974

CLASS OF
SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.:

REFERENCE LOANS 757 AND 758 STOP PAYMENTS RECEIVED REGARDS

KANCHUGER

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert Kanchuger

DEPT. Latin America and Caribbean

SIGNATURE *Robert Kanchuger*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RKanchuger:glw

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Kafka, Executive Director, IMF
Ms. Cardash, Controller's
Mr. Rodriguez, Procurement Officer,
LCPWS
Mr. Costa, Financial Analyst, LCPWS

For Use By Communications Section

ORIGINAL (File Copy)

ITT30 MAY 29 1974 VIA ITT WORLD COMMUNICATIONS *Brasil - Loran 757 Almas*

INCOMING CABLE

✓ Brasil - Loran 758 Almas

ZCZC AWA275 VIA ITT NUI289 TPX652 ALP955 151301 201000874

UIWA CO BRSP 037

SAOPAULO 37/35 29 1555

MAY 29 1974

Distribution: Mr. Kalbermatten
Mr. Skillings

Date Received *May 30/74*

INTBAFRAD MR KALBERMATTEN

Date Acknowledged *May 31, 1974*

WASHINGTONDCUSA

Assigned to _____

RRH - 21

DEVIDO FUSAO OCORRIDA SABESP VG NAO ENCONTRAMOS SOLICITACAO MR
KALBERMATTEN VG ATRAVES CARTA PRIMEIRO ABRIL PT SOLICITAMOS ENVIAR
COPIA PARA UNIDADE ECONOMICO-FINANCEIRA AVENIDA PAULISTA 1776
21 ANDAR PT SAUDACOES

SABESP. ATHAYDE ROSA

Broul - bon 757 Alente
✓ Broul - bon 755 Alente

INFORME

ITIZ 29 MAY

ABR201 VIA ITI NOI 124 7P4476 ALP901 751264 201000074

DIRA CO BRSP 034

SARPAULO 34/30 28 1800

Distribution: Mr. Skillings
Contr. Mr. Davies
Contr. Mr. Casson

May 28, 1974

INTBAFRAD KANCHUGER

WASHINGTONDC

REFERENCIA SEU TELEX 14 MAIO LISYAB DINANS 379060 E 517530 JURGS

DEVIDOS CONTRATOS 757-SR E 758-SR RESPECTIVAMENTE PAGOS 23 ABRIL PT
ESTAMOS VERIFICANDO PORQUE BIRD NAO RECEBEU

Mr. Kottmeister *Mr. Sheehan*

Brazil. Loan 752/152

companhia de saneamento básico do estado de são paulo - sabesp

São Paulo, 27 de maio de 1974.

F.1954 - G.3719

Ilmo. Sr.
Peter J. Prudence
Disbursements Division
International Bank for Reconstruction and Development
1818 H. Street, N.W.
Washington, D.C. 20433
U.S.A.

Prezado Senhor Prudence,

REF.: Assinaturas autorizadas

Em virtude do desligamento desta Companhia dos Diretores JOÃO MOREIRA GARÇEZ FILHO e BRAZ JULIANO e a consequente elisão, para seus cargos, através das Assembléias Gerais Extraordinárias de 28/02/74 e 30/04/74, dos Srs. JOSE CHIARA e OSCAR FELOMENO LOTITO, respectivamente, solicitamos substituírem as assinaturas autorizadas à assinarem os "Withdrawal Applications", dos dois primeiros pela dos dois últimos.

Siguem abaixo os nomes e assinaturas, devidamente autenticadas por Notário Público Oficial da Cidade de São Paulo.

JOSE CHIARA
Diretor
Oscar Felomeno Lotito
OSCAR FELOMENO LOTITO
Diretor

TARELIONATO VAMPRE

Aproveitamos para anexar a esta cópias das Atas das Assembléias Gerais Extraordinárias de 28/02/74 e 30/04/74.

Sendo o que tínhamos a informar, subscrevemo-nos com estima e consideração.

POR FIRMA
Assinatura do Sr.
Assinatura do Sr.
Assinatura do Sr.
Assinatura do Sr.
Assinatura do Sr.
Assinatura do Sr.
Assinatura do Sr.
Assinatura do Sr.
Assinatura do Sr.
Assinatura do Sr.

20.000.000 DE NOTAS
TARELIONATO VAMPRE
Assinatura do Sr. Felipe Galvão Carneiro da Cunha
Diretor-Presidente
Assinatura do Sr. Athaide Rosa
Diretor
Assinatura do Sr. Edmundo B. Zerra Costa
ALTIMO ROLIM ARANTES
Escritório Autorizado

ANEXOS:- 18 Cópias xerográficas.

At. Ltp.

Muniz São Paulo

companhia de saneamento básico do estado de são paulo - sabesp

São Paulo, 27 de maio de 1974. Ln.
F.1953 - G.3718

BRZ 757
✓ BRZ 758

Ilmo. Sr.
GUNTER K. WIESE
Director Country Programs Department
Latin America and Caribbean - Regional Office.
International Bank for Reconstruction and Development
1818 H. Street, N.W.
Washington, D.C. 20433
U.S.A.

Prezado Senhor,

REF.: Contratos nºs. 757 e 758-BR

Como já é do conhecimento de V.Sa. a Companhia de Saneamento Básico do Estado de São Paulo - SABESP, sucedeu nos direitos e obrigações à Superintendência de Água e Esgotos da Capital - SAEC e a Companhia Metropolitana de Saneamento de São Paulo - SANESP, as quais mantinham os contratos de financiamentos acima referenciados com esse Banco.

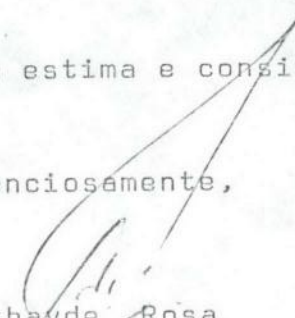
Em consequência desse fato, todos os setores que tratavam de assuntos contábeis, econômicos e financeiros das antigas Companhias foram agrupados em uma única Unidade, a Diretoria Econômico-Financeira da SABESP.

Portanto, toda correspondência desse Banco para com a SABESP, versando sobre assuntos financeiros e contábeis, deverão, a partir do recebimento desta, serem dirigidas à:

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO - SABESP
ATT. ATHAYDE ROSA
Avenida Paulista, 1776 - 21º andar
01310 - SÃO PAULO - BRASIL

Sem outro particular, subscrevemo-nos com estima e consideração.

Atenciosamente,


Athayde Rosa
Diretor

Muniz
AT/mtp.

cc: Costa
Carcio
Almeida

Brod. loan 758 Alend

Brazil. Loan 758/757-BR
Authorization

ATZ mp.

OUTGOING WIRE

TO: ATHAYDE ROSA
CIASABESP
SAO PAULO, SP

DATE: MAY 23, 1974

CLASS OF
SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.: FOLLOWING CABLE SENT SABESP PRESIDENT MAY THIRTEEN QUOTE REFERENCE
LOANS 757-BR FOR WATER SUPPLY PROJECT AND 758-BR FOR POLLUTION
CONTROL PROJECT AND OUR LETTER MARCH TWENTY STOP PAYMENTS LIBYAN
DINARS 379.060 AND 517.530 RESPECTIVELY REQUESTED MAY ONE NOT YET
RECEIVED STOP PLEASE ADVISE STATUS UNQUOTE STOP WE HAVE NOT RECEIVED
REPLY STOP PLEASE ADVISE IF CABLE RECEIVED REGARDS

KANCHUGER

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert Kanchuger

DEPT. Latin America and Caribbean

SIGNATURE *Robert Kanchuger*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

RKanchuger:glw

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Kafka, Executive Director, IMF
Bararia, Treasurer's
Crausway, Controller's
Rodriguez, LCPWS
Costa, LCPWS

For Use By Communications Section

Loan 757-BR

May 22, 1974

Eng. Luiz Augusto de Lima Pontes
Superintendente do Planejamento
e Controle
Companhia de Saneamento Básico
do Estado de São Paulo - SABESP
Rua Pinheiro, 115 - 11 andar
01007, São Paulo, Brazil

Re: São Paulo Water Supply Project
Bid No. 064/73

Dear Eng. Lima Pontes:

Thank you for your letter of May 9, 1974, enclosing a copy of your evaluation report on the bids received for the supply of pipes, fittings and valves.

After having reviewed the report, we wish to inform you that the Bank has no objection to your award of:

- Group No. 1 to Companhia Ferro Brasileiro for a value of Cr\$30,667,276.75;
- Group No. 2 to Companhia Metalúrgica Barbará for a cost of Cr\$16,845,657.39; and,
- Group No. 3 to Masoneilan Válvulas e Equip. Ltda. for a value of Cr\$252,658.83.

Sincerely,

John M. Kalbermatten
Chief, Water Supply and Sewerage Division
Latin America and the Caribbean Regional Office

cc: Messrs. Kanchuger
Kalbermatten
Division Files and LAC
CONTROL Nos. BR-4-17 and 18
FRodriguez:meg

Brazil - Loan 757 - Admin
Brazil - Loan 758 - Admin

Companhia de Saneamento Básico do Estado de São Paulo - SABESP
COORDENADORIA DE DISTRIBUIÇÃO E COLETA

SABESP/CDC - DSPC 015 E/74

São Paulo, 22 de maio de 1974

Ilmo. Sr.

JOHN KALBERMATTEN

International Bank for
Reconstruction and Development

1818 H Street, N.W.

WASHINGTON, DC 20433

U.S.A.

Date Received may 31/74

Date Acknowledged no reply

Assigned to REC/RC

Prezado Senhor:

BR-4-22

Not attached

Juntamente com a presente, estamos enviando a V.Sa. o relatório das atividades desenvolvidas pela Coordenadoria de Distribuição e Coleta da SABESP, durante o mês de fevereiro de 1974.

Sendo o que se apresenta no momento, aproveitamos a oportunidade para reiterar votos de estima e consideração.

E.P.

Engº Luiz Augusto de Lima Pontes
Superintendente de
Planejamento e Controle

757-BR 4/F
US

companhia de saneamento básico do estado de são paulo - sabesp

São Paulo, 27 de maio de 1974.
F.1953 - G.3718

Ilmo. Sr.
GUNTER K. WIESE
Director Country Programs Department
Latin America and Caribbean - Regional Office.
International Bank for Reconstruction and Development
1818 H. Street, N.W.
Washington, D.C. 20433
U.S.A.

Prezado Senhor,

REF.: Contratos n.ºs. 757 e 758-BR

Como já é do conhecimento de V.Sa. a Companhia de Saneamento Básico do Estado de São Paulo - SABESP, sucedeu nos direitos e obrigações à Superintendência de Água e Esgotos da Capital - SAEC e a Companhia Metropolitana de Saneamento de São Paulo - SANESP, as quais mantinham os contratos de financiamentos acima referenciados com esse Banco.

Em consequência desse fato, todos os setores que tratavam de assuntos contábeis, econômicos e financeiros das antigas Companhias foram agrupados em uma única Unidade, a Diretoria Econômico-Financeira da SABESP.

Portanto, toda correspondência desse Banco para com a SABESP, versando sobre assuntos financeiros e contábeis, deverão, a partir do recebimento desta, serem dirigidas à:

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO - SABESP
ATT. ATHAYDE ROSA
Avenida Paulista, 1776 - 21º andar
01310 - SÃO PAULO - BRASIL

Sem outro particular, subscrevemo-nos com estima e consideração.

Atenciosamente,

Date Received June 11/74 Athayde Rosa
Date Acknowledged N.R. Diretor
Assigned to JHK

ATT
ATT/mtp.

BR-4-23

C.C. Mr. John M. Kalbermatten ✓

RECEIVED

1974 JUN -5 AM 11:27

COMMUNICATION
SECTION

Asses. *Revisor* 5/31
Collyer



companhia de saneamento básico do estado de são paulo - sabesp

São Paulo, 20 de maio de 1974.

F.1893 - G.3588

Brasil - Lou 758 Plan

Ilmo. Sr.
HYWEL N. DAVIES
Chief, Accounting Division
Controller's Department
Internantional Bank for Reconstruction and Development
1818 H. Street, N.W.
Washington - DC. 20433
USA

TRANSLATED
INTO ENGLISH

JUN 3 1974

Prezado Senhor Davies:

CONTRATO No. E-1850/74
I.B.R.D.

Ref.: Contrato de Financiamento
nº 758-BR, assinado em
21/06/71.

Damos em nosso poder sua carta de 7 de maio de 1974, confirmando que o valor de DM 11.489,00, corresponde a parte da amortização do contrato acima.

Pela carta desse Banco datada de 3 de abril próximo passado, cuja cópia xerográfica anexamos, o referido valor foi lançado em duplicata, uma vez como pagamento de juros e outra como amortização e posteriormente estornado esta última.

Diante de duas afirmações em desacordo, solicitamos uma definição para o assunto.

Sem outro particular, subscrevemo-nos com estima e consideração.

Atenciosamente,

Athayde Rosa
Athayde Rosa
Diretor

ANEXO:- 1 cópia xerográfica.

AT
AT/mtp.

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INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: ATHAYDE ROSA
CIASABESP
SAO PAULO

DATE: MAY 17, 1974

CLASS OF
SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.: YOUR MAY TWO CABLE NOT RECEIVED STOP WE HAVE RECEIVED YOUR CABLE OF
SIXTEEN
MAY XIX AND IN RESPONSE MR WEISE REPLIED WITH FOLLOWING CABLE DATED
MAY TEN QUOTE AGREE CONTINUATION DISBURSEMENTS UNDER LOANS 757 AND 758
UNTIL AUGUST THIRTYONE 1974 STOP REQUEST YOU FURNISH INFORMATION
REQUESTED BY MR COSTA DURING FEBRUARY VISIT AND BY MR KALBERMATTEN
IN HIS APRIL ONE LETTER STOP PROVIDING THIS INFORMATION FURNISHED US
BY JUNE ONE BANK PLANS JULY MISSION TO SAO PAULO TO RENEGOTIATE LOAN
AGREEMENTS AND REVIEW PROJECT PROGRESS UNQUOTE REGARDS

KANCHUGER

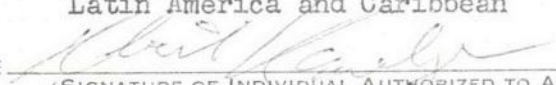
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert Kanchuger

DEPT. Latin America and Caribbean

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

RKanchuger:glw

ORIGINAL (File Copy)

CLEARANCES AND COPY DISTRIBUTION:

cc? Messrs. Rodriguez, Procurement
Officer, LCPWS
Costa, Financial Analyst,
LCPWS

For Use By Communications Section

Checked for Dispatch:

Loan 758-BR

May 17, 1974

General Luiz P. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Básico do
Estado de Sao Paulo - SABESP
Rua Costa Carvalho, 300
Pinheiros, Sao Paulo cpe 05429
BRAZIL

Re: Sao Paulo Pollution Control Project
Bid No. CSACP 02/74

Dear General Carneiro da Cunha:

This will acknowledge your letter of April 25, 1974, with two copies of the tender documents No. CSACP 02/74 for the civil works construction of the ABC Sewage Treatment Plant.

We have reviewed the documents and consequently have no objection to the conditions and technical specifications that you have set forth for the contract under bidding.

We noted that the usual price adjustment formula defined by SABESP in previous bidding documents was changed to conform to the decree No. 3540 recently issued by the State of Sao Paulo. We would appreciate your mailing us a copy of this decree at your earliest convenience.

Sincerely,

John M. Kalbermatten
Chief, Water Supply and Sewerage Division
Latin America and the Caribbean Regional Office

cc: Messrs. Kanchuger
Kalbermatten
Division Files
LAC Files

CONTROL No. BR-4-15

FRodriguez:mcg

ITT 30

INCOMING CABLE
MAY 16 1974

ITT WORLD COMM

ZCZC AWA324 VIA ITT NUI276 TPX031 ALP208 150708 201000874

UIWA CO BRSP 021

SAOPAULO 21 16 1530

MAY 16, 1974

Distribution: Mr. Wiese
Mr. Skillings

INTBAFRAD MR GUNTER K WIESE

WASHINGTONDC

CONFIRME RECEBIMENTO NOSSO TELEX 2 MAIO PT OBSEQUIO RESPONDER VIA

TELEX PT SAUDACOES

ATHAYDE ROSA

Mr. Kandelberg CWS

BRZ ln 757
✓ BRZ ln 758

Indonco
757-758
N

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO:

GENERAL LUIS F. CALVAO CARNEIRO DA CUNHA
PRESIDENTE
COMPANHIA DE SANEAMENTO BASICO DO ESTADO
DE SAO PAULO
RUA COSTA CARVALHO, 300 - PINHEIROS
SAO PAULO, SP

DATE: MAY 13, 1974

CLASS OF

SERVICE: LT

COUNTRY:

TEXT:

BRAZIL

Cable No.:

REFERENCE LOANS 757-BR FOR WATER SUPPLY PROJECT AND 758-BR FOR
POLLUTION CONTROL PROJECT AND OUR LETTER MARCH TWENTY STOP PAYMENTS
LIBYAN DINARS 379.060 AND 517.530 RESPECTIVELY REQUESTED MAY ONE
NOT YET RECEIVED STOP PLEASE ADVISE STATUS REGARDS

KANCHUGER
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME

Robert F. Kanchuger

DEPT.

Latin America and Caribbean

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

JG-JRGoldberg:jbv

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Alexandre Kafka, E.D., IMF

Mr. Bararia, Treasurer's

Mr. Crausway, Controller's

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch:

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: GENERAL LUIZ PHELIPPE GALVAO CARNEIRO DA CUNHA
PRESIDENT
CIASABESP
SAO PAULO

DATE: MAY 9, 1974

CLASS OF
SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.: AGREE CONTINUATION DISBURSEMENTS UNDER LOANS 757 AND 758 UNTIL AUGUST
THIRTYONE 1974 STOP REQUEST YOU FURNISH INFORMATION REQUESTED BY MR
COSTA DURING FEBRUARY VISIT AND BY MR KALBERMATTEN IN HIS APRIL ONE
LETTER STOP PROVIDING THIS INFORMATION FURNISHED US BY JUNE ONE BANK
PLANS JULY MISSION TO SAO PAULO TO RENEGOTIATE LOAN AGREEMENTS AND
REVIEW PROJECT PROGRESS REGARDS

WIESE
DIRECTOR
COUNTRY PROGRAMS DEPARTMENT

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Gunter K. Wiese
DEPT. Latin America and Caribbean

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RKanchuger:glw

CLEARANCES AND COPY DISTRIBUTION: Cleared with and
cc: Messrs. Skillings, Div. Chief, LAC II
Costa, Financial Analyst, LCPWS
Carvalho, Legal Department
Helne, Controller's

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch:

OFFICE MEMORANDUM

BRZ Ln 757
BRZ Ln 758

TO: Mr. Gunter K. Wiese, Director, LAC II
DATE: May 9, 1974

FROM: Robert Kanchuger, Loan Officer, Brazil Division, LAC II

SUBJECT: BRAZIL - Sao Paulo Water Supply and Pollution Control Projects --
Loans 757 and 758-BR

You will recall that the Borrowers for the two subject loans no longer exist and that their responsibilities have been assumed by a new Sao Paulo state water and sewerage company called SABESP. In order not to delay the execution of the project we agreed by letters of January 2, 1974, that disbursement be continued to SABESP without the renegotiation of the loans until April 30, 1974. We placed a limit on the period we intended to continue disbursements without a renegotiation of the loans because several of the clauses in the old agreements, particularly the financial covenants and management provisions, had been rendered unclear or meaningless by the disappearance of the old companies and the emergence of the new company. Unfortunately, the new company has not provided us the financial information that we have requested, and we have not been able to arrange a meeting for the renegotiation of the loans prior to now. SABESP has requested (see attached cable) that we nevertheless continue disbursements. We agree that this should be done so as not to delay project progress, and have therefore drafted the proposed reply cable for your signature, extending the disbursement period under the present circumstances until August 31, 1974. We have also requested that the financial information we had previously solicited be sent to us and proposed a July mission for renegotiation of the loan agreements, provided the requested financial information is furnished the Bank by June 1.

Attachments

Cleared with and cc: Messrs. Skillings, Division Chief, LAC II
Costa, Financial Analyst, LCPWS
Carvalho, Legal Department
Helne, Controller's



Record Removal Notice



File Title Sao Paulo Water Supply and Pollution Control Projects - Brazil - Loan 0757, Loan 0758 - P006246 - Correspondence - Volume 2		Barcode No. 30319097		
Document Date 09 May, 1974	Document Type Letter			
Correspondents / Participants From: Moacyr Lisboa Lopes To: Jose Augusto Vieira de Carvalho				
Subject / Title Emprestimos. 757-BR e 758- BR				
Exception(s) Attorney-Client Privilege				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Kelli Gordon</td><td>Date June 21, 2017</td></tr></table>	Withdrawn by Kelli Gordon	Date June 21, 2017
Withdrawn by Kelli Gordon	Date June 21, 2017			

Brazil - Loan 757 - Admin.
Brazil - Loan 758 - Admin.

Mr. Gunter K. Wiese, Director, LAC II

May 9, 1974

Robert Kanchuger, Loan Officer, Brazil Division, LAC II

BRAZIL - Sao Paulo Water Supply and Pollution Control Projects --
Loans 757 and 758-BR

You will recall that the Borrowers for the two subject loans no longer exist and that their responsibilities have been assumed by a new Sao Paulo state water and sewerage company called SABESP. In order not to delay the execution of the project we agreed by letters of January 2, 1974, that disbursement be continued to SABESP without the renegotiation of the loans until April 30, 1974. We placed a limit on the period we intended to continue disbursements without a renegotiation of the loans because several of the clauses in the old agreements, particularly the financial covenants and management provisions, had been rendered unclear or meaningless by the disappearance of the old companies and the emergence of the new company. Unfortunately, the new company has not provided us the financial information that we have requested, and we have not been able to arrange a meeting for the renegotiation of the loans prior to now. SABESP has requested (see attached cable) that we nevertheless continue disbursements. We agree that this should be done so as not to delay project progress, and have therefore drafted the proposed reply cable for your signature, extending the disbursement period under the present circumstances until August 31, 1974. We have also requested that the financial information we had previously solicited be sent to us and proposed a July mission for renegotiation of the loan agreements, provided the requested financial information is furnished the Bank by June 1.

Attachments

Cleared with and cc: Messrs. Skillings, Division Chief, LAC II
Gosta, Financial Analyst, LCPWS
Carvalho, Legal Department
Helne, Controller's

RK
RKanchuger:glw

Brazil - loan 758 plus

AIR MAIL

May 7, 1974

Companhia Metropolitana de Agua
de Sao Paulo
Avenida Paulista, 1938-15°
Sao Paulo, Brazil

Attn: Mr. Athayde Rosa, Director

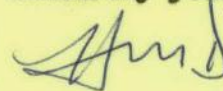
Re: Loan No. 758 BR

Gentlemen:

With reference to your letter numbered F.1653 - G.3068-A, dated April 19, 1974, we are enclosing copies of our letters to Companhia Metropolitana de Saneamento de Sao Paulo and to Uniao de Bancos Brasileiros S.A. dated March 1, 1974, and December 14, 1973, respectively, and a copy of Uniao de Bancos Brasileiros, S.A.'s letter to us dated February 8, 1974.

Please note from the enclosed copies of letters that the amount of Deutsche Mark 11,489.00 is a refund which we have credited to your account for the above loan.

Sincerely yours,



Hywel M. Davies
Chief, Accounting Division
Controller's Department

Enclosures

cc: Companhia Metropolitana de
Saneamento de Sao Paulo
Avenida Angelica No. 2223, 16° andar
Sao Paulo, Brazil

Messrs: Davies/Gray, Elliott, Davis
Statement Folder No. 758 BR
EBalagot/oc



5

INCOMING CABLE

DF
Mr. Skillings
C 805

NNNN

ITT3/MAY 7 1974 VIA ITT WORLD COMM

ZCZC AWA570 VIA ITT BUS731 TPX757 ALP569 150203 201000874

UIWA CO BRSP 077

SAOPAULO 77/76 6 1940 P1/50/50

May 7 8 41 AM 1974
COMMUNICATIONS SECTION
Distribution: Mr. Wiese
Mr. Skillings
Contr. Mr. Casson

May 6, 1974

INTBAFRAD MR GUNTER K WIESE

WASHINGTONDC

RE
JK
DF

CONFORME REUNIAO MANTIDA FEVEREIRO PP COM MR COSTA DESSE BANCO
VG O MESMO FICOU PROPOR DIRECAO BIRD VISITA MISSAO PARA MARCO OU
ABRIL PASSADO A SABESP PT COMO MISSAO BIRD NAO CHEGOU ATE ESTA
DATA E NAO RECEBEMOS INFORMACOES VG SOLICITAMOS POSSIBILIDADE
PRORROGAR PRAZO

ALP569 150203 INTBAFRAD ETC P2/27/26

DESEMBOLSO APPLICATIONS ATE VISITA REFERIDA MISSAO VG OCASIAO SERA
PROGRAMADA DATA RENEGOCIACAO CONTRATOS BR-757 E 758 PT SOLICITACAO
MOTIVADA A FIM NAO ATRASAR PROJETO ANDAMENTO SAUDACOES

COL BR-757 758

Brasil - len 757 Alu.
✓ Brasil - len 758 Alu.

INCOMING CABLE

SAHM

ITTS/MAY 7 1974 VIA ITT WORLD COMM

ZCZC AWAS70 VIA ITT BUS731 1PX757 ALP569 150203 201000874

UIWA CG BRSP 077

SACPAULO 77/76 6 1940 P1/50/50

Distribution: Mr. Wiese
Mr. Skillings
Contr. Mr. Casson

May 6, 1974

INTBAFRAD MR GUNTER K WIESE

WASHINGTONDC

CONFORME REUNIAO MANTIDA FEVEREIRO PP COM MR COSTA DESE PARCO
VG O MESMO FICOU PROPOR DIRECAO BIRD VISITA MISSAO PARA MARCO DO
ABRIL PASSADO A SABESP PT COMO MISSAO BIRD NAO CHEGOU ATE ESTA
DATA E NAO RECEBEMOS INFORMACOES VG SOLICITAMOS POSSIBILIDADE
PRORROGAR PRAZO

ALP569 /150203 INTBAFRAD ETC P2/27/26

DESEMBOLSO APPLICATIONS ATE VISITA REFERIDA MISSAO VG OCASIAO SERA
PROGRAMADA DATA RENEGOCIACAO CONTRATOS BR-757 E 758 PT SOLICITACAO
MOTIVADA A FIM NAO ATRASAR PROJETO ANDAMENTO SAUDACOES

COL BR-757 758

São Paulo - SP.

companhia metropolitana de água de são paulo comasp

São Paulo, 30 de abril de 1974

F.1755 - G.3249

Ilmo. Sr.

JOHN M. KALBERMATTEN

Chief, Water Supply and Sewerage Division

Latin America and the Caribbean Regional Office

International Bank for Reconstruction and Development

1818 H. Street, N.W., Washington

D.C. 20433 - USA.

Date Received 20/04/74

Date Acknowledged no reply

Assigned to BR-4-20

Prezado Mr. Kalbermatten

REF:- São Paulo Water Supply and
Pollution Control Projects,
Loans 757 and 758-BR.

De acordo com o que preceitua a
Secção 5.02 dos contratos acima referenciados, estamos ane-
xando a esta, cópia autenticada do Balanço Geral da SABESP,
encerrado em 31/12/73.

Sem outro particular, subscreve-
mo-nos com estima e consideração.

Atenciosamente,

Athayde Rosa
Diretor

AT/mtp.

Kreditanstalt für Wiederaufbau
Frankfurt am Main

Blatt 2 zum Schrb. vom May 9, 1974
an: Mr. G. Alter, IBRD - Washington

of some problems we face regarding the necessity of guarantees for some CDB members (e.g. dependent territories), we would appreciate learning about IBRD's position concerning member government guarantees.

Sincerely yours,

KREDITANSTALT FÜR WIEDERAUFBAU



(Dr. Wabnitz)



(Neumann)

cc: Mr. Jansen

Brasil - Loan 758 Alameda

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

PRE-337/0599/74 - C

April 25, 1974.

Date Received May 8/74
Date Acknowledged May 17/74
Assigned to JMK/FA

Mr. John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office
International Bank for Reconstruction and Development BR-H-15
1818 H. Street, N. W.
Washington, D.C. 20433
U.S.A.

Re.: Loan Nº 758 BR

Dear Sir:

We have received your letter dated March 6, 1974, approving the documentation of the International Competitive Bidding SABESP CSACP-01/74.

However, for technical reasons related to criterion of readjustment that were being studied by the Government of the State of São Paulo, the International Competitive Bidding CSACP-01/74 concerned to the Preliminary Works of construction of the ABC Sewage Treatment Plant was cancelled before the presentation of the proposals.

We inform that it will be opened the International Competitive Bidding Nº CSACP-02/74 with the same objective as before, being considered the same invitation SABESP CSACP-01/74, the only modification being to the budget and the criterion of readjustment.

We herewith forward for your appraisal documentation concerned to the International Competitive Bidding SABESP CSACP-02/74.

not attached

Yours very sincerely

Luiz Phelippe Galvão Carneiro da Cunha
Luiz Phelippe Galvão Carneiro da Cunha
President

RECEIVED

1974 MAY -7 PM 4:20

COMMUNICATIONS
SECTION

Brazil - loan 757 Alui
Brazil - loan 758 Alui

ATHAYDE ROSA
COMPANHIA DE SANEAMENTO BASICO DO
ESTADO DE SAO PAULO (SANEAP)
RUA COSTA CARVALHO 300
SAO PAULO

APRIL 24, 1974

IT

BRAZIL

REURCABLE APRIL 23 LOAN 757ER APPLICATIONS 31 AND 32 PAID APRIL 10 AND 17
RESPECTIVELY APPLICATION 34 BEING PROCESSED WITH PAYMENT EXPECTED EARLY
NEXT WEEK APPLICATION 35 NOT YET RECEIVED STOP LOAN 758ER APPLICATIONS 16
AND 17 PAID APRIL 17 APPLICATION 18 NOT YET RECEIVED

INTBAFRAD

A. A. Casson

Controller's

AAHelne/gvt

File: 757 IR - General

758 IR - General

cc to and cleared in substance with:

Mr. Burmeister (Treasurer's)

cc: IAC Files (G-1066) ✓

São Paulo — SP.

companhia metropolitana de água de são paulo comasp

São Paulo, 19 de abril de 1974.

F.1653 - G.3068-A

Ilmo. Sr.
Walter C.P. Rutland
Chief, Accounting Division
Controllers Department
International Bank for Reconstruction and Development
1818 H. Street, N.W.
Washington, D.C. 20433
U.S.A.

Prezado Senhor:

REF.: Contrato de financiamento
Nº 758-BR, assinado em
21/06/71.

Verificando o extrato de conta corrente até 28/02/74 do Contrato em epígrafe, enviado por V.Sas., constatamos haver um equívoco no lançamento de 22/11/73 da quantia de DM 11.489,00 (referência - nº C 9597) creditada, indevidamente, a título de amortização a nosso favor.

O referido valor foi remetido uma única vez em 01/11/73, por conta de juros devidos ao Banco.

Assim o nosso saldo utilizado em moeda alemã em 28/02/74 era de DM 316.937,32 e não DM 305.448,32 como constou no referido extrato.

Solicitamos a V.Sas. o obséquio de procederem a retificação na conta do contrato Nº 758-BR.

Sem outro particular, subscrevemo-nos com estima e consideração.

Atenciosamente,

Athayde Rosa
Diretor

Anexo:- Cópia do extrato.

AT/mtp.

RECEIVED

1974 MAY -1 AM 11:56

COMMUNICATIONS
SECTION

TO: [illegible]
FROM: [illegible]
SUBJECT: [illegible]
[illegible text block containing several lines of faint, mostly illegible text]

[illegible text block]

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[illegible text block containing several lines of faint, mostly illegible text]

[illegible text block]

[illegible text block]

BOOK FOR RECONSTRUCTION AND DEVELOPMENT

302-02

LOAN NO. 758 BR

STATEMENT OF ACCOUNT AT

FEBRUARY 28, 1974

MUNICIPALITATE DE SANEAMENTO DE SAO PAULO

000,000.00

000,000.00

000,000.00

7 1/4%

3/4%

1/2%

INTEREST RATE

COMMITMENT CHARGE

ADDITIONAL CHARGE FOR SPECIAL COMMITMENT

PAYMENT DATES MAY 1 & NOV. 1

AMOUNT OUTSTANDING			U. S. DOLLAR EQUIVALENT			
INTEREST	†	NO. OF DAYS	PRINCIPAL	UNWITHDRAWN AMOUNT AVAILABLE †	COMMITMENT CHARGE †	TOTAL WITHDRAWN
			447723.56	11552276.44 N	44433.00	447723.56
ARS					44433.00=	
		180			42805.00	
NCS						
1305.00			7195.50			
1305.00=						
1305.00		180				
1305.00			7195.50			
14835.00			32763.01			
14835.00=						
14835.00		180				
14835.00			32763.01			
1771293.00			161126.30			
1771293.00=						
1737214.00		180				
1737214.00			161126.30			
11489.00			99750.00			
11489.00=						
11489.00		180				
368.00=		159	4308.38=	4308.38 N	14.00	4308.38=
11121.00			95441.62			
12665.00			146888.75			
463.00		47	16105.45	16105.45=N	16.00=	16105.45
1362.00		33	67615.29	67615.29=N	46.00=	67615.29
67.00		2	53805.93	53805.93=N	2.00=	53805.93
12665.00=						
31644.00		180				
33536.00			284415.42			
517.530		174	49762.43	49762.43=N	180.00=	49762.43
517.530			49762.43			
			630704.28	11369295.72 N	42575.00	630704.28

† ALL CHARGES ARE COMPUTED TO THE NEXT PAYMENT DATE. AMOUNTS SUBJECT TO ADDITIONAL CHARGE FOR SPECIAL COMMITMENT ARE INDICATED BY SYMBOL X AND ALL OTHER AMOUNTS BY SYMBOL N.

GUARANTOR BRAZIL

Borrower COMPANHIA METROPOLITANA

ORIGINAL AMOUNT OF LOAN

15%

AMOUNT CREDITED TO LOAN ACCOUNT

12%

CANCELLATION

3%

REFERENCE NO.	VALUE DATE			MEMORANDUM	ENTRY CODE	CURRENCY AMOUNT		
	MO.	DAY	YR.			PRINCIPAL		
FWD	8	31	73		*			
						UNITED STATES DOLLAR		
C007511	11	17	73		2			
J120811	11	17	73		5			
						FOREIGN CURRENCY		
FWD	8	31	73		*			
C015711	11	17	73		2			
J120811	11	17	73		5			
FWD	2	28	74	5.00312	*			36000.00
						MEXICAN PESOS		
FWD	8	31	73		*			409250.95
C017611	11	17	73		2			
J120811	11	17	73		5			
FWD	2	28	74	12.49125	*			409250.95
						JAPANESE YEN		
FWD	8	31	73		*			47923150.00
C028611	11	17	73		2			
J120811	11	17	73		5			
FWD	2	28	74	297.42599	*			47923150.00
						DEUTSCHE MARK		
FWD	8	31	73		*			316937.32
C033211	11	17	73		2			
J120811	11	17	73		5			
C959711	12	27	73		1			11489.00
FWD	2	28	74	3.20036	*			305446.32
						SWISS FRANCS		
FWD	8	31	73		*			452417.35
S2226	9	14	73		1			48880.04
S2601	9	26	73		1			204894.80
S3336	10	29	73		1			166736.70
C035711	11	17	73		2			
J120811	11	17	73		5			
FWD	2	28	74	3.06920	*			672928.89
						LIBYAN DINARS		
S377911	7	7	73		1			14768.992
FWD	2	28	74	3.36936	*			14768.992
FWD	2	28	74		*			

ENTRY CODE

1. WITHDRAWAL (OR REFUND-)
2. PAYMENT BY BORROWER
3. SALE TO THIRD PARTY
4. ADJUSTMENT

5. SEMI-ANNUAL CHARGE
6. SPECIAL COMMITMENT
7. CREDIT TO LOAN ACCOUNT
8. TOTAL

OFFICE MEMORANDUM

TO: Files

DATE: April 10, 1974

FROM: John M. Kalbermatten, Chief, LCPWS

SUBJECT: BRAZIL - Sao Paulo Pollution Control Project
TURKEY - Istanbul Waste Water Project

Mr. Cullivan of Camp Dresser & McKee (CDM) called me on April 8 to discuss the latest developments of the Sao Paulo Water Pollution Control Project. Mr. Cullivan (an old Brazil hand) follows this project even though his firm is no longer connected with the project. Mr. Cullivan informed me of the activities of a committee of experts nominated by Secretary Meiches of Sao Paulo, a committee whose task is to review the long-range plans for waste water disposal of the metropolitan area. Mr. Cullivan is concerned, and properly so, that there is not enough coordination between different agencies active in water supply and waste disposal in Sao Paulo. The result could be an optimum solution for waste water disposal which, however, would not be the optimum overall solution for water supply, waste water disposal and hydroelectric power generation.

From Mr. Cullivan's comments, it appears that the expert committee is looking at the waste water disposal aspects only and will therefore not produce a report which would address itself to all the aspects involved. I plan to contact Secretary Meiches during my forthcoming stay in Rio, if time permits.

During our conversations, Mr. Cullivan expressed a certain degree of frustration because neither he nor his firm had been contacted by the expert committee for information on a subject he is very familiar with and about which he could provide valuable background information. I replied jokingly that he now feels the same way about Sao Paulo as I do about Istanbul. A few hours later, Mr. Marini of CDM, who is in charge of the Istanbul Water Supply and Sewerage Project, and is reviewing that project, called me up to discuss the Istanbul Water Supply and Sewerage Project.

Mr. Marini stated that CDM is becoming more and more convinced that the concept of multiple outfalls into the lower of the two water layers of the Bosphorus and Sea of Marmara is the best solution, although he wishes to evaluate the possible impact of the additional organic load on the Black Sea. He also stated that the primary effort of CDM would be to determine whether this approach could be used even with an occasional breakthrough from the lower to the upper layer and what effect this might have on sewage treatment requirements. In short, it appears to be Mr. Marini's intention to evaluate the potential hazards of such contamination of the upper layer and whether such hazards could be accepted rather than attempting to verify or refute the various claims which have been made in respect to the existence of a sill on the northern end of the Bosphorus and the alleged surfacing and flow reversals of the lower layer caused by such a sill. From my conversation with him I believe that CDM's approach is very much in tune with the recent discussions held between Bank Staff, Mr. Barbero and Mr. Gunnerson.

April 10, 1974

Mr. Marini also enquired about the background of some other aspects of the sewerage project, in particular, the adequacy of the industrial waste sampling of the original project. I agreed with him that this was one area where more detailed analysis could be helpful because, to the best of my recollection, a full-fledged industrial waste survey had not been part of the original project.

In addition, I restated my opinion that the combined sewerage system in the central core of Istanbul should be maintained and storm water overflows permitted. The system should be separated, and thus the frequency of sewage spill reduced, only as old sewers need be replaced or supplemented for additional capacity, a slow process, but probably the only one financially feasible.

JMKalbermatten:mk

cc: Messrs. Rodriguez(LCPWS), Thys(EMPWR), Grover(EMPWR)

Brazil - Loan 758 BR

CSA.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D.C. 20433 U.S.A.
Area Code 202 - Telephone - Executive 46360 - Cable Address - INTBAFRAD

April 3, 1974

Companhia Metropolitana de
Saneamento de Sao Paulo
Avenida Angelica No. 2223, 16º andar
Sao Paulo, Brazil

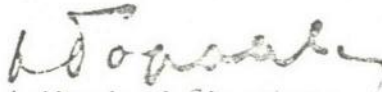
Re: Loan 758 BR
Category 3
Application No. 1

Gentlemen:

Please refer to our letter dated March 1, 1974, advising you of a refund of Deutsche Mark 11,489.00. We have been requested by the Commerzbank AG, Frankfurt, to refund this amount to them because it represents duplicate payment on their part.

We are, therefore, cancelling the above refund and are debiting value November 22, 1973, your Loan 758 BR, Category 3, Application No. 1, with Deutsche Mark 11,489.00. The dollar equivalent of this amount is \$ 4,308.38 computed at the rate of \$.3750 per one Deutsche Mark.

Sincerely yours,


Authorized Signature

cc: Ministerio da Fazenda
Av. Presidente Antonio Carlos, 375
Rio de Janeiro, Brazil

SD 8024
4-4-74

Brazil - Loan 758 ALM

April 3, 1974

Companhia Metropolitana de
Saneamento de Sao Paulo
Avenida Angelica No. 2223, 16^o andar
Sao Paulo, Brazil

Re: Loan 758 BR
Category 3
Application No. 1

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Sincerely yours,

Authorized Signature

cc: Ministerio da Fazenda
Av. Presidente Antonio Carlos, 375
Rio de Janeiro, Brazil

Controller's
Records (3)
o/File

25

Brazil - loan 757 - Admin
Brazil - loan 758 - Admin

April 1, 1974

Loans 757 and 758-RR

General Luis F. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Basico do
Estado de Sao Paulo
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, SP, Brazil

Re: Sao Paulo Water Supply and Pollution
Control Project

Dear General Carneiro da Cunha:

Many thanks for the cooperation and courtesies that you and your staff extended to Messrs. Costa and Rodriguez during their recent visit to Sao Paulo. They discussed in particular with you the transfer of the existing loans to SABESP, and asked your financial Director, Mr. Athayee de Rosa, to prepare the financial data we need to know before making this transfer to your company.

We wish to confirm our mission's request and would appreciate your sending us these data at your earliest convenience. We also suggest that you contract for the external audit of SABESP's accounts as soon as possible.

Sincerely,

John M. Kalbermatten
Chief, Water Supply and Sewerage Division
Latin America and the Caribbean Regional Office

RCosta:saf
IBRD *Rf*

Cleared with and cc: Mr. Kanchuger (LC2DA)

cc: Messrs. Rodriguez (LCPWS)
Buhler (LEG)
Helne (CTR)

São Paulo — SP.

companhia metropolitana de água de são paulo comasp

São Paulo, 25 de março de 1974
F.1285 - G.2402

São Paulo
Water
Sewerage

BRZ Ln 757
BRZ Ln 758

Ilustríssimo Senhor
Gunter K. Wiese
Director Country Programs Department
Latin America and Caribbean Regional Office
International Bank for Reconstruction and Development
1818 H. Street, N.W.
Washington, D.C. 20433 - USA

Ref.: São Paulo Water Supply and
Pollution Control Project,
Loans nr. 757 and 758-BR.

Prezado Mr. Wiese,

Estamos encaminhando a V.Sa., cópia xerográfica da carta, devidamente assinada pelo representante autorizado do Governo Federal, aceitando as condições mencionadas em sua carta de 02/01/74, enviada ao Presidente da SABESP, para continuar os desembolsos dos contratos acima referenciados, conforme solicitado através de seu Telex de 27/02/74.

Como o Ministério da Fazenda arquiva os documentos originais, assinados pelo Sr. Ministro, estamos enviando a cópia em anexo, autenticada pela Chefia da Seção de Atos e Contratos da Procuradoria Geral da Fazenda Nacional, por ser esse o documento legal para os fins a que se destina.

Sendo o que se nos apresenta para o momento, subscrevemo-nos com estima e consideração.

Atenciosamente,

Athayde Rosa
Diretor

C.C. Mr. Prudence - Washington.

Anexo:- 1 cópia xerográfica.

AT/mtp.

EXCERPT COPY

Brazil - Loan 757 Admin

✓ Brazil - Loan 758 Admin

MAR 21 1974

1 1500 01

ITT 31

MAR 21 1974

ITT WORLD COMM

ZC7C AWA975 VIA ITT MUI203 TPX791 ALP976 15 0021 001000574

UIWA CO BRSP 024

SAOPAULO 24 21 1220

MARCH 21, 1974 WASHINGTON

WASHINGTON USA

Distribution: Mr. Skillings
Mr. Wiese
Mr. Gell
Mr. Kalbermatten

SEU TELEGRAMA DE 23 FEVEREIRO REFERENTE EMPRESTIMOS 757 E 758
CONCORDANCIA DO GOVERNO FEDERAL SENDO ATIVADA JUNTO MINISTRO
DA FAZENDA SAUDACCES

COL 28 757 758



companhia metropolitana de água de são paulo comasp

São Paulo, 19 de março de 1974.

F.1243 - G.2281

Ilmo. Sr.
Dr. René Costa
Projects LAC - Water Division
1818 - "H" Street, N.W.
Washington - D.C. 20.433
U. S. A.

Date Received

Date Acknowledged

Assigned to

april 4/74

no reply

FMK/RC

FR

BR-4-10

Prezado Senhor,

Dando prosseguimento à entrega de documentos solicitados por V.Sa., por ocasião da reunião realizada em nossos escritórios no último dia 19 de fevereiro, estamos anexando os seguintes elementos:

- a-) Resumo do Orçamento Empresarial da CETESB - Companhia Estadual de Tecnologia de Saneamento Básico e de Controle de Poluição das Águas, referente ao exercício de 1974.
- b-) Posição dos empréstimos da Companhia de Saneamento Básico do Estado de São Paulo - SABESP.
- c-) Cópias das faturas da Proconsult Ltda., empresa encarregada do processamento de dados, conforme relação abaixo:

Fatura nº	Serviço Executado	Valor em Cr\$
4888	Contabilidade Geral	2.335,00
4889	Contabilidade de Custos	13.755,46
4895	Contas a Pagar	5.213,45
4957	Folha de Pagamento e Processamentos Extraordinários	7.292,90

... / ...

- d-) Gráfico referente ao "Programa de Atendimento da Demanda" - Configuração SAM - 30 m³/s.
- e-) Trabalho apresentado no VII Congresso de Engenharia Sanitária, realizado em Salvador - Estado da Bahia - " O Investimento "per capita" e as Despesas de Operação e Manutenção no Modelo do Planasa".

Quanto às demais informações, as mesmas lhes serão enviadas, tão logo estejam disponíveis.

Sem mais para o momento, aproveitamos para reiterar nossos protestos de estima e consideração.

Atenciosamente,


Athayde Rosa

Diretor


LAA/er.

Loan 757-BR

March 15, 1974

Eng. Luiz Augusto de Lima Pontes
Superintendente de Planejamento
e Controle
Companhia de Saneamento Básico
do Estado de São Paulo - SABESP
Rua Riachuelo, 115 - 11 andar
01007, São Paulo, Brazil

Re: São Paulo Water Supply Project
Bid No. 009/73

Dear Eng. Lima Pontes:

We have received your letter of March 8, 1974 and a copy of your report on the evaluation and comparison of bids submitted for the installation of water distribution pipes in Freguesia area.

After having reviewed the report, we wish to inform you that the Bank has no objection to your award of the contract to TECIMO - Construccoes e Engenharia Ltda., as the most qualified bidder. This contract will be financed under Category IV of Schedule 1 of Loan 757-BR.

Sincerely,

John M. Kalbermatten
Chief, Water Supply and Sewerage Division
Latin America and the Caribbean Regional Office

cc: Messrs. Helne (with att.)
Kanchuger
Kalbermatten
Division Files and LAC Files

FRodriguez:mcg

CONTROL No. BR-4-8

OFFICE MEMORANDUM

TO: Mr. John M. Kalbermatten (Chief, LCPWS)

DATE: March 14, 1974

FROM: Rene Costa (FNA, LCPWS) and Fritz Rodriguez (EGR, LCPWS)

SUBJECT: BRAZIL - Minas Gerais Water Supply and Sewerage Project
Prenegotiations
Sao Paulo Water Supply and Pollution Control Project
Transfer to New Borrower of Loans 757 and 758-ER
Back-to-Office and Full Report

Introduction

1. In accordance with Terms of Reference dated February 4, 1974, we held in Brazil from February 11 to 25 prenegotiation discussions on the proposed loan to the National Housing Bank (BNH) for the Minas Gerais Water Supply and Sewerage Project. Mr. Kanchuger participated in our discussions with officials of BNH in Rio and of the Minas Gerais State Water Company (COMAG) in Belo Horizonte. We also visited the new Sao Paulo State Water Company (SABESP) to get acquainted with its management and organization and set up a plan of action for the transfer of the two existing loans to SABESP. Unfortunately Mr. Cancio was unable to accompany the mission and thus could not provide us with legal advice.

Summary

2. BNH and COMAG raised four major objections to the draft loan documents that the mission submitted to them. These objections refer to (i) the rate of return covenant (Section 3.10 (a) of Project Execution Agreement), (ii) cut-off criteria for subproject selection (Section 2.05 (e) of Project Execution Agreement), (iii) preparation of standards for water supply and sewerage works (Section 3.02 of Guarantee Agreement), and (iv) the execution of separate agreements with BNH, COMAG and the State of Minas Gerais.

3. The first three issues along with the mission recommendations were discussed in Mr. Wiese's memorandum to Mr. Alter of March 7, 1974, copy of which is attached to this report. Regarding the fourth issue, BNH proposed to include all the loan conditions in one document and to have all the parties (BNH, COMAG and the State of Minas Gerais) enter into one single agreement with the Bank (paragraphs 11 and 12).

4. Since the creation of SABESP in 1973, no significant progress has been made in organizing the company. Its President, Mr. Luis Phelippe Galvao Carneiro Da Cunha, is a retired army general with no management experience. There is a political fight going on for control of the company and for the present time not much organizational improvement can be expected (paragraphs 19 and 20).

5. The disestablishment of SAEC and SANESP, the two borrowers of the existing loans to Sao Paulo, requires that the Bank conclude supplemental agreements with SABESP, the State of Sao Paulo and the Federal Government. The existing financial covenants would have to be modified and the financial information needed for making such modification is now being prepared by SABESP. Renegotiations of the financial covenants would be held sometime in April 1974 (paragraph 22).

6. The Sao Paulo project is proceeding on a satisfactory schedule. SANESP plans to start the second stage construction of the Pollution Control Project and has informally inquired about possible Bank financing of the works. SABESP has signed the PLANASA agreement with BNH (paragraphs 24 and 25).

Action Recommended

7. The sections of the appraisal report and loan documents referred to in paragraph 2 should be redrafted. The proposed Loan Agreement, Project Financial Agreement and Project Execution Agreement should be consolidated into one document.

8. A letter should be sent to COMAG requesting the company to hire management and engineering consultants for the project. COMAG should also be asked to send to the Bank the feasibility studies of the selected subprojects (see Annex 1).

9. The Bank should write to SABESP to confirm the mission's request for preparation of the company's financial statements. Once this information is received, the supplemental agreements should be drafted and submitted for the approval of SABESP (see Annex 2).

10. A preliminary decision on continued involvement in Sao Paulo and financing of additional sewerage works should be made by the Bank.

Minas Gerais Water Supply and Sewerage Project

Consolidation of the Loan Documents

11. Three separate agreements each with BNH, COMAG and the State of Minas Gerais were presented to BNH's officials. They objected to the Bank proposal and instead suggested consolidating all the loan conditions into one document. In addition, a Guarantee Agreement would be concluded with the National Government. BNH has not objected to the content of our proposed loan agreement with COMAG, but we suspect that they want to limit our direct contact with COMAG.

12. BNH argued that its proposal is intended to avoid any misunderstanding which could later surface if separate agreements were executed. If this is the only concern of BNH, we see no reason for not having one consolidated agreement.

But the documents should be drafted to ensure the Bank's right of access to COMAG to allow us direct supervision of COMAG's management and the project.

Status of Preparation of the Minas Gerais Program

13. Progress made by COMAG in the preparation of the Minas Gerais Water Supply and Sewerage Program is swifter than expected at the time of appraisal. Twenty-three communities out of the 43 selected for the Bank project, and 33 other municipalities have already signed concessionary agreements with COMAG. It is likely that by the end of 1974 most of the important communities in the state would have concluded similar agreements with COMAG.

14. The 1974 budget provides for a total capital investment of Cr\$230 million (US\$36 million) to finance the works in about 100 communities of which Belo Horizonte is the most important with an allocation of Cr\$101 million (US\$16 million). This is much more than anticipated during the appraisal; for 1974 the appraisal assumed only Cr\$147 million (US\$23 million) for investments in 43 communities (Cr\$45 million in Belo Horizonte). However, we do not propose to increase the loan amount since a second loan to COMAG is included in the 1976 lending program and it is unlikely that the first loan would be totally disbursed before the next proposed loan becomes effective. Cr\$5 million are budgeted for feasibility studies in 44 communities. It is expected that by mid-1974 feasibility studies in 300 municipalities would be completed and included in the Global Feasibility Study for the State.

15. BNH and FAE would finance about 87% of the program, and the municipalities would contribute the remaining financing. COMAG net internal cash generation of Cr\$5 million and municipal cash contributions to its capital would provide the company with an important reserve for working capital and miscellaneous investments. Its operating revenues for 1974 are expected to amount to Cr\$73 million (US\$11.5 million) reflecting a 12% average tariff increase implemented in January 1974, but not anticipated in the appraisal. We reviewed the Belo Horizonte project and found it well prepared. COMAG's management was also requested to send all subproject studies to the Bank for our review (see Annex 1).

16. COMAG's management took in late 1973 some action to improve its operations. It signed an agreement with the Minas Gerais State University for preparation of the socioeconomic study recommended by the Bank. Guidelines for subproject preparation have been edited, but they need to be improved. An organization manual with description of functions has also been prepared. COMAG's accounting is now processed through a computer, and the Pan American Health Organization (PAHO) has set up a computer program for progress control in project construction.

17. COMAG needs assistance for subproject preparation and for organization of the company. However, so far no decision has been taken on this matter. We advised COMAG of the requirement to contract with Consultants for such assistance before Board presentation of the loan.

COMAG's Finances

18. Annex 3 shows the financial results for 1973 compared with the appraisal forecasts. COMAG seems to have recovered from its difficult financial position of June 1973 (refer to Chapter 7 - Finances - of the appraisal report). Its capital has increased from Cr\$10 million to Cr\$225 million, making it the second largest water utility in Brazil. As of December 1973, its financial position appears to be good with a current ratio of 2.3 and an acid-test ratio of more than one; its long-term debt represents no more than 48% of total capitalization. COMAG's accounts have not yet been audited and the above results should be reviewed in light of the auditors' report.

Sao Paulo Water Supply and Pollution Control Project

Organization of the State Company (SABESP)

19. Since the creation of SABESP in June 1973, no significant progress has been made in organizing the company. Its President, Mr. Luis Phelippe Galvao Carneiro Da Cunha, is a retired army general and chemical engineer with experience in explosives. Obviously he was selected on political grounds.

20. The company is divided into six departments - finance, planning, water production, water distribution and sewage collection, sewage disposal, and systems of the interior; the last deals with SABESP activities outside of the Sao Paulo metropolitan area. The department managers are members of SABESP's Board of Directors, and the presidents of the three former companies (SAEC, SABESP and COMASP) became SABESP's directors, but two of them resigned recently to show their dissatisfaction with the management. The remaining directors lack the required professional training and experience to manage their department properly. The financial director appears to be the only exception; he was COMASP's financial manager. There is a political fight going on for control of the company and for the present time not much organizational improvement can be expected.

21. SABESP's balance sheet as of November 30, 1973 and its 1974 budget are shown in Annex 4. Its financial situation seems to be good, but should be reviewed after its financial statements are audited. SABESP's management has not yet contracted for the external audit of its accounts and it should be requested to do so.

March 14, 1974

Transfer of the Existing Loans to SABESP

22. The disestablishment of SAEC and SANESP, the two borrowers of the existing loans, makes it necessary to conclude supplemental agreements with SABESP, the State of Sao Paulo and the Federal Government, by which SABESP will undertake all the obligations of SAEC and SANESP. However, the existing financial covenants would have to be modified. The financial information needed for making such modification is now being prepared by SABESP and is expected to be ready in April 1974. Once this information is received, the supplemental agreements will be drafted and sent to SABESP for its approval. A Bank mission to Sao Paulo or a visit to Washington by SABESP may be necessary in order to expedite the approval of the documents.

23. Upon the request of SABESP, the Bank accepted to continue disbursements until April 30, 1974 without prior renegotiation of the existing loans (see Mr. Wiese's letter to SABESP of January 2, 1974).

Physical Execution of the Project

24. The project execution is proceeding on a satisfactory schedule. Design and procurement on the SANESP project are of good quality and construction of the pollution control works is well advanced. A new master plan for treatment and disposal of waste waters in the Sao Paulo metropolitan area has been prepared and SABESP plans to undertake its construction soon. SABESP has informally inquired about possible Bank financing of the proposed project which would complete the ongoing works. We helped SABESP work out this master plan and feel that the Bank should continue its involvement in the Sao Paulo water supply and sewerage sector, and consequently should consider financing this program.

25. Procurement on the SAEC project is of poor quality. SAEC bid evaluation procedure is not consistent with our guidelines for procurement, and so far most of its civil works contracts were not approved by the Bank. As a result, disbursements are lagging behind the appraisal forecasts. We discussed this procurement matter with SAEC's staff and were assured that the SAEC bid evaluation criteria will be revised to conform them to our rules of procurement.

Attachments

FRodriguez/RCosta:mcg

cc: Messrs. Knox (LCPDR), Geli (LCPDR), Skillings (LC2DA), Rovani (5) (PBPDR), van der Tak (VPS), Cancio (LEG), Helne (CTR), Wiese (LC2DR), Bowron (PAB), Baum (3) (PAS), Kanchuger (LC2DA), Street (P&B), Armstrong (VPS), Elliot (CTR), Mrs. Steiner (LCPPB), Division Files and LAC Files.

DRAFT LETTER

Senhor Doutor Ildeu Duarte
Secretario dos Servicos
Obras Publicas
Gabinete do Secretario
Belo Horizonte, Minas Gerais
Brazil

Re: Minas Gerais Water Supply and Sewerage Project

Dear Dr. Duarte:

We appreciate the cooperation and courtesies that you and the staff of COMAG extended to Messrs. Costa, Kanchuger and Rodriguez during their recent visit to Belo Horizonte. They reported that the financial situation of COMAG is improving and that significant progress has been made in the project preparation, specially in the execution of concessionary agreements with the municipalities.

We expect negotiations for the proposed loan to BNH for your program to start soon. From our mission you learned that the hiring of management and engineering consultants would be a condition for presentation of the loan to our Board. We therefore recommend that you select potential consultants as soon as possible, so we may discuss their qualification during negotiations. This would enable you to execute a contract for their services well ahead of Board presentation of the loan.

Our mission had the opportunity to review only the feasibility study for Belo Horizonte. We suggest you send the remaining studies to the Bank as soon as they are completed.

Sincerely,

Robert F. Skillings, Chief
Country Programs Division
Latin America and Caribbean
Regional Office

DRAFT LETTER

Loans 757-8-BR

General Luis F. Galvao Carneiro da Cunha
Presidente
Companhia de Saneamento Básico do
Estado de Sao Paulo
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, SP, Brazil

Re: Sao Paulo Water Supply and Pollution
Control Project

Dear General Carneiro da Cunha:

Many thanks for the cooperation and courtesies that you and your staff extended to Messrs. Costa and Rodriguez during their recent visit to Sao Paulo. They discussed in particular with you the transfer of the existing loans to SABESP, and asked your financial Director, Mr. Athayee de Rosa, to prepare the financial data we need to know before making this transfer to your company.

We wish to confirm our mission's request and would appreciate your sending us these data at your earliest convenience. We also suggest that you contract for the external audit of SABESP's accounts as soon as possible.

Sincerely,

John M. Kalbermatten
Chief, Water Supply and Sewerage Division
Latin America and the Caribbean Regional Office

BRAZIL

MINAS GERAIS WATER SUPPLY AND SEWERAGE PROJECT

COMAG

COMPARATIVE INCOME, CASH FLOW AND BALANCE SHEET STATEMENTS

	1973		1974	
	Appraisal	Realized ^{1/}	Appraisal	Realized
	-----CR\$ million-----			
<u>INCOME AND CASH FLOW STATEMENTS</u>				
<u>SOURCES</u>				
Revenues	36.2	38.4	64.4	73.0 ^{2/3}
Operating Expenses	(26.4)	(29.8)	(51.1)	(51.1) ^{3/}
Other Income (net)	(4.8)	1.5	1.1	0.2
Gross Internal Cash Generation	5.0	10.1	14.4	22.1
Less: Debt Service			(15.5)	(16.8)
Net Internal Cash Generation			(1.1)	5.3
BNH/FAE			148.8	207.9 ^{5/}
Other Loans and Grants			-	46.5 ^{6/}
Total Borrowings			148.8	254.4
<u>Total Sources</u>			<u>147.7</u>	<u>259.7</u>
<u>APPLICATIONS</u>				
Works			147.3	230.0 ^{6/}
Interest During Construction			1.5	8.4
Total Works			148.8	238.4
Increase (decrease) in Working Capital			(1.1)	21.3
<u>Total Applications</u>			<u>147.7</u>	<u>259.7</u>

- 1/ Not Audited yet
 2/ Included an average increase of 12% of water and sewerage tariffs implemented in January 1974
 3/ 85% of which comes from Belo Horizonte
 4/ Operating ratio reduced by 8% compared with 1973's results.
 5/ Loans from Local Banks (CR\$5.6 million) and Municipal Grants (CR\$40.9 million)
 6/ Broken down as follows:

	CR\$ million	
Belo Horizonte	101.3	
Contagem	27.5	
Alem Paraiba	3.6	
Alfenas	4.2	
Catagunses	5.4	
Ipatinga	8.8	
Leopoldina	3.1	
Teofilo Otoni	3.8	
Other works in 93 cities	65.0	
Total Works (101 cities)	222.7	Of which CR\$174.6 million for waterworks (78%) and
Project Studies (44 cities)	5.2	CR\$48.1 million (32%) for sewerage works.
Miscellaneous Investments	2.1	
Total Investments	230.0	

BALANCE SHEET STATEMENTS
 (as of December 31, 1973. Not Audited Yet)

ASSETS

Fixed Assets		
Gross In Operation	169.3	288.4 ^{1/}
Less: Depreciation	(43.7)	(0.3)
Net In Operation	125.6	288.1
Works in Progress	-	52.4
Total Fixed Assets	125.6	340.5
Current Assets		
Inventories	11.0	11.8
Accounts Receivable	13.8	15.8
Cash	4.6	9.5
Others	2.9	11.1
Total Current Assets	32.3	48.2
Deferred Charges and Other Assets	0.1	8.2
Concessionary Account	0.1	8.2
Net Fixed Assets in Operation	84.0	214.7
Works in Progress	86.7	79.6
Total Concessionary Account	170.7	294.3
Total Assets	435.7	601.2

EQUITY AND LIABILITIES

Equity		
Capital	10.0	225.0
Accumulated Surplus	43.3	10.5
Revaluation Surplus	91.0	2.5
Total Equity	144.3	238.0
Long Term Liabilities		
Long Term Debt Gross	111.2	137.5
Less: Current Maturities	(10.3)	(10.2)
Long Term Debt Net	100.9	127.3^{2/}
Current Liabilities		
Account Payable	11.4	10.5
Current Maturities of Long Term Debt	10.3	10.2
Total Current Liabilities	21.7	20.7
Deferred Revenues and Other Liabilities	15.5	10.9
Concessionary Account	15.5	10.9
Accounts Payable to Municipalities	46.3	214.7
Long Term Debt	-	51.8
Short Term Accounts Payable	-	27.8
Total Concessionary Account	46.3	294.3
Total Equity and Liabilities	435.7	601.2

- 1/ of which CR\$200 million have not been yet classified
 2/ this account concerns mostly the former DEMAE
 3/ BNIH CR\$48.6 million
 FAE CR\$19.0 million
 IDB CR\$58.6 million
 Others CR\$ 1.1 million

March 1974

BRAZILSAO PAULO WATER SUPPLY AND POLLUTION CONTROL PROJECTSABESPBALANCE SHEET AS OF NOVEMBER 30, 1973

	<u>CR\$ million</u>	<u>US\$ million</u>
<u>ASSETS</u>		
Gross Fixed Assets in Operation	1,747.7	273.1
Less: Depreciation	43.7	6.8
Net Fixed Assets in Operation	1,704.0	266.3
Works in Progress	2,027.5	316.7
Total Fixed Assets	3,731.5	583.0
Investments	9.3	1.5
Inventories	5.7	0.9
Accounts Receivable	65.3	10.2
Cash and Investments in Securities	157.7	24.6
Total Current Assets	228.7	35.7
Other Assets	3.0	0.5
<u>Total Assets</u>	<u>3,972.5</u>	<u>620.7</u>
<u>EQUITY AND LIABILITIES</u>		
Authorized Capital	5,000.0	781.3
Capital to be subscribed	(2,070.5)	(323.5)
Subscribed Capital	1,784.5	278.8
Reserves	1,189.6	185.9
Total Equity	2,974.1	464.7
Long-Term Debt Net	850.7	132.9
Accounts Payable	89.3	14.0
Others	18.3	2.8
Current Portion of Long-Term Debt	40.1	6.3
Total Current Liabilities	147.7	23.1
<u>Total Equity and Liabilities</u>	<u>3,972.5</u>	<u>620.7</u>

1974's BUDGETREVENUES

Revenues from Water Supply and Sewerage Operations	464.1
Others	15.5
<u>Total</u>	<u>479.6</u>

OPERATING COSTS

Water Production	110.8
Water Distribution and Sewerage Collection	214.2
Sewerage Disposal	8.1
Operating Reserve	1.8
<u>Total</u>	<u>334.9</u>
Income before Depreciation	144.7
Depreciation	43.5
<u>Income before Interest</u>	<u>101.2</u>
Interest	3.9
Other Income (net)	20.2
Legal Reserve	5.1
<u>Net Income</u>	<u>112.4</u>

March 1974

Mr. Gerald Alter

March 7, 1974

Gunter K. Wiese, Director, LAG II

BRAZIL - Minas Gerais Water Supply and Sewerage Project

1. Between February 11 and 22, Messrs. Costa, Rodriguez, and Kanchuger held prenegotiation discussions in Brazil for a proposed loan to the National Housing Bank (BNH) for the subject project. The discussions were held in Rio with BNH officials and in Belo Horizonte with officials of the state water company (COMAG) and the Minas Gerais state government. I should like to call your attention and make recommendations to you with respect to four of the issues that were discussed by the mission.

A. Enterprise rate of return

2. The proposals approved by the Loan Committee included the requirement that COMAG maintain tariffs which would earn minimum rates of return on COMAG's net fixed assets. The minimum rates of return would be 4.5% in 1978, 6% in 1981, and 8% in 1983. If the 15% social welfare tax were eliminated, the minimum rates of return would increase by 2%.

3. BNH and COMAG are unwilling at the present time to accept the rate covenant proposed by the Bank. They would probably be willing to accept a rate covenant six months from now when the Minas Gerais "global feasibility study" (the overall water and sewerage development program for the state) is completed. The minimum rate of return they would accept would be the rate of return which that study indicated would in fact be achieved under present tariff policies. Under the circumstances, we do not recommend that the Bank delay the loan in the hope that we could agree upon a rate covenant six months from now. As explained below, our own calculations indicate that COMAG's present rate formula, translated into a rate covenant, will achieve satisfactory results both in terms of ensuring COMAG's financial viability and in terms of ensuring that consumers as a group pay the full incremental cost of providing water and sewerage services.

4. BNH has in the past only required that water and sewerage companies charge tariffs that are sufficient to cover operating costs and debt service. BNH is, however, prepared to accept for this project a formula whereby tariffs charged by the state water company would cover operating costs, debt service requirements, working capital needs and a small amount, one percent of gross fixed assets, for miscellaneous investment needs. Investment needs for the state water and sewerage company beyond this amount will be met half by BNH loans and half by loans from a special revolving fund (FAE) established by the state. The BNH and FAE loans both have amortization periods of 18 years and interest rates are 8% and 4% respectively. Amortization and interest payments are subject to full monetary correction. BNH argues that this system of financing is a financially viable one, satisfying all of the needs of the company. As a result, they contend, a rate of return covenant is not necessary.

March 7, 1974

5. We agree that the BNH financing system is a viable one. It also provides a high rate of return on incremental investment. The BNH and FAE loans for new investment are repaid in 18 years, which is far less than the economic life of the assets financed. The actual rate of return on incremental investment financed by these loans is thus higher than the 8% and 4% interest of the loans. Although it is true that the COMAG tariffs are not set to earn a return on those assets of COMAG which in past years were financed through grants, the tariff structure will provide for earning a more than satisfactory return on all new investment and adequately cover all of the company's financial needs. As a result we recommend that the Bank accept the BNH formulation for establishing tariffs in place of the minimum rate of return covenant.

B. Subproject selection

6. The proposals approved by the Loan Committee would prevent BNH from financing subprojects which have an incremental rate of return below zero. BNH states that they cannot accept this, but are willing to agree that any project with an incremental rate of return below zero should not be financed with Bank funds. They state that their program obliges them to furnish adequate water and sewerage services to all of the 722 communities that serve as the Brazilian equivalent of county seats in the state. Rubens Costa, the President of BNH, portrays this obligation as a social, moral and political one.

7. BNH was asked how it intends to exclude highly uneconomic subprojects from its program. It replied that it will begin its program in the state with the projects having the most favorable incremental rates of return and will construct the projects with the lowest incremental rates of return last. It will avoid building patently absurd schemes by simplifying and adjusting water supply systems to local conditions and seeking the least cost solution for all projects. As required, tariff rates will be raised so that the system as a whole will pay for the more costly installations. In effect, BNH argues that the degree of cross-subsidization should be increased, but that the sound financial position of the company should be preserved. As long as the Brazilians wish to hold this subsidization within the water supply and sewerage sector, it is hard to see how the Bank can disagree, and we recommend therefore that the cut-off criteria for subprojects apply only to Bank-financed subprojects.

8. Very few, if any, of the 43 subprojects in the first phase of the BNH program will have an incremental rate of return below zero.

C. Water Supply Training Program

9. The mission discussed the mechanics for Bank financing of the water supply training program with officials in BNH and discovered that we had been mistaken in our belief that there was a BNH grant to the program drawn from BNH's surplus earnings. In fact, the BNH "contribution" to the training program takes the form of allocating about one percent of its water and sewerage loans to the states to a special fund which is used to

March 7, 1974

cover technical assistance to the states including the training program. The \$5 million proposed in the loan to cover 25% of the cost of the training program financed by BNH thus relieves BNH of the need to finance these expenditures from its regular resources. They thus increase BNH's resources available for the financing of its other activities. These \$5 million therefore have the same effect on BNH's resource position as the remaining portion of the Bank loan. No change, therefore, is proposed in the setup of the loan.

D. Standards for Water Supply and Sewerage Works

10. The green cover appraisal report recommended that the Bank should require the Government to establish and implement minimum national standards for water supply and sewerage design and construction, including special standards for such works in small communities. The mission found that the work for the establishment of standards was well under way under the leadership of BNH. As a result, it is proposed that during loan negotiations we will seek a covenant providing for the continuation of such work and for periodic consultation with the Bank on its progress.

Cleared with and cc: Mr. Kalbermatten, Division Chief, LCPFB
Mr. Skillings, Division Chief, LAC II

cc: Messrs. Baum, Vice President, Projects Staff
Knox, Director, LAC Projects
Dovani, Director, Public Utilities, OPS
Geli, Assistant Director, LCPFB
Scott, Legal Department
Cancio, Senior Counselor, Legal Department
Carvalho, Legal Department
Raizen, Financial Advisor, Office of the Vice President, PAS
Rodriguez, Procurement Officer, LCPWS
Costa, Financial Analyst, LCPWS
Helne, Controller's
Jennings, Financial Adviser, PEP

RKanchuger/RFSkillings:glw/gri

São Paulo — SP.

Brasil - box 758



companhia metropolitana de água de são paulo comasp

São Paulo, 08 de março de 1.974.
F.1069 - G.1981

LAC Projects
Water Supply Division - IBRD
1818, H Street - N.W.
Washington - D.C
20433 - (E.U.A.)
At. Dr. René Costa

Ref.: - "Organograma Base"

Prezado Senhor,

Temos a grata satisfação de encaminhar junto a esta o "Organograma Base" desta Companhia, até nível de Superintendencia.

Certos de assim preencheremos os requisitos solicitados, colocamo-nos a sua inteira disposição para quaisquer informações que se façam necessárias.

Aproveitando o ensejo de apresentar os nossos protestos de elevada estima e consideração, subscrevemo-nos,

Atenciosamente,


Athayde Rosa
Diretor

Date Received March 20/74
Date Acknowledged No reply
Assigned to JMK / RE / ER

BR-4-9

SW/hksc

RECEIVED
1974 MAR 19 PM 2:32
COMMUNICATIONS
SECTION

Loan 757-BR

March 6, 1974

Eng. Luiz Augusto de Lima Pontes
Superintendente de Planejamento
e Controle
Companhia de Saneamento Básico
do Estado de São Paulo - SABESP
Rua Riachuelo, 115 - 11 andar
01007, São Paulo, Brazil

Re: São Paulo Water Supply Project
Bids Nos. 040, 045, 046, 059, 060 and 061/73

Dear Eng. Lima Pontes:

Following our letter of February 14, 1974 and review of your evaluation reports on the above bids, we wish to inform you that the Bank has no objection to your awards of Contracts Nos. 644/73 and 662/73 to SERTEP Serviços Técnicos de Engenharia e Petróleo S/A and Construtora Augusto Velloso S/A, respectively. These contracts will be financed under Category IV of Schedule 1 of Loan 757-BR.

We must further inform you that we could not concur in your awards of contracts Nos. 505, 618, 647 and 660/73, and consequently expenditures under such contracts will not be eligible for financing from the Loan. Our reasons for not approving these contracts are now well known to you. The contracts were awarded according to bid evaluation procedures which are not consistent with our rules of procurement, and we have repeatedly indicated in previous correspondence that the SAEC evaluation criteria were not acceptable.

Mr. Rodríguez discussed this procurement matter with you during his recent visit to São Paulo, and reported that you intend, with the creation of SABESP, to revise the SAEC bid evaluation procedures. We suggest that you undertake this revision as soon as possible.

Sincerely,

John M. Kalbermatten
Chief, Water Supply and Sewerage Division
Latin America and the Caribbean Regional Office

cc: Messrs. Helne (with att.)
Kanchuger
Kalbermatten ✓
Division Files and LAC Files

FRodriguez:mcg

CONTROL No. BR-4-5

Loan 758-ER

March 6, 1974

Eng. Braz Juliano
Diretor
Companhia de Saneamento Básico
do Estado de São Paulo - SABESP
Rua Costa Carvalho, 300 - Pinheiros
São Paulo, Brazil

Re: São Paulo Pollution Control Project
Bid No. 01/74

Dear Eng. Juliano:

We have received your letter of February 15, 1974 and two copies of the tender documents No. CSACP 01/74 for civil works construction of the ABC sewage treatment plant.

Mr. Rodríguez had the opportunity during his recent visit to São Paulo to review and discuss the contract documents with your staff; he reported that they conform to our Guidelines for Procurement.

We wish to confirm that the Bank has no objection to these tender documents and to your proceeding with invitations to bid.

Sincerely,

John M. Kalbermatten
Chief, Water Supply and Sewerage Division
Latin America and the Caribbean Regional Office

cc: Messrs. Kanchuger
Kalbermatten
Division Files and LAC Files

FRodríguez:mcg

CONTROL No. BR-4-6

Brazil - Loan 758 BR

March 1, 1974

Companhia Metropolitana de
Saneamento de Sao Paulo
Avenida Angelica No. 2223, 16^o andar
Sao Paulo, Brazil

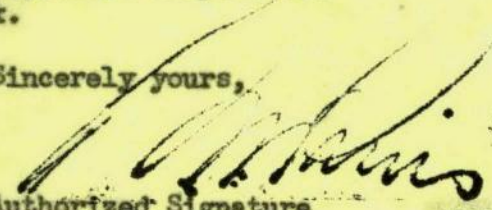
Re: Loan 758 BR
Category 3
Application No. 1

Gentlemen:

We have received from Uniao de Bancos Brasileiros S.A.,
Sao Paulo, a refund of Deutsche Mark 11,489.00. Please refer
to our letter dated June 7, 1972, with attached copy of With-
drawal Authorization No. 1.

Your Loan 758 BR, Category 3, Application No. 1, has been
credited with Deutsche Mark 11,489.00 on November 22, 1973.
The dollar equivalent of this amount is \$4,308.38 computed at
the rate of \$.3750 per one Deutsche Mark.

Sincerely yours,


Authorized Signature

cc: Ministerio da Fazenda
Av. Presidente Antonio Carlos, 375
Rio De Janeiro, Brazil

Controller's
Records (3)
o/File

LT:ky

5

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: COMPANHIA DE SANEAMENTO BASICO DO ESTADO
DE SAO PAULO - SABESP
ATTENTION ATHAYDE ROSA, DIRECTOR
AV PAULISTA 1938 - 15^o ANDAR
01310, SAO PAULO

DATE: February 27, 1974

CLASS OF
SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.:

REPEATING OUR CABLE OF FEBRUARY TWENTYSIX AS FOLLOWS QUOTE DISBURSEMENT
LOANS 757 AND 758 BEING WITHHELD PENDING RECEIPT FEDERAL GOVERNMENT'S
CONCURRENCE TO PROCEDURE DESCRIBED OUR LETTER TO YOU OF JANUARY TWO
STOP SUGGEST YOU CONTACT MINISTRY OF FINANCE TO ASSIST THEM IN EXPEDITING
THEIR CONSIDERATION OF MATTER SIGNED SKILLINGS UNQUOTE REGARDS

KANCHUGER

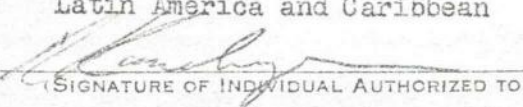
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert Kanchuger

DEPT. Latin America and Caribbean

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

RKanchuger:glw

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Carvalho, Legal Department
Helne, Controller's
Rodriguez, Procurement
Officer, LACPWS

For Use By Communications Section

Checked for Dispatch: 

OUTGOING WIRE

TO: GENERAL LUIS F. GALVAO CARNEIRO DA CUNHA
PRESIDENTE
COMPANHIA DE SANEAMENTO BANCO DO
ESTADO DE SAO PAULO
RUA RIACHUELO, 115
SAO PAULO, SP
COUNTRY: BRAZIL

DATE: FEBRUARY 26, 1974

CLASS OF
SERVICE: LT / ITT

TEXT:
Cable No.:

DISBURSEMENT LOANS 757 AND 758 BEING WITHHELD PENDING RECEIPT FEDERAL
GOVERNMENT'S CONCURRENCE TO PROCEDURE DESCRIBED OUR LETTER TO YOU OF
JANUARY TWO STOP SUGGEST YOU CONTACT MINISTRY OF FINANCE TO ASSIST
THEM IN EXPEDITING THEIR CONSIDERATION OF MATTER REGARDS

SKILLINGS

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert F. Skillings

DEPT. Latin America and Caribbean

SIGNATURE *Robert F. Skillings*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RKanchuger:glw

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION: Cleared with and
cc: Messrs. Carvalho, Legal Department
Helne, Controller's
Friedmann, Public Utilities

For Use By Communications Section

Checked for Dispatch: SC

DKZ Ln 757
BRZ Ln 758

Mr. Kanchuger

OK.

MJ

February 26, 1974

To: Mr. Robert F. Skillings, Division Chief, LAC II
From: Robert Kanchuger, Loan Officer, LAC II
Subject: Sao Paulo Water and Sewerage Loans

You may recall that in January we agreed to continue disbursements under the subject loans to the new Sao Paulo water and sewerage company if the state and federal governments concurred. The state government has agreed to our suggested disbursement procedure, but we have not received a reply from the federal government. As a result, the Controller is holding up disbursement requests under the subject loans. I think the best method of getting the federal government to act on the matter is to contact the company. Accordingly, I have prepared a proposed cable to the President of the company for your authorization. I have also attached our correspondence of January 2 to the company and the state and federal governments for your information.

Attachments

Brazil - Loan 758 BR

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

CSA-071/0319/74 - SABESP-C

February 15, 1974

Mr. John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20 433
U.S.A.

Re.: Loan nº 758 BR

Dear Sir

not attached
Enclosed for your review and approval are the tender documents nº.
CSA - CP - 01/74 for the construction of ABC Sewage Treatment Plant's
Preliminary Works.

Your kind consideration of the documents would be appreciated.

Sincerely

Braz Juliano
BRAZ JULIANO

Diretor

NMAJ/cb.-

Date Received *March 6/74*

Date Acknowledged *March 6/74*

Assigned to *JMK/PR*

BR-4-6

INCOMING CABLE

Log. 259

440098 IBRD UI

RECEIVED

C 805

BRZ Ln 757
BRZ Ln 758

Mr. Skillings

ITT 36 FEB 6 1974 ITT WORLD COMM

ZCZC AWA245 VIA ITT BUS074 TPX173 ALP649 150198 201000874

UIWA CO BRSP 053

Sent cable
to Ranchugar
at Hotel Santa
Rosa Cuaba

SAO PAULO 53 6 1500 - February 6, 1974

Distribution

Mr. Wiese
Mr. Skillings

KD

2/6/74

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT BIRG 1818

H. STREET N.W.

WASHINGTON DC 20433.

ATENCAO MR GUNTER K WIESE DEVIDO AS MUNDANCAS OCORRIDAS COM A
CRIACAO SABESP SOLICITAMOS ENVIAR MISSAO DO BANCO EM DEZOITO DE MARCO
DE 1974 EPOCA EM QUE TEREMOS CONDICAOES SATISFATORIAS DE ATENDIMENTO
FAVOR CONFIRMAR

LUIZ P.G. CARNEIRO DA CUNHA E ATHAYDE ROSA

CUL 1818 20433 1974

OFFICE MEMORANDUM

TO: Messrs. R. Costa (FNA, LCPWS) and F. Rodríguez
(EGR, LCPWS)

DATE: February 4, 1974

FROM: John M. Kalbermatten (Division Chief, LCPWS)

SUBJECT: BRAZIL - Postappraisal of the Minas Gerais Water Supply and
Sewerage Project
Loans 757 and 758-BR - Sao Paulo Water Supply and
Pollution Control Project - Supervision Mission
Terms of Reference

1. You should plan to arrive in Rio de Janeiro on February 11, 1974 to discuss with officials of the Banco Nacional da Habitacao (BNH) the Bank's recommendations on the Minas Gerais Water Supply and Sewerage Project. Messrs. R. Kanchuger and L. Cancio will join you there and will participate in the mission. Mr. Rodríguez, on his way to Brazil will spend a day in Bogotá reviewing the tender documents for the Chingaza Tunnel construction (Loan 741-CO).
2. In Rio de Janeiro you should discuss with BNH's officials the proposed financial and economic covenants for the project, in particular the financial rate of return covenant and the economic cut-off criteria for the evaluation of subprojects. You will also pre-negotiate with BNH's staff other proposed loan conditions regarding the Superintendencia management and organization of the project, and the use of management consultants. Mr. Rodríguez will review with BNH's staff the procurement and disbursement procedures for the project, and for that purpose a representative of the Companhia Mineira de Aguas e Esgotos (COMAG) should be invited to Rio to participate in this review. As time permits, Mr. Costa will visit the BNH's technical agency in charge of coordinating the National Sanitation Training Program.
3. After completing your work in Rio de Janeiro, you should proceed to Sao Paulo where you will study the changes required in the SAEC and SANESP loan agreements for the transfer of the existing loans to the new Sao Paulo State Water Company (SABESP). You should in particular:
 - (i) get acquainted with SABESP's management;
 - (ii) obtain the financial, technical and legal information needed for the preparation of supplemental agreements with SABESP;
 - (iii) review progress in the project execution;
 - (iv) evaluate SABESP's organization, and
 - (v) discuss with BNH's representatives in Sao Paulo and SABESP's management an ad hoc system of information for the Sao Paulo project.

February 4, 1974

4. Then Mr. Costa should proceed to Belo Horizonte where he will review with COMAG's staff the status of preparation of the Minas Gerais Water Supply Program. Mr. Costa should, in particular:

- (i) discuss with COMAG's management the terms and conditions of the proposed Project Agreement;
- (ii) evaluate progress in the negotiations for the merger of the municipal water utilities of Minas Gerais State in COMAG, and the hiring of Consultants for technical and management assistance to COMAG, and
- (iii) review the feasibility studies already completed for some of the subprojects.

If necessary and appropriate, Mr. Rodríguez should also go to Belo Horizonte to discuss procurement procedures with COMAG's staff.

5. The mission is expected to stay about two weeks in Brazil. On your return, you should prepare the usual Back-to-Office and/or Full Report.

Cleared in substance and cc: Mr. Kanchuger

cc: Messrs. Knox (LCPDR), Geli (LCPDR), Skillings (LC2DA), Rovani (5) (PBPDR), van der Tak (VPS), Cancio (LEG), Helne (CTR), Wiese (LC2DR), Bowron (PAB), Baum (PAS) (3), Zenick (LC2DB), Sporon-Fiedler (LC2DB), Mrs. Steiner (LCPB), Division Files and LAC Files.

FRodríguez/RCosta:mcg

IBRD LANGUAGE SERVICES DIVISION	
CONTROL No. E-1193/74	DATE: February 15, 1974
ORIGINAL LANGUAGE: Portuguese (Brazil)	
DEPT. Latin America	TRANSLATOR: GEA/wj

Department of Public Works and Services
of Sao Paulo

Sao Paulo Water & Sew
BZ - Ln 757
BRZ - Ln 758

January 22, 1974

Ref.: S-0069-A

Mr. Gunter K. Wiese
Director, Country Programs Dept.
Latin America & Caribbean Regional Office
IBRD
Washington, D.C.

Dear Sir:

In response to your letter of January 2, 1974, I enclose a copy of it duly signed in confirmation of the Government's decision to continue receiving disbursements from the Bank on Loans 757 and 758 BR until the loan agreements are renegotiated.

I have instructed SABESP to speed up the studies needed so that the agreements may be renegotiated within the time set, in accordance with the wishes of Bank and of the Government of the State of Sao Paulo.

Very truly yours,

José Meiches
Secretary of Public Works and Services



SECRETARIA DE ESTADO DOS NEGÓCIOS
DOS SERVIÇOS E OBRAS PÚBLICAS
DE SÃO PAULO

São Paulo, 12 de janeiro de 1974.

S- 0067-4

TRANSMITIDO
INFO. 11/1/74

Prezado Senhor

FEB 19 1974

CONTROL No. E-1193/74
LB.R.D.

Em atenção à carta de 2 de janeiro p. pas-
sado, tenho o prazer de encaminhar-lhe, cópia da mesma, devi-
damente assinada, confirmando a decisão do Governo em conti-
nuar recebendo os desembolsos deste Banco para os contratos
757 e 758/BR, enquanto estes contratos não forem renegociados.

Informo-lhe também, que determinei à Com-
panhia de Saneamento Básico do Estado de São Paulo - SABESP a
aceleração dos estudos necessários para que os referidos con-
tratos possam ser renegociados dentro do prazo previsto, aten-
dendo assim ao desejo deste Banco e do Governo do Estado de
São Paulo.

Renovo na oportunidade meus protestos de
elevada consideração e apreço.

José Meiches
JOSÉ MEICHES
Secretário dos Serviços
e Obras Públicas

Ilmo. Sr..

GUNTER K. WIESE

Director Country Programs Department

Latin America and Caribbean Regional Office

São Paulo, 17 de janeiro de 1974
F.0156 - G.0391

20.º Tab.

BRAZ JULIANO
-Diretor-

As referidas assinaturas vão autenticadas por
notário público oficial da cidade de São Paulo.

Sendo o que tínhamos a informar, subscrevemo-
nos,

Atenciosamente.

LUIZ PHELIPPE GALVÃO CARNEIRO DA CUNHA
LUIZ PHELIPPE GALVÃO CARNEIRO DA CUNHA.
Presidente

ATILAYDE ROSA
ATILAYDE ROSA
Diretor

c.c. PRE, CDC, CEF, CS, FIC, FNC

Al./emb.

POR FIRMA		20.º OFÍCIO DE NOTAS	
Escr.	Cr\$ 0,33	ANTIGO TABELIONATO MENOTTI	
Est.	Cr\$ 0,07	Rua Libero Baduró, 658 - SÃO PAULO	
C. S.	Cr\$ 0,10	Reconheço a firma <i>[assinatura]</i>	
Soma Cr\$ 0,50		S. Paulo, <i>22</i> de <i>Junho</i> de 197 <i>7</i>	
O selo de colado		Em tot.º <i>[assinatura]</i> da verdade	
e a taxa de cart.		ESPEDITO BEZERRA COSTA	
das serventias serão		ALTINO ROLIM ARANTES	
pagas a/ verbo.		Procuradores Autorizados	

Brazil - Terms of Reference

- 4 Brazil - Power General (S. Francisco Valley)
- 1 Brazil - Agriculture Gen. (Mato Grosso)
- 1 Brazil - Water Supply (Minas Gerais)
- 1 Brazil - Loan 757
- 1 Brazil - Loan 758

Mr. Robert Kanchuger, Loan Officer, LAG II January 16, 1974

Robert F. Skillings, Division Chief, LAG II

BRAZIL - Terms of Reference

1. You will arrive in Brazil on January 28 for a mission of about three weeks. The purpose of your mission is the following:

a. Proposed Project for the Development of the Lower Sao Francisco Valley. You and Mr. Goldberg will join the FAO/IBRD mission in Fortaleza to review the study of the lower Sao Francisco Valley which has been prepared by the joint venture consulting firm SCET/SIRAC International. The purpose of the review is to provide information to assist in the identification of a project for possible Bank financing which will have as its goals, a) the alleviation of adverse effects caused by changes in the flow of the Sao Francisco River resulting from the construction of the Sobradinho dam, and b) the integrated development of the lower Sao Francisco Valley. After completion of the review in Fortaleza you will proceed to Rio with the FAO/IBRD mission and join Mr. Haasjes for discussions with representatives of SUVALE and the Ministry of the Interior to identify a project, based on the SCET/SIRAC study, for possible Bank financing.

b. Proposed Colonization Project for Mato Grosso. You will join Messrs. Haasjes, Goldberg and McMillan in Mato Grosso for discussions with the state development agency of Mato Grosso regarding their preparation of a colonization project for possible Bank financing. The purpose of the mission is to become acquainted with the work being done by COEMAT and to provide such guidance and assistance as may be appropriate.

c. Proposed Minas Gerais Water and Sewerage Project. You will join Messrs. Costa, Rodriguez and Cancio for prenegotiation discussions with the National Housing Bank, the state of Minas Gerais and COMAG (the Minas Gerais state water company) personnel. These discussions should acquaint the parties with key provisions of the proposed loan documents in order to facilitate subsequent loan negotiations. The discussions will be held in Rio and, if necessary, Belo Horizonte.

d. Sao Paulo Water Supply and Sewerage Loans, BR-757 and 758. You will join Messrs. Costa, Rodriguez and Cancio in their supervision of these projects. The mission will have as one of its principal purposes the negotiation of the transfer of the existing loans to the new Sao Paulo state water company, SABESP. Discussions will take place in Sao Paulo.

e. Miscellaneous.

1. You will join Mr. Wiesner on February 4 in Rio to assist him in his discussions with Brazilian Government officials.

Mr. Robert Kanchuger

- 2 -

January 16, 1971

ii. As time permits, you will participate in any discussions held by Mr. Haasjes regarding the Alto Turi Project.

iii. You will call on Eletrobras and CHESF to discuss their interest in a possible project for financing electric power distribution in Northeast Brazil.

2. You shall be responsible for the supervision and training of Mr. Goldberg during the mission.

3. Upon your return you will prepare a back-to-office report.

cc: Messrs. Haasjes, Section Chief, LCPAG
Costa, Financial Analyst, LCPWS
Rodriguez, Procurement Officer, LCPWS
Cancio, Senior Counselor
Kalbermatten, Section Chief, LCPFB
Goffin, Division Chief, LCPAG
Goldberg, Young Professional, LAC II

RKanchuger:glw

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1815 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3-6360 • Cable Address - INTBAFRAD



January 2, 1974

00135

Ministro Antonio Delfim Netto
Ministro da Fazenda
Ministerio da Fazenda
Av. Presidente Antonio Carlos, 375
Rio de Janeiro, GB, Brazil

Dear Mr. Minister:

Re: Sao Paulo Water Supply and Pollution
Control Project, Loans 757 and 758-BR

I have attached a copy of a letter we have written to the President of the Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) regarding the continuation of Bank disbursements for the subject projects pending renegotiation of the existing loans with SABESP. In view of the Government's position as Guarantor of both of the subject loans, we would like to have your agreement for the procedures we have suggested for continuing disbursements. You may signify your agreement by signing the enclosed confirmation copy of this letter and returning it to us.

Sincerely yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

[Signature]
Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

FEDERATIVE REPUBLIC OF BRAZIL

By

[Signature]
Authorized Representative

Date

Attachments

Secretaria Geral da Fazenda Nacional

Setor de Atos e Contratos

Recebi em documento original

Em 14/3/1974

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OFFICIAL
DOCUMENTS

✓ Brazil - Loan 758 - BR
a: Loan 757 - BR

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 - Telephone - EXecutive 3-6360 - Cable Address - INTBAFRAD

Brasil - Loan 758

January 2, 1974

Governo do Estado de Sao Paulo
Secretario dos Servicos e Obras Publicas
Rua Riachuelo, 115 - 3º andar
Sao Paulo, SP, Brazil

Attention: Mr. Jose Meiches

Dear Mr. Secretary:

Re: Sao Paulo Water Supply and Pollution
Control Project, Loans 757 and 758-BR

I have attached a copy of a letter we have written to the President of the Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) regarding the continuation of Bank disbursements for the subject projects pending renegotiation of the existing loans with SABESP. In view of the State's position as a party to the Project Agreement for both of the subject loans we would like to have your agreement to the procedures we have suggested for continuing disbursements. You may signify your agreement by signing the enclosed confirmation copy of this letter and returning it to us.

Sincerely yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

[Signature]
Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

SECRETARIA DOS SERVICOS E OBRAS
PUBLICAS DO ESTADO DE SAO PAULO

By

[Signature]
Authorized Representative

Attachments

Sao Paulo, Jan. 21, 1974
Date

OFFICIAL
DOCUMENTS

Brazil - Loan 758-BR
cc: Loan 757-BR



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 - Telephone - EXecutive 3-6360 - Cable Address - INTBAFRAD

Brazil - Loan 758 BR

January 2, 1974

General Luis F. Galvão Carneiro da Cunha
Presidente
Companhia de Saneamento Básico do
Estado de São Paulo
Rua Riachuelo, 115 - 11º andar
São Paulo, SP, Brazil

Dear General Carneiro da Cunha:

Re: São Paulo Water Supply and Pollution
Control Projects, Loans 757 and 758-BR

I should like to take this opportunity to congratulate you on your recent appointment as President of the Companhia de Saneamento Básico do Estado de São Paulo (SABESP) and wish you and your company success. We have enjoyed excellent relations with SABESP's predecessor organizations, the Superintendência de Água e Esgotos da Capital (SAEC) and the Companhia Metropolitana de Saneamento de São Paulo (SANESP) and I am confident that the same relations will continue with the new company.

In a letter to the Bank of November 16, 1973, Mr. Luis Augusto de Lima Pontes of SABESP stated that it was the intention of SABESP to send a mission to the Bank to renegotiate the SAEC and SANESP loans that SABESP has now assumed. Until the loans are renegotiated, however, Mr. Lima Pontes requests that the Bank continue to make disbursements directly to SABESP.

In order not to delay the execution of the projects now underway, we agree to continue disbursements directly to SABESP for a limited period without a renegotiation of the loans, provided that the State of São Paulo and the Federative Republic of Brazil, in their capacity as parties to the Project and Guarantee Agreements, concur. We are therefore sending them copies of this letter.

In view of the importance that we attach to promptly renegotiate the existing agreements with SABESP, our concurrence to continue disbursements without renegotiated agreements is limited to April 30, 1974. We have placed this emphasis on the need for prompt renegotiation because many of the conditions and provisions of the existing agreements have become unclear or meaningless with the creation of SABESP.

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General Luis F. G. Carneiro da Cunha - 2 -

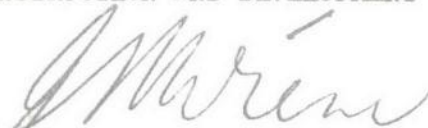
January 2, 1974

In order to continue disbursements, we will also need from SABESP evidence of the authority of the person or persons authorized to sign applications for withdrawal from the Loan Accounts and the authenticated specimen signature of any such person.

Our receipt of the signed confirmation copy of this letter will confirm your agreement to the procedure we have suggested.

Sincerely yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By 

Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

COMPANHIA DE SANEAMENTO BÁSICO DO
ESTADO DE SÃO PAULO

By 
Authorized Representative

São Paulo 24/01/74
Date

Attachment

cc: Governo do Estado de São Paulo
a/e Secretaria dos Serviços e Obras Públicas
Rua Riachuelo, 115 - 3º andar
São Paulo, SP, Brazil

Ministro Antonio Delfim Netto
Ministério da Fazenda
Av. Presidente Antonio Carlos, 375
Rio de Janeiro, RJ, Brazil

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Mr. Kalbhermatten
azil - Loan 758 - BR
a: Loan 757 - BR
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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone • EXecutive 3-6360 • Cable Address • INTBAFRAD

January 2, 1974

Governo do Estado de Sao Paulo
Secretario dos Servicos e Obras Publicas
Rua Riachuelo, 115 - 3º andar
Sao Paulo, SP, Brazil

Attention: Mr. Jose Meiches

Dear Mr. Secretary:

Re: Sao Paulo Water Supply and Pollution
Control Project, Loans 757 and 758-BR

I have attached a copy of a letter we have written to the President of the Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) regarding the continuation of Bank disbursements for the subject projects pending renegotiation of the existing loans with SABESP. In view of the State's position as a party to the Project Agreement for both of the subject loans we would like to have your agreement to the procedures we have suggested for continuing disbursements. You may signify your agreement by signing the enclosed confirmation copy of this letter and returning it to us.

Sincerely yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

[Signature]
Gunter E. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

SECRETARIA DOS SERVICOS E OBRAS
PUBLICAS DO ESTADO DE SAO PAULO

By

[Signature]
Authorized Representative

Attachments

Sao Paulo, Jan. 21, 1974
Date



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3-6360 • Cable Address - INTBAFRAD

Brazil - Loan 758-BR
cc: Loan 757-BR

January 2, 1974

General Luis F. Galvão Carneiro da Cunha
Presidente
Companhia de Saneamento Básico do
Estado de São Paulo
Rua Riachuelo, 115 - 11º andar
São Paulo, SP, Brazil

Dear General Carneiro da Cunha:

Re: São Paulo Water Supply and Pollution
Control Projects, Loans 757 and 758-BR

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General Luis F. G. Carneiro da Cunha - 2 -

January 2, 1974

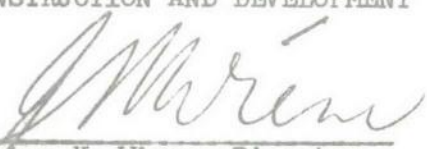
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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

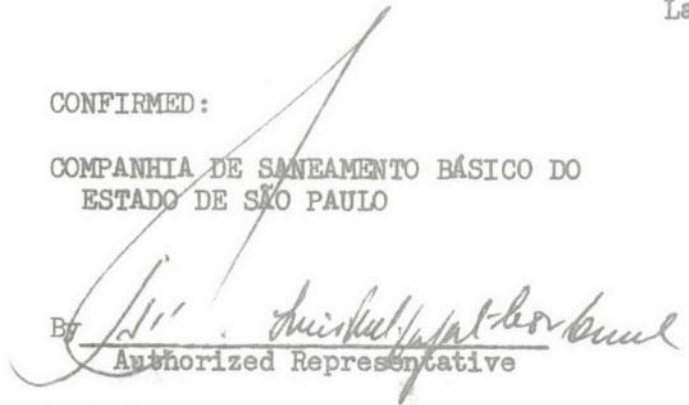
By


Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

COMPANHIA DE SANEAMENTO BÁSICO DO
ESTADO DE SÃO PAULO

By

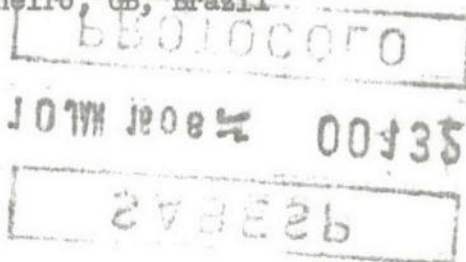

Authorized Representative

58 Paulo 24/01/74
Date

Attachment

cc: Governo do Estado de São Paulo
a/e Secretaria dos Serviços e Obras Públicas
Rua Riachuelo, 115 - 3º andar
São Paulo, SP, Brazil

Ministro Antonio Delfim Netto
Ministério da Fazenda
Av. Presidente Antonio Carlos, 375
Rio de Janeiro, RJ, Brazil



Brazil - Loan 757
Brazil - Loan 758

January 2, 1974

General Luis F. Galvão Carneiro da Cunha
Presidente
Companhia de Saneamento Básico do
Estado de São Paulo
Rua Riachuelo, 115 - 11º andar
São Paulo, SP, Brazil

Dear General Carneiro da Cunha:

Re: São Paulo Water Supply and Pollution
Control Projects, Loans 757 and 758-BR

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Director, Legal
Director, Technical
Director, Control

Manufacturing

General Luis F. G. Carneiro da Cunha - 2 -

January 2, 1974

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Sincerely yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Gunter E. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

COMPANHIA DE SANEAMENTO BÁSICO DO
ESTADO DE SÃO PAULO

By

Authorized Representative

Date

Attachment

cc: Governo do Estado de São Paulo
a/e Secretaria dos Serviços e Obras Públicas
Rua Riachuelo, 115 - 3º andar
São Paulo, SP, Brazil

Ministro Antonio Delfim Netto
Ministério da Fazenda
Av. Presidente Antonio Carlos, 375
Rio de Janeiro, GB, Brazil

Cleared with and cc: Messrs. Skillings, Division Chief, IACII
Carvalho, Legal
Rodriguez, Projects, IAC
Helne, Controller's

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OFFICIAL
DOCUMENTS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 - Telephone - EXecutive 3-6360 - Cable Address - INTBAFRAD

*Brazil - Loan 757-BR
Loan 758-BR
Re: Disbursement*

January 2, 1974

Ministro Antonio Delfim Netto
Ministro da Fazenda
Ministerio da Fazenda
Av. Presidente Antonio Carlos, 375
Rio de Janeiro, GB, Brazil

Dear Mr. Minister:

Re: Sao Paulo Water Supply and Pollution
Control Project, Loans 757 and 758-BR

I have attached a copy of a letter we have written to the President of the Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) regarding the continuation of Bank disbursements for the subject projects pending renegotiation of the existing loans with SABESP. In view of the Government's position as Guarantor of both of the subject loans, we would like to have your agreement for the procedures we have suggested for continuing disbursements. You may signify your agreement by signing the enclosed confirmation copy of this letter and returning it to us.

Sincerely yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By _____
Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

FEDERATIVE REPUBLIC OF BRAZIL

By _____
Authorized Representative

13/1/74

Date

Attachments

Brazil- Loan 758- admin

Dec. 31st, 1973

Country BRAZIL	Loan #758 Credit # Investment #	Project
Title and Description 1974 Budget for COMAG.		
Document Date Dec/1973	Prepared By COMAG	
Transmittal Letter No. Date	From No Letter-Copy Card for File ☒	Document # 22175

Brazil - Loan 758

Dec-31-73

Country BRAZIL	Loan #757/758 Credit # Investment #	Project
Title and Description SABESP-Companhia de Saneamento Basico do Estado de Sao Paulo. a) Plano de Contas-despesas e Investimentos-Contabili- dade de Custos b) Juros de Construcao. c) Plano de Contas-Contabilidade Geral OVER...		
Document Date	Prepared By SABESP	
Transmittal Letter No. Date	From No Letter-Copy Card for File ☒	Document # 22.4748

Brasil loan 758 Ad



COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

SANESP COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO-SABESP
ENG-085-0171/73-SABESP-C

December 17, 1973

Mr. John Kalbermatten
Chief, Water Supply Section
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

Ref.: São Paulo Water Pollution
Control
Project - Loan 758-BR
Reporting Requirements

Dear Sir,

not attached

With reference to Sections 3.05 and 5.02 of the Loan Agreement 758-BR, we forward enclosed herewith periodic information and reports required for the project related to the 1st, 2nd and 3rd quarter, 1973, with respective balance sheets.

Yours very sincerely

Braz Juliano
Eng^o Braz Juliano
Diretor

Date Received *1/16*

Date Acknowledged *No Reply (will be discussed during next mission)*

Assigned to *Im K / RE*

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BR 72

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COMMUNICATIONS
SECTION



Record Removal Notice



File Title Sao Paulo Water Supply and Pollution Control Projects - Brazil - Loan 0757, Loan 0758 - P006246 - Correspondence - Volume 2		Barcode No. 30319097		
Document Date 14 December, 1973	Document Type Memorandum			
Correspondents / Participants To: Mr. John Kalbermatten, Projects, Lat. Am & Car. From: Jose A. Carvalho				
Subject / Title BRAZIL- Loan Nos. 757-BR and 758-BR				
Exception(s) Attorney-Client Privilege				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Kelli Gordon</td><td>Date June 21, 2017</td></tr></table>	Withdrawn by Kelli Gordon	Date June 21, 2017
Withdrawn by Kelli Gordon	Date June 21, 2017			

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MSG5501 UNIAO DE BANCOS BRASILEIROS SA SAO PAULO

TO INTERNATIONAL BANK OF RECONSTRUCTION AND DEVELOPMENT WASH

OCT.29/1973

Distribution
Treas. Cashiers

FOR YOUR INFORMATION TODAY WE ARE CABLING BANCO DE COMERCIO
MEXICO, TO PAY YOU MEXICAN PESOS 14.839,00 ON BANCO DE MEXICO SA
MEXICO OF TO THE CREDIT OF THE ACCOUNT 8 ON THEM UNDER CABLE ADVICE
TO YOU REMITTER CIA METROPOLITANA DE SANEAMENTO DE SAO PAULO-SANESP
SAO PAULO

IF YOU UNADVISED UNTIL NOVEMBER 01/73 PLEASE CABLE US FULLSTOP

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UNIBANCO C SPO, 21858

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Brasil - Lou 756 - Mend.

SECRETARIA DE ESTADO DOS NEGÓCIOS
DOS SERVIÇOS E OBRAS PÚBLICAS
DE SÃO PAULO

Date Rec'd. *09.10.1973*

Date Ack'd. *No reply.*

Assigned *J.M.C. / F.R.*

São Paulo, 09 de outubro de 1973.

S- 787

Senhor Chefe: *B.R. 2-66*

Acuso o recebimento de sua carta de 7 de setembro próximo passado em que Vossa Senhoria enfatiza a necessidade urgente de serem discutidos e celebrados contratos suplementares com o Banco Mundial, assegurando a sucessão dos direitos e obrigações dos contratos de empréstimos assinados com a SAEC e a SANESP.

Os primeiros contatos sobre este assunto serão feitos com o advogado R. Buhler, que deverá estar em São Paulo nos dias 11 e 12 do corrente, conforme telegrama do dia 28 de setembro, enviado pelo Sr. Skillings.

Em decorrência destas reuniões, poderei comunicar a Vossa Senhoria a data em que missão do Governo do Estado partirá para Washington para entendimentos finais e assinatura dos Contratos Suplementares.

Agradeço a Vossa Senhoria as sugestões apresentadas na carta referida, as quais transmitirei à diretoria da SABESP.

Aproveito o ensejo para renovar a Vossa Senhoria meus protestos de elevada consideração e apreço.

João Meiches
JOSE MEICHES

Secretário dos Serviços e Obras Públicas

Ilmo. Sr.

JOHN M. KALBERMATTEN

Chefe da Seção de Abastecimento de Água

Divisão de Projetos de Serviços Públicos para América Latina e Caribe

Washington, U.S.A.

JL/ig.

September 24, 1973

Companhia Metropolitana de
Saneamento de Sao Paulo
Avenida Angelica No. 2223,16 andar
Sao Paulo, Brazil

Re: Loan No. 758 BR

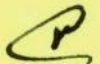
We are mailing to you under separate cover a Statement of Account for the above-mentioned loan covering the current six-month period, along with a Summary Statement of Amounts due on the next payment date November 1, 1973.

A review of the payments due under this loan on the last payment date indicates that the following amounts were received late:

<u>Date Due</u>	<u>Date Received</u>	<u>Name</u>	<u>Currency</u> <u>Amount</u>
May 1, 1973	May 18, 1973	Mexican pesos	13,517.00

The Bank attaches great importance to, and carefully reviews, the record of its borrowers in paying the amounts due under the various loans. A record of late payments causes us concern and is something which, I know, is quite contrary to your wishes. I should be grateful, therefore, if you would have this matter drawn to the attention of those responsible for initiating payments due to the Bank. Earlier payment instructions given to your bankers, will, I trust, result in prompt settlement, on the due date. If there is any way in which we can assist you in avoiding late payments, please let us know.

Sincerely yours,


Victor C. Chang
Deputy Controller

cc: Ministerio da Fazenda
Av. Presidente Antonio Carlos, 375
Rio de Janeiro, Brazil

cc: Mr. J. Burke Knapp
Mr. S. Aldewereld
Mr. Gerald Alter
Mr. Virgilio Barco
Mr. David W. Gray

Proced. - Loan 757 Adm.
✓ Proced. - Loan 758 Adm.

Loans 757-BR and 758-BR

September 7, 1973

Senhor Doutor Jose Meiches
Secretario dos Servicos e
Obras Publicas
Gabinete do Secretario
Rua Riachuelo - 115, 3º andar
01007 Sao Paulo, Brazil

Re: Sao Paulo Water Supply and
Pollution Control Project

Dear Dr. Meiches:

We appreciate the courtesies and cooperation that the officials of your Secretariat, SANESP, SAEC and COMASP extended to Messrs. Costa and Rodriguez during their recent visit to Sao Paulo. They have submitted a report on the Sao Paulo project and we are generally satisfied with the progress of the works.

The Bank has been informed of the State Government's decision to set up a single company, SABESP, responsible for the planning, construction and operation of water supply and sewerage facilities in Sao Paulo State. We hope SABESP may substantially improve water supply and sewerage services in the State.

We wish to advise you that in view of the disestablishment of SAEC and SANESP, it will be necessary that the Bank enter into supplemental agreements with SABESP, the Sao Paulo State and the Federal Government in order to assure the succession of SABESP to the rights and obligations of SAEC and SANESP under the existing Loan Agreements. It would be most opportune if we could expedite these formalities with no delay, which would avoid a time-lag in the project execution.

Due to the size and importance of SABESP, it might be advisable to hire highly qualified consultants in organization, administrative procedures, flow of information and long-range planning. We would also recommend that PAHO's contract with SAEC be extended and transferred to SABESP to take advantage of PAHO's expertise in data processing, personnel administration, inventory and budgetary controls, etc.

Senhor Doutor Jose Meiches

- 2 -

September 7, 1973

We think that SABESP's management will have to organize without delay an efficient financial department and appoint a capable financial manager. Meanwhile we suggest the establishment of a financial committee which would assist SABESP's management in making financial projections and coordinating the State program of works.

We understand that a joint mission of SABESP and the State may visit the Bank within the month following the setting up of SABESP to discuss the supplemental agreements we have mentioned here. We would appreciate if this mission could visit Washington in early October 1973. Please advise if this date would be convenient for you.

Very truly yours,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

Cleared w/& cc: Mr. Kanchuger(IC2DA)

cc: Messrs. Sheehan (LCPPB), Skillings (IC2DA), Buhler (LEG),
Helne (CTR), Costa, Rodriguez (LCPPB)
LAC Files, Division Files

RCosta:nq *aje*

Loan 758-BR

September 6, 1973

Eng. Oscar F. Lotito
Diretor
Companhia Metropolitana de
Saneamento de Sao Paulo - SANESP
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, Brazil

Re: Sao Paulo Pollution Control Project

Dear Eng. Lotito:

Thank you for your letter of August 27, 1973 forwarding a copy of your evaluation report on the preliminary designs prepared by Estudos Técnicos e Projetos-ETEP Ltda. for the ABC sewage treatment plant.

We are presently reviewing ETEP's feasibility report, and as soon as our review is completed, we shall write to you again to give our comments on this project.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

cc: Messrs. Kanchuger
Kalbermatten
Sheehan
Division Files

CONTROL No. BR-3-53
Rodríguez:mcg

Brazil - doc 757 - adv.
✓ Brazil - doc 758 - adv.

Country	Loan # 757/758 Credit # Investment #	Project
BRAZIL		

Title and Description

O Investimento Per Capita e as Despesas de Operacao e Manutencao no Modelo do PLANASA.

Form No. 114
(1 73)

Document Date Agosto 1973	Prepared By CCMASP
Transmittal Letter No.	From Document #
Date	No Letter-Copy Card for File ☐ 22.695



SANESP

COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

ENG-351-1880/73-SANESP-C

August 31, 1973

Mr. John Kalbermatten
Chief, Water Supply Section
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

REF:--São Paulo Water Pollution
Control
Project - Loan 758-BR
Reporting Requirements

Dear Sir,

With reference to Sections 3.05 and 5.02 of the Loan Agreement 758-BR, we forward enclosed herewith periodic information and reports required for the project related to the 1st quarter, 1973, and to the 2nd quarter, 1973, with respective balance sheets.

Date Rec'd. Sept. 12/73

Date Ack'd. no reply

Assigned to IMA

PL

BR-3-56

Yours very sincerely

Oscar Felomeno Lotito
Diretor

lf/-

RECEIVED

1973 SEP 11 PM 3:07

COMMUNICATIONS
SECTION

TO :

FROM :

SUBJECT :

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

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INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: BRAZ JULIANO
CIASANESPE
SAO PAULO

DATE: AUGUST 31, 1973
LOAN 758-BR

CLASS OF
SERVICE: LT

COUNTRY: BRAZIL

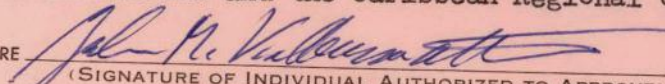
TEXT: REURLET AUGUST THREE REGARDING BIDDING NUMBER TWO FOR PROCURING CONCRETE
Cable No.: PIPES STOP BANK HAS NO OBJECTION TO YOUR DECISION TO REJECT BIDS AND
CONSTRUCT REINFORCED CONCRETE INTERCEPTORS INSTEAD OF INSTALLING PIPES
STOP REGARDS

KALBERMATTEN
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME John M. Kalbermatten, Chief, Water Supply Sec.
Public Utilities Projects Division
DEPT. Latin America and the Caribbean Regional Off.

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

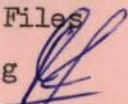
REFERENCE CONTROL No. BR-3-48

ORIGINAL (File Copy)

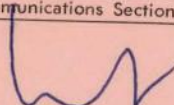
(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Kanchuger
Kalbermatten
Sheehan
Division Files

FRodriguez:mcg 

For Use By Communications Section

Checked for Dispatch: 

ORIGINAL (SEE COPY)

COMINT NO. 22-3-19

REFERENCE

SIGNATURE

SIGNATURE OF INDIVIDUAL AUTHORIZED TO SIGN

DISPATCHED

FOR USE BY COMMUNICATIONS SECTION

DEPT: 12TH AVENUE AND THE CATHEDRAL DISTRICT

NOTE: 12TH AVENUE PROJECTS DISTRICT

NAME: JOHN M. KATREKLETTEN, CHIEF, METAL

AUTHORIZED BY

MODIFIED BY: WCB

DISTRICT: 12TH

CHIEF

KATREKLETTEN

CC: 12TH AVENUE

STANDARD AND COPY DISTRIBUTION

NOT TO BE REPRODUCED

INTERVIEW
KATREKLETTEN

12TH AVENUE

CONSTRUCTION REINFORCED CONCRETE INTERSECTIONS INSTEAD OF IMBEDDING STEEL

12TH AVENUE BANK HAS NO OBJECTION TO YOUR DECISION TO REJECT BIDS AND

Serial No:

TEXT: 12TH AVENUE 12TH AVENUE BIDDING NUMBER TWO FOR REINFORCED CONCRETE

COMMENTS: 12TH

2ND FLOOR

CLASIFICATION

10: 12TH 12TH

REMARKS: 12

CLASS OF

FORM 128-BE

DATE: AUGUST 31, 1973

ONGOING WORK

ASSOCIATION

INTERNATIONAL DELEGATION

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR

COOPERATION

INTERNATIONAL FINANCE

(3-10)

Form No. 33

128

Aug. 28, 73

| | | | | | | | | | |
|-----------------------------------|-----------------|-------------------------------|-----------------|--|-------------|----------------------------|---------------------------|-----------------------------------|--|
| Regional Office:
IAC | | Country:
BRAZIL | | Project Name:
Sao Paulo Pollution Control | | | Loan/Credit No.
758-BR | | |
| Projects Dept./Div:
LCPPB | Code:
166-40 | Programs Dept./Div:
LC2DA | Code:
164-10 | Date Loan/Credit Signed:
06-21-71 | Project No. | 6 B R A W W O 1 | | | |
| Projects Officer:
F. Rodríguez | | Loan Officer:
R. Kanchuger | | Original Loan/Credit
\$m. 15.0 | | Cancellations:
\$m. 3.0 | | Current Loan/Credit:
\$m. 12.0 | |

SECTION I: DISBURSEMENTS

CUMULATIVE \$ MILLIONS

| | Through FY 72/73 | Current FY 73/74 | | Next FY 74/75 | | Amount Disbursed: |
|-------------------------|------------------|------------------|----------|---------------|----------|---|
| | | 1st Half | 2nd Half | 1st Half | 2nd Half | \$m. 0.4 |
| Original Estimate | 8.0 | 11.0 | 13.3 | 15.0 | - | Undisbursed Balance: |
| Last Estimate | 0.9 | 2.2 | 6.5 | 10.9 | 13.0 | \$m. 11.6 |
| Current Estimate/Actual | 0.4 | 1.3 | 4.5 | 7.0 | 9.0 | As of Date: 08.28.73 |
| | | | | | | Borrower: Companhia Metropolitana de Saneamento de São Paulo - SANESP |

SECTION II: COST ESTIMATES

| | Original Estimate | Last Estimate | Current Estimate |
|------------------------|-------------------|---------------|------------------|
| Local Currency (\$m) | 66.5 | 64.0 | 52.5 |
| Foreign Currency (\$m) | 15.0 | 14.0 | 11.5 |
| Total Project (\$m) | 81.5 | 78.0 | 64.0 |

SECTION III: MAJOR DATES FOR PROJECT IMPLEMENTATION

| | Original Estimate | Last Estimate | Current Estimate/Actual |
|------------------------|-------------------|---------------|-------------------------|
| Effective Date | 10.29.71 | - | 01.13.72 |
| Procurement Completion | 02.28.73 | 04.30.74 | 04.30.74 |
| Project Completion | 12.31.74 | 12.31.75 | 12.31.75 |
| Closing Date | 06.30.75 | 06.30.76 | 06.30.76 |

SECTION IV: PERFORMANCE RATING

PERFORMANCE TREND

NATURE OF PROBLEM

| | Last Report | This Report | | Last Report | This Report | | Last Report | This Report |
|------------------------------------|-------------|-------------|---------------|-------------|-------------|------------------|-------------|-------------|
| Problem-free project | 1. | | Improving | 1. | X | Financial | 1. | X |
| Minor problems | 2. | X | Stationary | 2. | X | Management | 2. | |
| Major problems - under control | 3. | X | Deteriorating | 3. | | Technical | 3. | X |
| Major problems - not under control | 4. | | | | | Political | 4. | X |
| | | | | | | Country Economic | 5. | |
| | | | | | | Other | 6. | |

SECTION V: MISSION SCHEDULE

DATES

| SECTION V: MISSION SCHEDULE | | | | DATES | | Last | Last |
|-----------------------------|------------|---------|-----------------|-----------|--------------|--------------------|-----------------|
| | Current FY | Next FY | Last 2 Missions | | Next Mission | Supervision Report | Progress Report |
| Recommended interval | | | | | | | |
| between missions (months) | 6 | 6 | Jan. 1973 | Aug. 1973 | Jan. 1974 | 08.24.73 | 05.23.73 |

SECTION VI: MANPOWER EXPENDITURE

| | Past FY | | Current FY | | Next FY | |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| (Manweeks) | Proj. Staff | Prog. Staff | Proj. Staff | Prog. Staff | Proj. Staff | Prog. Staff |
| Plan | 14.0 | 2.0 | 14.0 | 2.0 | 14.0 | 2.0 |
| Actual - Procurement | 4.1 | - | 2.0 | - | - | - |
| - Other | 10.0 | 2.0 | 4.0 | 1.0 | - | - |

SECTION VII: COMMENTS (Include where appropriate comments on status of project-associated technical assistance)

The project execution has been delayed because of conflicting views on the project recommended in the Appraisal report. The Bank has approved a revised project and construction started only last June, two years after the Loan Agreement was signed. The project's late start explains the backlog in the original schedule of disbursements. Design and procurement are of good quality and construction is now progressing well. Due to lower cost estimates of the new project, the Bank has agreed to the Borrower's request for cancellation of US\$3.0 million in the original loan amount and also to extend the Closing Date by one year to June 30, 1976. The State Government has authorized the consolidation of SANESP and COMASP into a new State company, SABESP, and consequently the Bank will enter into supplemental agreements with SABESP, the State and Federal Governments.

Projects Officer: Fritz Rodríguez

Signed:

Date: August 28, 1973



SANESP

COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

ENG-315/1803/73-SANESP-C

São Paulo, 27 de agosto de 1973.

Date Rec'd. 9-05-73

Date Ack'd. Sept. 6/73

Assigned to F.R.

Mr. John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office
International Bank for Reconstruction and Development
1818 H Street, N.W. Washington, D.C. 20433
USA

B.R. 3-52

Ref.: - Projeto da Estação de Tratamento do ABC

Prezados Senhores:

De acordo com entendimentos mantidos com o Sr. FRITZ RODRIGUES durante sua estada em São Paulo, estamos enviando, para conhecimento, o parecer da equipe técnica de projetos desta Companhia sobre o "ESTUDO DE CONCEPÇÃO" da obra em referência elaborado pela firma Estudos Técnicos e Projetos "ETEP" Ltda.

Sem mais, subscrevemo-nos,

atenciosamente

Oscar F. Lotito
Engº Oscar F. Lotito
Diretor

Anexo: PARECER SOBRE O "ESTUDO DE
CONCEPÇÃO" DA ESTAÇÃO DE
TRATAMENTO DE ESGOTOS DO ABC.

LV/OFL/zm*

RECEIVED

1973 SEP -5 AM 9:01

COMMUNICATIONS
SECTION



Record Removal Notice

| | | | | |
|--|------------------------------------|--|-------------------------------------|------------------------------|
| File Title
Sao Paulo Water Supply and Pollution Control Projects - Brazil - Loan 0757, Loan 0758 - P006246 - Correspondence - Volume 2 | | Barcode No.

30319097 | | |
| Document Date
27 August, 1973 | Document Type
Memorandum | | | |
| Correspondents / Participants
From: Rainier R. Buhler | | | | |
| Subject / Title
Status of several corporate reorganizations of Bank borrowers from Brazil | | | | |
| Exception(s)
Attorney-Client Privilege | | | | |
| Additional Comments | | The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. | | |
| | | <table border="1"><tr><td>Withdrawn by
Kelli Gordon</td><td>Date
June 21, 2017</td></tr></table> | Withdrawn by
Kelli Gordon | Date
June 21, 2017 |
| Withdrawn by
Kelli Gordon | Date
June 21, 2017 | | | |

Loan 758-BR

August 9, 1973

Eng. Braz Juliano
Diretor Presidente
Companhia Metropolitana de
Saneamento de Sao Paulo, SANESP
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, Brazil, S. A.

Re: Sao Paulo Pollution Control Project
Bid No. 9/13/73

Dear Eng. Juliano:

Thank you for your letter of July 17, 1973 enclosing two copies of your Contracts Nos. 053/73, 054/73, 055/73, 056/73 and 057/73 with Construtora Passarelli S.A., Constran S.A. - Construções e Comércio, Consursan Engenharia e Comércio S.A., Sociedade Construtora Heleno & Fonseca S.A. and Etesco S.A. Comércio e Construções, respectively, for construction of sewage interceptors in Greater Sao Paulo (Mogi das Cruces - Suzano System).

We have no objection to the above-mentioned contracts which will be financed under Category II of Schedule 1 of Loan 758-BR.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

cc: Messrs. Helne (with att.)
Kanchuger
Kalbermatten
Sheehan
Division Files

CONTROL No. BR-3-45

FRodriguez:mcg



SANESP

COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

PRE-487/1636/73 - SANESP C

São Paulo, 03 de agosto de 1973

Mr. John Kalbermatten
Chief, Water Supply Section
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20 433
USA

Date Received Aug - 14/73
Date Acknowledged Aug 31/73
Assigned to JMK/FR
BR-3-48

Ref.: Contrato 758-BR

Prezado Senhor

Anexo encaminhamos para apreciação o relatório da concorrência pública SANESP 02/73, para compra de tubos dos Interceptores de Mogi-Suzano.

Informamos que a Comissão de Julgamento concluiu pela anulação, uma vez que os preços apresentados foram consideravelmente superiores aos previstos pela SANESP.

Foi feita uma nova análise técnica-econômica da obra com os preços de tubos ofertados na concorrência, concluindo-se que a solução mais econômica é a construção de galeria moldada "in loco" de concreto armado.

A construção desta galeria seria feita através de aditamento dos contratos 053/73; 054/73; 055/73; 056/73 e 057/73, já enviados ao BIRD.

Contando com a aprovação de V.Sa., subscrevemo-nos

Atenciosamente

Braz Juliano
Diretor Presidente.

Anexo.

ACC/cb.-

August 1, 1973

Mr. Braz Juliano
Diretor Presidente
Companhia Metropolitana de
Saneamento de Sao Paulo
Rua Costa Carvalho, 300
Sao Paulo, Brasil

Dear Mr. Juliano:

Re: Sao Paulo Pollution Control Project
(Loan 758-BR)

Thank you for your letter of July 19 to Mr. Skillings and for returning the signed confirmation copy of the Bank's letter of July 11 which specified certain amendments to the Loan Agreement for the above project.

We have not yet received from Mr. Meiches the confirmation copy with his signature but expect that we will be receiving it shortly.

With best regards,

Sincerely yours,

Eldon E. Senner
Country Programs Division
Latin America and Caribbean
Regional Office

cc: Messrs. Rodriguez, Projects
Buhler, Lawyer

EE Senner:jbv

OUTGOING WIRE

TO: ARTHANDER

DATE: JULY 26, 1973

SAO PAULO

CLASS OF
SERVICE:

L/T *dx III*

COUNTRY: BRAZIL

TEXT:
Cable No.:

RECAB SANESP LOAN 758 BR INTEREST RATE 7-1/4% stop AMOUNT EXPRESSED IN
USDOLLAR EQUIVALENT DISBURSED AND OUTSTANDING AT JUNE 30, 1973 IS
USDOLLARS 447,723.56 stop INTEREST AND OTHER CHARGES HAVE BEEN PAID TO
MAY 1, 1973 stop LETTER FOLLOWS

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Walter C. P. Rutland

DEPT. Controller's

SIGNATURE *Walter C. P. Rutland*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Rutland, Gray, Elliott
Miss Murillo

FILE: Letters to Borrower's Auditors
Loan Document 758 BR

LCardash/mk

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *WJ*

ORIGINAL (File Copy)

Checked for dispatch

REFERENCE:

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO REMOVE)

SIGNATURE

DEPT: Controller, S

NAME: Walter C. B. England

AUTHORIZED BY:

DISPATCHED

JUL 26 8 40 PM 1973

COMMUNICATIONS
SECTION

BE REVENUE

For use by Communications Section

ICardman/mk

From document 128 B8

FILE: Letters to Bottomer, S and Sols

Mrs. M. M. M.

cc: Messrs. England, Sols, M. M. M.

STANDARD AND COPY DISTRIBUTION

IMBVLKVD

MVA 1' 1813 prob LETTER BOTTOMER

ADDITIONAL MVA 153.28 prob INTEREST AND OTHER CHARGES HAVE BEEN PAID TO

ADDITIONAL ESCALATION DISBURSED AND OUTSTANDING VL JUNE 30' 1813 IS

RECEIVED GAMES FROM 128 BE INTEREST RATE 1-1/2% prob VOLUME EXPRESSED IN

Copy No:

TEXT:

COUNTRY: BRAZIL

SVO PAID

TO: VBRHWADEK

SERVICE

CLASS OF

DATE: JULY 26' 1813

OUTGOING WIRE

ASSOCIATION

INTERNATIONAL DEVELOPMENT

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR

CORPORATION

INTERNATIONAL FINANCE

(3-30)

Form No. 33

128 B8

Brasil - loan 758 Adm.

INCOMING CABLE

0

Log.218

RECEIVED

JUL 25 3 44 PM '73

COMMUNICATIONS
SECTION

Handwritten signatures and notes:
Lil
Rec'd July 26 h.

440098 IBRD UI

ITT34/25 JUL

ZCZC AWA500 VIA ITT PWF0072 NUI884 TSP372 113202 10

UIWA CO BRSP 073

SAOPAULO 73/71 25 1456 P1/53/51

July 25, 1973

Distribution:

Controller Mr. Rutland

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTBAFRAD 1818 H STREET

N.W.WASHINGTONDC20433

PLEASE CONFIRM DIRECTLY TO OUR AUDITORS ARTHUR ANDERSEN AND CO BY
TELEX (ARTHANDER SPO 021538) THE BALANCE OF AMOUNTS DUE TO YOU AS
OF JUNE 30 1973 BY COMPANHIA METROPOLITANA DE SANEAMENTO DE SAO
PAULO SANESP LOAN NR 758-BR.

COL INTBAFRAD 1818 20433 () 021538 30 1573 758-BR.

TSP372 INTBAFRAD P2/20

ALSO INCLUDE DETAILS OF COLLATERAL IF ANY THE INTEREST RATE AND
THE INTEREST ACRUED UP TO JUNE 30 1973

SANESP

COLM

440098 IBRD UI



COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

PRE-461/1481/73-SANESP-C

São Paulo, 23 de julho de 1973.

Ao
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
1818 H. Street, N.W.
Washington, D.C., 20433
U.S.A.

Pollution Control
Ref.: Loan 758-BR. Fusão de
COMASP e SANESP para
formar a nova Companhia
SABESP.

Prezados Senhores:

Comunicamos a Vossa Senhorias que o Governo do Estado de São Paulo, por meio da Lei nº 119, de 29 de junho de 1973, autorizou a constituição de uma Sociedade por ações, sob a denominação de Companhia de Saneamento Básico do Estado de São Paulo - SABESP, vinculada à Secretaria dos Serviços e Obras Públicas.

A nova Sociedade terá o objetivo de planejar, executar e operar os serviços de saneamento básico em todo o território do Estado de São Paulo, respeitada a autonomia dos municípios, e resultará da fusão da Companhia Metropolitana de Água de São Paulo - COMASP com a Companhia Metropolitana de Saneamento de São Paulo - SANESP.

Todos os contratos firmados pela SANESP e atualmente em vigor, inclusive o que se refere ao empréstimo concedido pelo BIRD (Loan 758-BR) serão respeitados e cumpridos pela SABESP.

Date Rec'd. *Aug. 21/73*

Date Ack'd. *No reply*

= segue Assigned to *JMK*

R.C. / F.R.

BR 3-48

RECEIVED

1973 JUL 31 PM 1:05

COMMUNICATIONS
SECTION

TO: DIRECTOR, FBI
FROM: SAC, NEW YORK (100-157341)
SUBJECT: [Illegible]
[Illegible text follows, consisting of several paragraphs of a memorandum format, including fields for TO, FROM, SUBJECT, and a body of text. The text is mostly illegible due to fading and bleed-through.]



COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

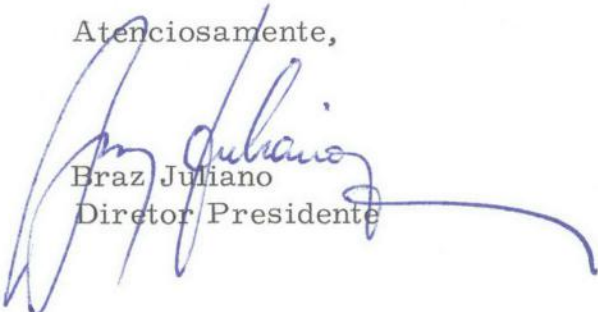
PRE-461/1481/73-SANESP-C

= 2 =

Neste momento estão sendo realizadas todas as providências necessárias à efetivação do que determina a Lei citada, nº 119, de 29 de junho de 1973 . Voltaremos à presença de V.Sas. tão logo se concretize a fusão de empresas, ou quando, em virtude da transação objeto do contrato assinado com o BIRD, qualquer ato venha a aconselhar essa comunicação.

Permanecendo à disposição de V.Sas. para outros esclarecimentos porventura necessários.

Atenciosamente,


Braz Juliano
Diretor Presidente

CJS/BJ/dm

anexo: Lei nº 119 de 29/6/73



SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL
GABINETE DA SUPERINTENDÊNCIA
R. RIACHUELO, 115 5º ANDAR, S.P.

GS nº 44/73

São Paulo, 23 de julho de 1973.

Ilmo. Sr.
J. KALLENBATTEN

International Bank for Reconstruction and
Development
1818 H Street, N.W.
WASHINGTON DC 20433
USA.

Prezado Senhor:

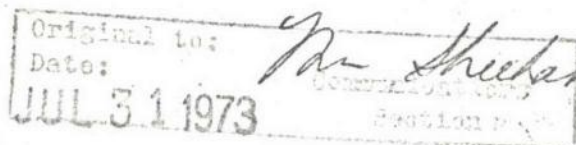
Participamos a V.Sa. que o Governo do Estado de São Paulo promulgou em 30 de junho de 1973 a Lei nº. 119, que autoriza a constituição da SABESP - Companhia de Saneamento Básico do Estado de São Paulo.

Essa Companhia resultará da fusão da Companhia Metropolitana de Água de São Paulo - COMASP, Companhia Metropolitana de Saneamento de São Paulo - SANESP e da transferência da totalidade dos bens da SAEC e de parte dos do Fomento Estadual de Saneamento Básico-FESB, além da incorporação de parte do patrimônio da Companhia de Saneamento da Baixada Santista-SBS e da Companhia Regional de Água e Esgotos do Vale do Ribeira-CANEVALE.

Participamos também que foi constituído, através do Decreto nº 1 906, de 10/7/73, Grupo de Trabalho com o objetivo de estudar, propor e executar medidas necessárias ao atendimento do disposto na Lei acima citada.

Aproveitamos pois a oportunidade para enviar cópia dos referidos documentos, para conhecimento de V.Sa. No aguardo do pronunciamento de V.Sa. subscrevemos.

Atenciosamente,



Engº JOÃO MOREIRA GARCEZ FILHO
Superintendente



COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

PRE-0445/1446/73 - SANESP - C

July 19, 1973

Mr. Robert F. Skillings
Acting Director
Country Programs Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.,
Washington, D.C. 20433
U.S.A.

Re.: São Paulo Pollution Control Project
(Loan 758-BR)

Dear Mr. Skillings:

We acknowledge your letter with the enclosed copies dated July, 1973.

Please find enclosed the signed confirmation copy of the letter confirming our agreement to the revised Schedules and postponement of the Closing Date .

Your letter has been forwarded to dr. Meiches for the confirmation signatures.

With best regards,

Yours very sincerely

Braz Juliano
Diretor Presidente

vhmd

RECEIVED

1973 JUL 31 PM 2:05

COMMUNICATIONS
SECTION



COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

PRE - 430/0528/73 - SANESP - C

July 17, 1973

Mr. John Kalbermatten
Chief, Water Supply Section
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Date Rec'd. July 27/73
Date Ack'd. August 9/73
Assigned to JMR/
F.R.
BR-345

Re.: Loan 758-BR

Dear Sir:

With reference to your letter dated July 12, 1973, we herewith forward two copies of each contract specified below, regarding the construction of interceptors of the Mogi das Cruzes - Suzano system:

Contract SANESP nº 053/73, awarded with Construtora Passarelli S.A., for the construction of Section MS - 1 of interceptors;

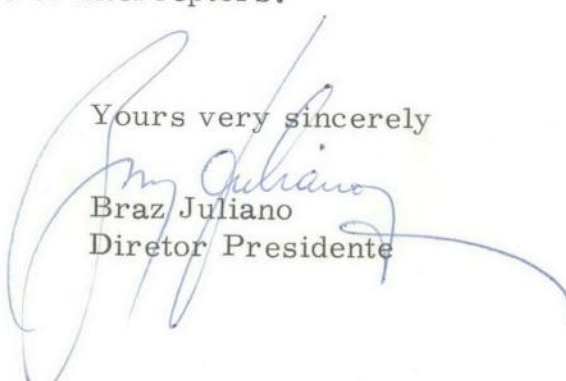
Contract SANESP nº 054/73, awarded with Constran S.A. Construções e Comércio, for the construction of Section MS - 2 of interceptors;

Contract SANESP nº 055/73, awarded with Consursan Engenharia e Comércio S.A., for the construction of Section MS - 3 of interceptors;

Contract SANESP nº 056/73, awarded with Sociedade Construtora Heleno & Fonseca S.A., for the construction of Section MS - 4 of interceptors;

Contract SANESP nº 057/73, awarded with Etesco S.A. Comércio e Construções, for the construction of Section MS - 5 of interceptors.

Yours very sincerely


Braz Juliano
Diretor Presidente

enc.

RECEIVED

1973 JUL 26 PM 2:40

COMMUNICATIONS
SECTION

[Faint, mostly illegible text, possibly a teletype or memorandum, consisting of several lines of communication.]



Brasil / Terms of Ref.
cc Brasil - Loan 853 Adm
cc Brasil - Liaison
cc Brazil - Loan 924 Adm
cc Brazil - Loan 857 Adm
 July 16, 1973
cc Brazil - Loan 757 Admin
cc Brazil - Loan 758 Admin
cc Brazil - Sites & Service

Robert Kanchuger, Loan Officer, IAC II

Robert F. Skillings, Division Chief, IAC II

Terms of Reference

1. You will proceed to Brazil on July 21 for a visit of two to three weeks to attend to operational matters in projects for which you are the responsible loan officer.
2. The Alto Turi Land Settlement project should receive your priority attention. You will join Mr. Rossi of the Agricultural Projects Division in his review of the project. You should ascertain, with Mr. Rossi, any difficulties that the Borrower may be having in implementing the project and review any requests that the Borrower may be contemplating for reformulating the project. You should also determine, with appropriate Government officials, the effect that any problems in the project might have on the scheduling and appraisal of any other possible Bank projects for colonization.
3. To the extent that your assignment with respect to the Alto Turi project permits, you should also do the following in descending order of priority:
 - (a) Join Mr. Cronberg of the Agricultural Projects Division in his supervision of the Grain Storage and Agro-Industries projects.
 - (b) Review the preparation of sites and services projects with the National Housing Bank.
 - (c) Join Messrs. Costa and Rodriguez in their supervision of the Sao Paulo Water and Sewerage projects.
4. You will keep in close touch with the Goffin-Fernandes mission, which will probably be in Brazil at the same time.

cc: Messrs. Goffin, Division Chief, LCPAG
 Fernandes, Loan Officer, IAC II
 Haasjes, Section Chief, LCPAG
 Rossi, Agriculturist, LCPAG
 Kalbornatten, Section Chief, Public Utilities
 Costa, Financial Analyst, Public Utilities
 Rodriguez, Engineer, Public Utilities
 Strombon, Division Chief, Urban Projects
 Cruz, Controller's
 Buhler, Lawyer
 Sassoon, Lawyer

RKanchuger:jbv

OFFICE MEMORANDUM

TO: Messrs. R. Costa (FNA, LCPBP) and
F. Rodriguez (EGR, LCPBP)
FROM: John M. Kalbermatten (Section Chief, LCPBP)

DATE: July 14, 1973

SUBJECT: BRAZIL - Loans 757-BR and 758-BR
Sao Paulo Water Supply and Pollution Control Project
Minas Gerais Water Supply Program
Supervision Mission - Terms of Reference

1. You should plan to arrive in Sao Paulo on July 29, 1973 and stay about twelve days. The objective of your mission is to review progress in the project execution and acquaint yourselves with the recent decision of the Sao Paulo State Government to set up a single company responsible for water supply and sewerage services in Sao Paulo State. After completing your work in Sao Paulo, you should proceed to Rio de Janeiro where you will spend about two days discussing with BNH's officials the Bank comments on the Minas Gerais Water Supply Program.
2. In Sao Paulo you should, in particular :
 - (i) Discuss with the State Secretary of Public Works the proposed merger of the six existing companies (SAEC, SANESP, COMASP, FESB, SBS and SANEVALE);
 - (ii) inquire about the findings of the commissions appointed by the State Government to prepare the fusion of the companies;
 - (iii) review the financial situation of SAEC and SANESP as of March 31, 1973;
 - (iv) discuss with SAEC and SANESP's managements their last progress reports covering the first quarter of 1973;
 - (v) evaluate progress in SAEC's reorganization (management control, billing and collection, implementation of the new general and cost accounting systems, budgeting and inventory control, internal auditor, etc.), and
 - (vi) study the SAEC proposal of June 1973 for implementation of new water tariffs.
3. You should review with both institutions (SAEC and SANESP) progress of the works under construction, revise cost estimates of the projects and update disbursement schedules. Procurement matters should also be discussed, and tender documents and bid evaluation reports should be reviewed.
4. Mr. Bühler will join you in Sao Paulo on July 30 and will accompany you for two days.
5. In Belo Horizonte, Mr. Costa will discuss with the State Secretary of Public Works and COMAG's officials, the selection of Consultants, and

July 14, 1973

terms of reference for the socioeconomic study in Minas Gerais State (refer to Schedule 2 of Issue Paper on Minas Gerais Water Supply and Sewerage Project), for implementation of the new accounting system designed by PAHO and for improvement of COMAG's operations.

6. In Rio de Janeiro, Mr. Costa will review with Mr. Duarte, State Secretary for Minas Gerais, and with Mr. Montero of BNH the Bank comments on the Minas Gerais Water Supply Program. In your discussions, you should also consider the possibility of the Bank financing the whole BNH/SFS training program in Brazil. You will introduce Mr. Rodríguez to BNH's officials as the Engineer responsible for procurement matters on the project.

7. On your return, you should prepare the usual Back-to-Office and/or Full Report.

FRodríguez/RCosta:mcg

Cleared with and cc: Mr. *KK* Kanchuger (Program II, LAC)

cc: Messrs. Knox (LCPDR), Calika (LCPPB), Skillings (LC2DA), Rovani (5)(PEPDR), van der Tak (VPS), Sheehan (LACPPB), Bühler (LEG), Helne (CTR), Wiese (LC2DR), Bowron (PAB), Baum (PAS) (3), Mrs. Steiner (LCPPB), Division Files, LAC Files.

Bank Loan 758 Ad

Loan 758-BR

July 12, 1973

Eng. Braz Juliano
Diretor Presidente
Companhia Metropolitana de
Saneamento de Sao Paulo, SANESP
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, Brazil, S. A.

Re: Sao Paulo Pollution Control Project
Bid No. 9/13/73

Dear Eng. Juliano:

This will acknowledge your letter of July 7, 1973 with the enclosed copies of your proposed contracts with Construtora Passarelli S. A., Constran S.A. - Construções e Comércio, Consursan Engenharia e Comércio S. A., Sociedade Construtora Heleno & Fonseca S. A. and Etesco S.A. - Comércio e Construções, for construction of sewage interceptors in Greater Sao Paulo (Mogi das Cruzes - Suzano System).

We have reviewed the documents you submitted and consequently have no objection to your awards of the contracts to the construction firms referred to above. We would appreciate your mailing two certified copies of each contract to the Bank at your earliest convenience.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

cc: Messrs. Helne
Kanchuger
Kalbermatten
Sheehan
Division Files

CONTROL No. BR-3-40 and 43
FRodríguez:mcg

Basil loan 758 RR
July 11, 1973

Mr. Bras Juliano
Diretor-Presidente
Companhia Metropolitana de
Saneamento de Sao Paulo, SANESP
Rua Costa Carvalho, 300-Pinheiros
Sao Paulo, Brazil, S.A.

Re: Sao Paulo Pollution Control Project
(Loan 758-RR)

Dear Mr. Juliano:

In accordance with your request of May 17, 1973 to reduce the amount of the subject loan specified in Section 2.01 of the Loan Agreement from US\$15.0 million to US\$12.0 million, we wish to advise you that such reduction will be made retroactive to May 17, 1973 pursuant to the provisions of Sections 6.01 and 6.05 of the General Conditions of said Loan Agreement, upon our receipt of a signed confirmation copy of this letter.

Pursuant to your discussions with representatives of the Bank, we are also enclosing two copies of a revised table of expenditures to replace the one appearing in paragraph 1 of Schedule 1 (Withdrawal of the Proceeds of the Loan) to the subject loan and two copies each of revised Schedules 2 (Description of the Project) and 3 (Amortization Schedule) which will replace the present Schedules 2 and 3 to the subject loan. The attached revised Schedules supersede those sent to you earlier with Mr. Wiese's letter of March 30, 1973. The changes that have been made to the project have also caused delays in its schedule for completion, which necessitate the postponement of the June 30, 1975 Closing Date in Section 2.04 of the Loan Agreement to June 30, 1976. Our receipt of the signed confirmation copy of this letter will also confirm your agreement with the revised Schedules and the postponement of the Closing Date.

With best regards,

Very truly yours,

RS

Robert F. Skillings
Acting Director
Country Programs Department
Latin America and Caribbean
Regional Office

Mr. Braz Juliano

- 2 -

July 11, 1973

Attachments

CONFIRMED:

COMPANHIA METROPOLITANA DE SANEAMENTO
DE SAO PAULO, SANESP

Date _____

By _____
Braz Juliano, Diretor Presidente

Oscar Valensino Lotito, Diretor

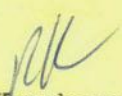
Date _____

Authorized Representatives

cc: Governo do Estado de Sao Paulo
a/c Secretaria dos Servicos
e Obras Publicas
R. Riachuelo, 115 - 3º andar
Sao Paulo, SP, Brazil

Dr. Jayme Alipio de Barros
Procurador Geral
Ministerio da Fazenda
9º Andar - Sala 914
Rio de Janeiro, GB, Brazil

Cleared with and cc: Messrs. Buhler, Lawyer
Helne, Controller's
Rodriguez, Projects
J.D. Elliott, Controller's


RKanchuger:jbv

Brasil Loan 758dd

July 11, 1973

Governo do Estado de Sao Paulo
Secretaria dos Servicos
e Obras Publicas
R. Riachuelo, 115 3º andar
Sao Paulo, SP, Brazil

Attention: Mr. Jose Maichon

Dear Sir:

Re: Sao Paulo Pollution Control Project
Loan 758-BB

The President of the Companhia Metropolitana de Saneamento de Sao Paulo (SAMESP) has requested that the Bank reduce the subject loan amount from US\$15.0 million to US\$12.0 million and that it revise Schedules 1 (Withdrawal of the Proceeds of the Loan), 2 (Description of the Project) and 3 (Amortization Schedule) of the Loan Agreement to reflect changes in the project. We have attached a copy of our reply letter of even date to the President of SAMESP agreeing to the requested reduction in the loan amount, a postponement of the Loan Agreement Closing Date and revisions to Schedules 1, 2 and 3 of the Loan Agreement. In view of the responsibilities of the State of Sao Paulo under the Project Agreement of June 21, 1971, we request its confirmation to the foregoing by having the Secretario de Financas, Dr. Carlos Antonio Rocca, and yourself sign and return to us a copy of this letter. This action will supersede any actions requested of you in Mr. Wiese's letter of March 30, 1973.

Very truly yours,

WJ

Robert F. Skillings
Acting Director
Country Programs Department
Latin America and Caribbean
Regional Office

Attachments

July 11, 1973

CONFIRMED:

SECRETARIA DOS SERVICOS E OBRAS
PUBLICAS DO ESTADO DE SAO PAULO

By Jose Melches, Secretario

Date _____

SECRETARIA DE FINANÇAS
DO ESTADO DE SAO PAULO

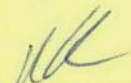
By Carlos Antonio Rocca, Secretario

Date _____

cc: Dr. Jayme Alipio de Barros
Procurador Geral
Ministerio da Fazenda
9º Andar - Sala 914
Rio de Janeiro, GB, Brazil

cc: Mr. Braz Juliano
Diretor-Presidente
Companhia Metropolitana de
Saneamento de São Paulo, SANESP
Rua Costa Carvalho, 300-Pinheiros
São Paulo, Brazil, S.A.

Cleared with and cc: Messrs. Buhler, Lawyer
Helne, Controller's
Rodriguez, Projects
J. D. Elliott, Controller's


RKanchuger:jbv

LOAN AGREEMENT
BETWEEN
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

COMPANHIA METROPOLITANA
DE SANEAMENTO DE SAO PAULO

DATED JUNE 21, 1971
LOAN NUMBER 758-SR

The following table of expenditures replaces that appearing in paragraph 1 of Schedule 1 to the aforesaid agreement:

| <u>Category</u> | <u>Amount of the
Loan Allocated
(Expressed in
Dollar Equivalent)</u> | <u>% of Expenditures
to be Financed</u> |
|--|--|---|
| I. Imported machinery,
materials and equipment | 3,500,000 | 100% of foreign
expenditures |
| II. Civil works and locally
produced or procured
machinery, materials and
equipment | 6,700,000 | 14% of total expenditures,
representing the estimated
foreign expenditures
component |
| III. Consultants' services and
training | 800,000 | 100% of foreign
expenditures |
| IV. Unallocated | <u>1,000,000</u> | |
| TOTAL | 12,000,000 | |

LOAN AGREEMENT
BETWEEN
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

COMPANHIA METROPOLITANA
DE SANEAMENTO DE SAO PAULO

DATED JUNE 21, 1971
LOAN NUMBER 758-BR

Schedule 2, "Description of Project" to the aforesaid Agreement shall be replaced with the following new Schedule 2:

The project consists of the following parts:

- A. The construction of 26 km of concrete permanent gravity interceptors along the Dos Meninos and upper Tamandatei Rivers with trunk collector river crossings; 22 km of sewer interceptors along the lower Tamandatei River, the upper and south bank of Tiete River; a 3.0 m³/sec primary treatment plant at Eco Caetano; a 1.5 m³/sec secondary treatment plant at Mogi-Suzano; related low lift pump stations for the treatment plants; and improvements of the existing Leopoldina and Pinheiros sewage treatment plants.
- B. The supply of machinery, equipment and materials for the facilities referred to in paragraph A.
- C. The purchase of service equipment.
- D. The services of consultants and the training of staff.

The project is expected to be completed by December 31, 1975.

LOAN AGREEMENT
BETWEEN
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

COMPANHIA METROPOLITANA
DE SANEAMENTO DE SAO PAULO

DATED JUNE 21, 1971
LOAN NUMBER 758-BR

Schedule 3, "Amortization Schedule" to the aforesaid Agreement shall be replaced with the following new Schedule 3:

AMORTIZATION SCHEDULE

(Expressed in United States dollars)*

| <u>Date Payment Due</u> | <u>Original
Schedule 3</u> | <u>Amount
Cancelled</u> | <u>Revised
Schedule 3</u> |
|-------------------------|--------------------------------|-----------------------------|-------------------------------|
| May 1, 1976 | \$ 165,000 | \$ 33,000 | \$ 132,000 |
| November 1, 1976 | 170,000 | 34,000 | 136,000 |
| May 1, 1977 | 175,000 | 35,000 | 140,000 |
| November 1, 1977 | 185,000 | 37,000 | 148,000 |
| May 1, 1978 | 190,000 | 38,000 | 152,000 |
| November 1, 1978 | 195,000 | 39,000 | 156,000 |
| May 1, 1979 | 205,000 | 41,000 | 164,000 |
| November 1, 1979 | 210,000 | 42,000 | 168,000 |
| May 1, 1980 | 220,000 | 44,000 | 176,000 |
| November 1, 1980 | 225,000 | 45,000 | 180,000 |
| May 1, 1981 | 235,000 | 47,000 | 188,000 |
| November 1, 1981 | 245,000 | 49,000 | 196,000 |
| May 1, 1982 | 250,000 | 50,000 | 200,000 |
| November 1, 1982 | 260,000 | 52,000 | 208,000 |
| May 1, 1983 | 270,000 | 54,000 | 216,000 |
| November 1, 1983 | 280,000 | 56,000 | 224,000 |
| May 1, 1984 | 290,000 | 58,000 | 232,000 |
| November 1, 1984 | 300,000 | 60,000 | 240,000 |
| May 1, 1985 | 310,000 | 62,000 | 248,000 |
| November 1, 1985 | 325,000 | 65,000 | 260,000 |
| May 1, 1986 | 335,000 | 67,000 | 268,000 |
| November 1, 1986 | 345,000 | 69,000 | 276,000 |
| May 1, 1987 | 360,000 | 72,000 | 288,000 |
| November 1, 1987 | 375,000 | 75,000 | 300,000 |
| May 1, 1988 | 385,000 | 77,000 | 308,000 |
| November 1, 1988 | 400,000 | 80,000 | 320,000 |
| May 1, 1989 | 415,000 | 83,000 | 332,000 |
| November 1, 1989 | 430,000 | 86,000 | 344,000 |
| May 1, 1990 | 445,000 | 89,000 | 356,000 |
| November 1, 1990 | 460,000 | 92,000 | 368,000 |
| May 1, 1991 | 480,000 | 96,000 | 384,000 |
| November 1, 1991 | 495,000 | 99,000 | 396,000 |
| May 1, 1992 | 515,000 | 103,000 | 412,000 |
| November 1, 1992 | 535,000 | 107,000 | 428,000 |
| May 1, 1993 | 550,000 | 110,000 | 440,000 |
| November 1, 1993 | 570,000 | 114,000 | 456,000 |
| May 1, 1994 | 595,000 | 119,000 | 476,000 |
| November 1, 1994 | 615,000 | 123,000 | 492,000 |
| May 1, 1995 | 635,000 | 127,000 | 508,000 |
| November 1, 1995 | 660,000 | 132,000 | 528,000 |
| May 1, 1996 | 695,000 | 139,000 | 556,000 |
| | <u>\$ 15,000,000</u> | <u>\$ 3,000,000</u> | <u>\$ 12,000,000</u> |

*To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

Brazil loan 758 Ad

Mr. Robert F. Skillings, Division Chief, LAC II

July 11, 1973

Robert Kanchuger, Loan Officer, LAC II

BRAZIL - Loan 758-BR - Sao Paulo Pollution Control Project

1. The Federal Government has given its concurrence to the cancellation of US\$3.0 million of the subject loan. (See attached Telex of June 28, 1973 from Jayme Alipio de Barros.) We have therefore prepared and attached for your signature a letter to the Borrower's President advising him of the Bank's agreement to the cancellation that was requested by him in his letter to the Bank of May 17, 1973.
2. In view of the changes that have been made in the project, it will be necessary to revise the Schedules of the Loan Agreement relating to the description of the project and loan expenditures and amortization. The changes that have been made have also caused delays in the project schedule which require the postponement of the Closing Date from June 30, 1975 to June 30, 1976. Mr. Rodriguez' memorandum of May 23, 1973, which I submitted to Mr. Wiese with my memorandum of June 7, 1973, details the technical justification for the changes in the project description. (Copies of both memoranda are attached.) We have attached to the proposed letter to the Borrower's President, proposed revisions to Schedules 1, 2 and 3. The proposed letter requests the Borrower's confirmation of the foregoing changes. In addition, we have prepared and attached for your signature a letter to the Secretary of Public Works for the State of Sao Paulo, asking for the State's confirmation to the proposed changes in the project.
3. If you agree to the attached proposed letter to the Borrower, the following notice can be placed in the next semi-monthly report to the Executive Directors:

"US\$15 million Loan of June 21, 1971, to Companhia Metropolitana de Saneamento de Sao Paulo (Loan 758): The Bank has agreed to the Borrower's request to cancel US\$3.0 million of the loan effective May 17, 1973, as a result of a reduction in project costs estimates following receipt of bids for major works that were lower than expected. The Bank has also agreed to a postponement of the original Closing Date from June 30, 1975 to June 30, 1976 (R73-61)."
4. The Executive Directors were previously informed (R73-61) of the Bank's agreement to the Borrower's request to make design changes in the project.
5. We should also like to call to your attention that the revised Schedules supersede those sent to the Borrower's President and the Secretary of Public Works for the State of Sao Paulo by Mr. Wiese's letter of March 30, 1973.

Cleared with and cc: Messrs. Buhler(Lawyer), Helne(Controllor's), Rodriguez
(Projects,LAC), J.D. Elliott(Controllor's)

RK
RKanchuger:jbv

Brazil Loan 758 BR

July 10, 1973

Irving Trust Company
One Wall Street
New York, New York 10015

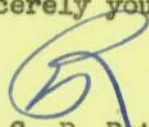
Attention: International Division
Mr. Lance Cunha, Assistant Secretary

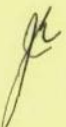
Gentlemen:

With reference to your letter of July 2, 1973, regarding the delay in payment of Mex\$ 13,517.00 under our Loan No. 758 BR, we have noted on our records that the delay was not due to negligence of the borrower.

We appreciate your notification in this matter.

Sincerely yours,


Walter C. P. Rutland
Chief, Accounting Division
Controller's Department


cc: Messrs. Rutland, Gray & Elliott
File: Statement Folder - 758 BR
Other Information - Brazil
LGrothe/od



COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

PRE - 0395/1320/73 - SANESP - C

July 07, 1973

Mr. John Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Re.: Mogi - Suzano Interceptors
Loan - 758 BR

Dear Sir:

Please find enclosed for your information, documentation concerning the construction of the Mogi das Cruzes - Suzano Interceptors.

The bid was prepared in accordance with the Guidelines of the International Bank for Reconstruction and Development.

Yours very sincerely

Braz Juliano
Diretor Presidente

Date Received July 10/73
Date Acknowledged July 12/73
Assigned to JAK/ER

BR - 3-40

| | | | |
|---------------------------|--|--|------------|
| Country | BRAZIL | Loan # 758
Credit #
Investment # | Project |
| Title and Description | | | |
| Form No. 114
(1-73) | TOMADA DE PRECOS | | |
| | Vol. 1.- Interceptores do sistema Mogi das Cruzes-
Suzano Relatorio da Comissao de Jugamento. | | |
| | Vol. II.- Interceptores do Sistema das Cruzes
-Suzano . Documentos de Licitacao. | | |
| Document
Date | July/3/73 | Prepared By | SANESP |
| Transmittal Letter
No. | | From | Document # |
| Date | | No Letter-Copy
Card for File ☐ | 21-461 |

Brazil loan 758 Ad

IRVING TRUST COMPANY

ONE WALL STREET
NEW YORK, N.Y. 10015

INTERNATIONAL DIVISION

LANCE CUNHA
ASSISTANT SECRETARY

July 2, 1973

Les -
He was
in this

International Bank for Reconstruction
and Development
1818 H. Street N.W.
Washington, D.C.

Attention: Mr. Gunter K. Wiese, Director
Latin American Country Program 11

Dear Sir:

758

On April 26, and again on May 14, we received telex instructions from Uniao de Bancos Brasileiros S.A., Sao Paulo, Brazil, to pay, on behalf of Companhia Metropolitana de Saneamento de Sao Paulo, Mexican Pesos 13,517 in favor of the IBRD, through Banco de Mexico S.A. Unfortunately, the payment order was internally misrouted and therefore not paid until May 17.

Please accept our apologies and do not hold either Uniao de Bancos Brasileiros S.A. or Companhia Metropolitana de Saneamento de Sao Paulo responsible.

Very truly yours,

Lance Cunha

cc: Mr. K. George Gabriel, Controller ✓
International Bank for Reconstruction
and Development
1818 H. Street N.W.
Washington, D.C.

RECEIVED

1973 JUL -6 PM 4:40

COMMUNICATIONS
SECTION

24746
22622
12181
121084

Brazil - Loan 758 Admin.

OUTGOING WIRE

TO: JAYME ALIPIO DE BARROS
MINIFAZ
RIO DE JANEIRO

DATE: JUNE 29, 1973

CLASS OF
SERVICE: LT

1-19

COUNTRY: BRAZIL

TEXT:
Cable No.:

REFERENCE LOAN 758-BR STOP THANKS YOUR TELEX ADVICE GOVERNMENT'S
AGREEMENT CANCEL THREE MILLION DOLLARS STOP WE ARE PREPARING LETTER
TO BORROWER ADVISING BANK'S AGREEMENT TO CANCELLATION AND WILL SEND
YOU COPY STOP BELIEVE SECTION 6.01 OF LOAN AGREEMENT GENERAL CONDITIONS
PERMITS THIS ACTION WITHOUT NEED TO SIGN NEW GUARANTEE AGREEMENT OR
AMEND EXISTING GUARANTEE AGREEMENT REGARDS

SKILLINGS
ACTING DIRECTOR

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert F. Skillings, Acting Director

DEPT. Latin America and Caribbean

SIGNATURE *Robert F. Skillings*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RKanchuger:jbv

ORIGINAL (File Copy)
(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Mr. Buhler, Lawyer
cc: Messrs. Rodriguez,
Public Utilities
Helne,
Controller's

For Use By Communications Section

Checked for Dispatch: *A*

ORIGINAL (IN COPY)

DATE

FOR THE BY COMMUNICATIONS SECTION

REFERENCE

EXHIBIT: 101

SIGNATURE

SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE

DATE

DATE APPROVED AND APPROVED

NAME

ROBERT E. SKITTING, Acting Director

AUTHORIZED BY

STAFFINGS AND COPY DISTRIBUTION

CONTRACTOR, a

NETW

PARTICULARS

cc: Messrs. KOSKINEN,

STEVEN MITCH and cc: Mr. BURTON, General

JUN 29

8 05 PM 1973

COMMUNICATIONS

NOT TO BE TRANSMITTED

VEILING DIRECTOR
SKITTING

UNCLASSIFIED: See Declassification Authority (DIA)

PERMITS THIS ACTION WITHOUT NEED TO SIGN NEW CLASSIFIED DOCUMENTS OR
FOR COPY OF RELEVANT SECTION 9-01 OF GOV. DOCUMENTS CURRENT CONDITIONS
TO BECOME UNCLASSIFIED BY THE GOVERNMENT TO DISSEMINATION AND MUST SEND
UNCLASSIFIED SOURCE LINE WITHIN DOCUMENTS COPY ME THE RELEVANT SECTION
REFERENCE GOV. 129-DE COPY LINKS COPY LETTER RELEVANT GOVERNMENT.

Copy No:

TEXT

COPY: BUREAU

NO DE SIGNATURE

MINUTE

10: 2416 0710 DE BUREAU

SERVICE PL

CLASS OF

DATE: 2416 0710 DE BUREAU

OUTGOING WIRE

ASSOCIATION

INTERNATIONAL DELEGATION

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR

COOPERATION

INTERNATIONAL FINANCE

(2-30)

Form No. 33

2416 0710 DE BUREAU

INCOMING TELEXBrazil - from 758 Adm.
Log. 9

RECEIVED

JUN 28 8 53 AM 1973

COMMUNICATIONS
SECTION

SECREGEFAZ RIO

FROM: RIO DE JANEIRO
June 27, 1973DistributionMr. Skillings
Mr. Wiese
Mr. Sheehan

TELEX NR 1073 27.6.73

INTRAFRAD TO

MR . SKILLINGS

REFERENCE YOUR TELEX REGARDING BANK LOAN 758-BR SAO PAULO
POLLUTION CONTROL PROJECT PLEASED TO INFORM THAT BRAZILIAN
GOVERNMENT AGREES ON CANCELLATION OF US DOLLARS 3,000,000.00
AS RESULT REDUCTION PROJECT COST STOP. WE ARE READY FOR TAKE
STEPS IN ORDER TO SIGN ANY NEW GUARANTEE AGREEMENT REQUIRED
BY BANK'S POLICIES STOP REGARDS JAYME ALIPIO DE BARROS -
PROCURADOR GERAL DA FAZENDA NACIONAL

Brazil - Loan 758 Helne.

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: BRAZ JULIANO
CIASANESPE
SAO PAULO

DATE: JUNE 26, 1973

LOAN 758-BR

CLASS OF
SERVICE: FR

114

COUNTRY: BRAZIL

TEXT: REFERENCE BID NUMBER CP TWO SEVENTYTHREE FOR SUPPLYING REINFORCED CONCRETE
Cable No.: PIPES STOP BANK HAS NO OBJECTION TO REVISED VERSION OF TENDER DOCUMENTS
STOP PROCEED WITH BIDDING ~~STOP~~ REGARDS

KALBERMATTEN
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME John M. Kalbermatten, Chief Water Supply Sec.
Public Utilities Projects Division
DEPT. Latin America and the Caribbean Regional Off.

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: FRodriguez:mcg
CONTROL No. BR-3-36
ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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cc: Messrs. Helne
Kanchuger
Kalbermatten
Sheehan
Division Files

For Use By Communications Section

Checked for Dispatch: 

ORIGINAL (see copy)

COMMITTEE NO. BE-3-30

PROPOSAL NO. 11-10-1173

REFERENCE

SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE

SIGNATURE

DEPT

Latin America and Caribbean Regional Off.

NAME

John M. Katschke, Jr. Director, Latin America and Caribbean Regional Office

AUTHORIZED BY

Director, LAC

Green

Katschke, Jr.

Katschke, Jr.

cc: Messrs. Helms

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INTERVIEWED
INTERVIEWER

STOP PROCEED WITH BIDDING 328 NEGOTIATE

LIBES STOP BANK HAS NO OBJECTION TO REPAIRED ALLEGION OF LEADER DOCUMENTS

Copy No.

TEXT

REFERENCE BID NUMBER OF LAC SEATTLE/ALBANY FOR SUBMITTING REFINANCED CONCRETE

COMMITTEE

BEVAT

SVO BANTO

CLASSIFICATION

TO

BEVAT 10/11/73

SERVICE: BE

CLASS OF

FORM 328-BE

DATE: June 29, 1973

ONGOING MIB

ASSOCIATION

INTERNATIONAL DEVELOPMENT

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR

CORPORATION

INTERNATIONAL FINANCE

(3-10)

Form No. 33

Brought from 328

Loan 758-BR

June 25, 1973

Eng. Braz Juliano
Diretor Presidente
Companhia Metropolitana de
Saneamento de Sao Paulo, SANESP
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, Brazil, S. A.

Re: Sao Paulo Pollution Control Project
Bid No. CP 01/73

Dear Eng. Juliano:

Thank you for your letter of May 31, 1973 enclosing two copies of your contracts Nos. 040/73, 041/73, 042/73, 043/73, 044/73 and 045/73 with Escritorio de Construções e Engenharia ECEL, Constran - Construções e Comércio, CCBE Rossi-Servix Engenharia S.A., Paulista de Construções e Comércio, Embasa Engenharia e Comércio S.A. and Engeral-Engenharia e Obras S.A., respectively, for construction of sewage interceptors in Greater Sao Paulo (ABC System).

We have no objection to the above-mentioned contracts which will be financed under Category II of Schedule 1 of Loan 758-BR.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

cc: Messrs. Helne (with att.)
Kanchuger
Kalbermatten
Sheehan
Division Files

CONTROL No. BR-3-35

FRodriguez:mcg

Brazil Loan 758 Adu.

OUTGOING WIRE

TO: MINISTER DELFIM NETTO
MINIFAZ
RIO DE JANEIRO

DATE: JUNE 20, 1973

CLASS OF
SERVICE: *TELEX* *WU*

COUNTRY: BRAZIL

TEXT:
Cable No.: REFERENCE BANK LOAN 758-BR SAO PAULO POLLUTION CONTROL PROJECT AND
MR. WIESE'S TELEGRAM TO YOU OF JUNE 7, 1973 STOP PLEASE ADVISE US YOUR
VIEWS BORROWER'S REQUEST US\$3.0 CANCELLATION SUBJECT LOAN REGARDS

SKILLINGS
ACTING DIRECTOR
COUNTRY PROGRAMS DEPARTMENT
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert F. Skillings

DEPT. Latin America and Caribbean

SIGNATURE *Robert F. Skillings*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

RR *anchuger:glw*

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(IMPORTANT: See Secretaries Guide for preparing form)

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cc: Messrs. Buhler, Lawyer
Helne, Controller's
Kalbermatten, Section Chief,
Public Utilities
Rodriguez, Procurement Officer,
LAC/PPB
Kafka, IMF, w/cy of incoming
For Use By Communications Section

Checked for Dispatch: *[Signature]*

SECRET (TOP SECRET)

REF ID: A66666

DISPATCHED

JUN 20 5 21 PM '73

COMMUNICATIONS SECTION

cc: Messrs. Butler, Palmer

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Director, CIA
Deputy Director, CIA
Chief of Staff, CIA
Director, Operations
Director, Intelligence
Director, Security
Director, Administration
Director, Finance
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Director, Training
Director, Personnel
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Director, Security
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Director, Legal
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Director, Information
Director, Research
Director, Training
Director, Personnel
Director, Logistics
Director, Facilities

INTERVIEWED
COMMUNIST PROPAGANDA
VOICING DIRECTOR
SKILLINGS

ATTENTION: DIRECTOR, CIA
SUBJECT: COMMUNIST PROPAGANDA

RE: DIRECTOR, CIA
SUBJECT: COMMUNIST PROPAGANDA

REFERENCE: DIRECTOR, CIA
SUBJECT: COMMUNIST PROPAGANDA

TEXT

COMMITTEE

MEMORANDUM

TO: DIRECTOR, CIA

FROM: DIRECTOR, CIA

SERIALS
CLASS OF

DATE: JUNE 20, 1973

OUTGOING MAIL

ASSOCIATION
INTERNATIONAL DEVELOPMENT

RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL BANK FOR

CORPORATION
INTERNATIONAL FINANCE

OUTGOING WIRE

31137

TO: MINISTER DELFIM NETTO
MINIFAZ

DATE: June 7, 1973

RIO DE JANEIRO

CLASS OF
SERVICE:

LT *elan*

COUNTRY: BRAZIL

TEXT:

Cable No.:

REFERENCE BANK LOAN 758-BR SAO PAULO POLLUTION CONTROL PROJECT STOP
BORROWER'S PRESIDENT BRAZ JULIANO HAS REQUESTED IN HIS LETTER TO US OF
MAY 17 1973 IBRD CANCELLATION OF US\$3.0 MILLION OF LOAN AS RESULT REDUCTION
PROJECT COST ESTIMATES FOLLOWING RECEIPT OF BIDS FOR MAJOR ITEMS THAT WERE
LOWER THAN EXPECTED STOP WE ARE PREPARED TO ACT FAVORABLY ON BORROWER'S
REQUEST BUT BEFORE TAKING ACTION WE WOULD LIKE INDICATION FROM YOU THAT
GOVERNMENT AS LOAN GUARANTOR IS IN AGREEMENT STOP COPIES THIS CABLE SENT TO
PRESIDENT SANESP AND SAO PAULO SECRETARY PUBLIC WORKS
REGARDS

WIESE
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME

Gunter K. Wiese, Director LAC II

DEPT.

LATIN AMERICA & CARIBBEAN

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

RKanchuger:mr *ms*

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Chief, LAC II
Buhler, Legal Dept.
Kalbermatten, Pro-
jects, LAC
Helne, Controller's
Kafka, IMF

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Checked for Dispatch: *A*

ORIGINAL (HIS COPY)

REFERENCE

SIGNATURE

DEPT

NAME

AUTHORIZED BY

(Signature of individual authorized to approve)

DISPATCHED

FOR THE BY COMMUNICATIONS SECTION

KUTKE, DME
 HETHE, COMPTON, S
 JESSE, TWC
 KATRELMERSEN, DIS-
 BURTEL, TERRY, DABE
 GUTER, TWC II

JUN 7 10 03 PM 1973

COMMUNICATIONS
SECTION

ON 6/7/73 06: MESSAGE: SITUATION, DIRECTION
 CHANGES AND COPY DISTRIBUTION

NOT TO BE DISSEMINATED

INTERVIEWED
 MILES

REMARKS

PRESIDENT GARCIA AND TWO BARGO SECRETARY PARTIS MONKS
 GOVERNMENT VS TOWN GOVERNMENT IS IN AGREEMENT STOP COLLIER THIS CABLE SENT TO
 REQUEST BUT BEFORE TAKING ACTION HE WOULD LIKE INDICATION FROM YOU THAT
 TOWN HAVE REQUESTED STOP ME ARE RETURNED TO VCL EVASCHUK ON BOMBOMEN, S
 PROJECT COST ESTIMATES BOTTOMING RECEIPT OF BIDS FOR WORK ITEMS THAT WERE
 MAY 11 1973 INTO CONSTRUCTION OF 1223.0 MILE OF TOWN VS NEGATIVE REACTION
 BOMBOMEN, S PRESIDENT HAVE TATVINO HAS REQUESTED IN HIS LETTER TO US OF
 REFERENCE BANK TOWN 122-DE TWO BARGO BOTTALION COMING PROJECT STOP

Copy to:

TEXT

COMMUN: BARGO

NOT TO BE DISSEMINATED

MINUTES
 10- MINISTERS DEPT. MELLO

SERVICE

CLASS OF

DATE

PL

June 4, 1973

ONGOING MISE

ASSOCIATION

INTERNATIONAL DEVELOPMENT

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR

CORPORATION

INTERNATIONAL FINANCE

Budget from 128.49m

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: DR. JOSE MEICHES
SECRETARIO DOS SERVICOS
E OBRAS PUBLICAS
DO ESTADO DE SAO PAULO
SAO PAULO

DATE: June 7, 1973

CLASS OF
SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.:

FOLLOWING CABLE SENT TO MINISTER OF FINANCE THIS DATE
QUOTE REFERENCE BANK LOAN 758-BR SAO PAULO POLLUTION CONTROL PROJECT
STOP BORROWER'S PRESIDENT BRAZ JULIANO HAS REQUESTED IN HIS LETTER TO
US OF MAY 17 1973 IBRD CANCELLATION OF US\$3.0 MILLION OF LOAN AS
RESULT REDUCTION PROJECT COST ESTIMATES FOLLOWING RECEIPT OF BIDS FOR
MAJOR ITEMS THAT WERE LOWER THAN EXPECTED STOP WE ARE PREPARED TO ACT
FAVORABLY ON BORROWER'S REQUEST BUT BEFORE TAKING ACTION WE WOULD
LIKE INDICATION FROM YOU THAT GOVERNMENT AS LOAN GUARANTOR IS IN
AGREEMENT STOP COPIES THIS CABLE SENT TO PRESIDENT SANESP AND SAO PAULO
SECRETARY PUBLIC WORKS UNQUOTE
REGARDS

SKILLINGS
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert F. Skillings, Division Chief, IACII

DEPT. LATIN AMERICA & CARIBBEAN

SIGNATURE *Robert F. Skillings*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RKanchuger:mr

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KVSDGUT&GL:ML

IVLEM VMEICV F CMEIBEVN

HOPEFUL, SKITTISH, DANGEROUS, CUTE, TACIT

JUN 7 9 15 PM 1973

COMMUNICATIONS

HFGV4D2

ЗЕСКЕЛВУХА ЉАВТИС МОНКЗ ОИДРОЛЕ

DO ESTADO DE SÃO PAULO

E OBVS LABTICVS

SECRETARIO DOS SEBAIGOS

FL

9. 1. 13

ORDERING MIKE

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: DR. BRAZ JULIANO
DIRETOR PRESIDENTE
SANESP, SAO PAULO

DATE: June 7, 1973

CLASS OF
SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.:

FOLLOWING CABLE SENT TO MINISTER OF FINANCE THIS DATE

QUOTE REFERENCE BANK LOAN 758-BR SAO PAULO POLLUTION CONTROL PROJECT STOP

BORROWER'S PRESIDENT BRAZ JULIANO HAS REQUESTED IN HIS LETTER TO US OF

MAY 17 1973 IBRD CANCELLATION OF US\$3.0 MILLION OF LOAN AS RESULT

REDUCTION PROJECT COST ESTIMATES FOLLOWING RECEIPT OF BIDS FOR MAJOR

ITEMS THAT WERE LOWER THAN EXPECTED STOP WE ARE PREPARED TO ACT

FAVORABLY ON BORROWER'S REQUEST BUT BEFORE TAKING ACTION WE WOULD LIKE

INDICATION FROM YOU THAT GOVERNMENT AS LOAN GUARANTOR IS IN AGREEMENT STOP

COPIES THIS CABLE SENT TO PRESIDENT SANESP AND SAO PAULO SECRETARY PUBLIC

WORKS UNQUOTE

REGARDS

SKILLINGS
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert F. Skillings, Division Chief, LACII

DEPT. LATIN AMERICA & CARIBBEAN

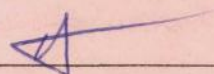
SIGNATURE *Robert F. Skillings*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RKanchuger:mr

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Checked for postage

REFERENCE: HK000000000000
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)SIGNATURE: *[Signature]*

DEPT: LATIN AMERICA & CARIBBEAN

NAME: Robert E. Skilling, Director, Office, IACIL

AUTHORIZED BY:

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JUN 7 9 15 PM 1973

COMMUNICATIONS

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INTERVIEW
SKILLING

KEYWORDS

MONKS DISPUTE

COPIES THIS CABLE SENT TO PRESIDENT GARCIA AND TWO BUREAU SECRETARIES PUBLIC
INDICATION FROM HIM THAT GOVERNMENT VS TOWN GOVERNMENT IS IN AGREEMENT STOP
EVALUATING ON BOMBOMER'S REQUEST FOR BEFORE TAKING ACTION HE MIGHT LIKE
ITEMS THAT WERE TOWNS THAT EXPECTED STOP HE WERE PRESERVED TO VCL
REDUCTION PROJECT COST ESTIMATES BOTTOMING RECEIPT OF BIDS FOR NATION
WVA IS 1973 TOWN GOVERNMENT OF \$233.0 MILLION OF TOWN VS BUREAU
BOMBOMER'S PRESIDENT BUREAU TOWN HAS REQUESTED IN HIS LETTER TO US OF
QUOTE REFERENCE BANK TOWN 128-BB TWO BUREAU BOTTOMING COMBOS PROJECT STOP
BOTTOMING CABLE SENT TO MINISTERS OF FINANCE THIS DATE

Cable No:

TEXT:

COMMUN: BUREAU

GARCIA, TWO BUREAU
DIRECTOR PRESIDENTIAL
TO: DR. BUREAU TOWN

SERVICE: GL
CLASS OF

DATE: June 3, 1973

OUTGOING WIRE

ASSOCIATION

INTERNATIONAL DEVELOPMENT

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR

CORPORATION

INTERNATIONAL FINANCE

Bureau - June 128 4000

OFFICE MEMORANDUM

TO: Mr. Gunter K. Wiese (through Mr. Skillings)

DATE: June 7, 1973

FROM: Robert Kanchuger

SUBJECT: BRAZIL - Loan 758-BR, Sao Paulo
Pollution Control Project

1. We have been requested by the Borrower (Companhia Metropolitana de Saneamento de Sao Paulo) to cancel US\$3.0 million of the US\$15.0 million contained in the subject loan. (See attached Bank memorandum of May 23, 1973 by Mr. Rodriguez, which includes the Borrower's letter of request of May 17, 1973). The Rodriguez memorandum indicates that the project cost estimates have been reduced as a result of the Borrower's having received bids on sewer interceptors which were below the original estimates. The original estimates were conservatively made and we believe US\$12.0 million of loan funds will be sufficient to meet project needs.
2. Although under the terms of the General Conditions of the Loan Agreement, the Borrower may cancel unwithdrawn loan amounts by notice to the Bank, we believe we should notify the Government in its capacity as Guarantor of the Borrower's request, before formally replying to the Borrower on this matter. We have therefore attached for your signature, a cable to the Minister of Finance, advising him of the Borrower's request and the action we propose taking.
3. After receiving the Minister of Finance's reply, we will prepare a letter for your signature to be sent to the Borrower and include in it appropriate amendments to the Loan Agreement Schedules.
4. You may have noted that paragraph 4 of Mr. Rodriguez's memorandum discusses the possibility of a second Bank loan for water pollution control in Sao Paulo. As noted in Mr. Skillings' memorandum to you of May 24, the IDB is now considering further lending for expansion of water and sewerage facilities in the Greater Sao Paulo area. In view of IDB's work in this area, we do not believe there is any case for the Bank to consider a second loan for water pollution control in Sao Paulo.

Cleared with and cc: Messrs. Buhler
Kalbermatten
Helne

Attachments

ROUTING SLIP

Date

June 5, 1973

NAME

ROOM NO.

Mr. R.R. Buhler

A825

Mr. J.D. Elliott

H734

Mr. A.A. Helne

H433

Mr. J.M. Kalbermatten

C913

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

X Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

Sao Paulo Pollution
Control Project-Loan 758-BR

I have attached for your review and clearance a draft memorandum to Mr. Wiese concerning modifications we are proposing to the subject loan. I have made some alterations to the documents prepared by Mr. Rodriguez, based on the discussions I have had with some of you.

From

R. Kanchuger

BRZ - Ln 758
DRAFT
RKANCHUGER:mr
June 5, 1973

To: Mr. Gunter K. Wiese (through Mr. Skillings)
From: Robert Kanchuger
Subject: BRAZIL - Loan 758-BR, Sao Paulo Pollution Control Project

1. In accordance with the attached memorandum of May 23, 1973 of Mr. Rodriguez dealing with the progress of the subject project, we have attached for your signature a letter to the President of the Borrower, advising him of the Bank's agreement to cancel US\$3.0 million of the subject loan and also forwarding to him for his confirmation, documents amending Schedules 1, 2 and 3 of the Loan Agreement. These documents also require your signature.
2. Your previous letter of March 30, 1973 amending Schedules 1 and 2 to the Loan Agreement were not confirmed by the Borrower's President because he did not believe that the Borrower, as an independent entity, should cosign documents with the State Secretary of Public Works (see paragraph 5 of the Rodriguez memorandum). We accept the Borrower's recommendation and have prepared documents which only provide for your signature and that of the Borrower. We believe this to be legally sufficient.
3. We should like to call to your attention paragraph 1 of Mr. Rodriguez's memo which indicates that the downward revision of project cost estimates are a result of the Borrower having received bids on the sewer interceptors which were below the original estimates. The original estimates were conservatively made and we believe the US\$12.0 million of loan funds will be sufficient to meet the project needs.

4. If you agree to the attached proposed letter, the following notice can be placed in the next semi-monthly report to the Executive Directors:

"US\$12 million Loan of June 21, 1971 to Companhia Metropolitana de Saneamento de Sao Paulo (Ln. 758): The Bank has agreed to the Borrower's request to cancel US\$3.0 million of the loan effective May 17, 1973 as a result of a revision in project cost estimates (R73-61)."

To be cleared with and cc: Messrs. Kalbermatten
Buhler
Helne
J. D. Elliott

DRAFT
RKANCHUGER:mr
June 5, 1973

Mr. Braz Juliano
Diretor-Presidente
Companhia Metropolitana de
Saneamento de Sao Paulo, SANESP
Rua Costa Carvalho, 300-Pinheiros
Sao Paulo, Brazil, S. A.

Re: Sao Paulo Pollution Control Project - Loan 758-BR

Dear Mr. Juliano:

In accordance with your request of May 17, 1973 to reduce the amount of the subject loan specified in Section 2.01 of the Loan Agreement from US\$15.0 million to US\$12.0 million, we wish to advise you that such reduction will be made retroactive to May 17, 1973 in accordance with the provisions of Section 6.01 of the General Conditions of said Loan Agreement, upon our receipt of a signed confirmation copy of this letter.

Pursuant to your discussions with representatives of the Bank, we are also enclosing two copies of a revised table of expenditures to replace the one appearing in paragraph 1 of Schedule 1 (Withdrawal of the Proceeds of the Loan) to the subject loan and two copies each of revised Schedules 2 (Description of the Project) and 3 (Amortization Schedule) which will replace the present Schedules 2 and 3 to the subject loan. Please confirm your agreement with the amended Schedules by signing one copy of each and returning them to us.

Very truly yours,

Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

COMPANHIA METROPOLITANA DE SANEAMENTO
DE SAO PAULO, SANESP

Date _____

By _____
Braz Juliano
Diretor Presidente

Authorized Representatives

Date _____

cc: Governo do Estado de Sao Paulo
a/c Secretaria dos Servicos
e Obras Publicas
R. Riachuelo, 115 - 3º andar

Ministerio da Fazenda
Av. Presidente Antonio Carlos, 375
Rio de Janeiro, Brazil

To be cleared with and cc: Messrs. Buhler
Helne
Kalbermatten
J. D. Elliott

LOAN AGREEMENT
BETWEEN
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

COMPANHIA METROPOLITANA
DE SANEAMENTO DE SAO PAULO

DATED JUNE 21, 1971

LOAN NUMBER 758-BR

The following table of expenditures replaces that appearing in paragraph 1 of Schedule 1 to the aforesaid agreement:

| <u>Category</u> | <u>Amount of the
Loan Allocated
(Expressed in
Dollar Equivalent)</u> | <u>% of Expenditures
to be Financed</u> |
|--|--|---|
| I. Imported machinery,
materials and equipment | 3,500,000 | 100% of foreign
expenditures |
| II. Civil works and locally
produced or procured
machinery, materials and
equipment | 6,700,000 | 14% of total expenditures,
representing the estimated
foreign expenditures
component |
| III. Consultants' services and
training | 800,000 | 100% of foreign
expenditures |
| IV. Unallocated | 1,000,000 | |
| TOTAL | 12,000,000 | |

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By _____
Gunter K. Wiese
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

Date _____

COMPANHIA METROPOLITANA DE SANEAMENTO DE
SAO PAULO, SANESP

By _____
Braz Juliano
Diretor Presidente

Authorized Representatives

Date _____

LOAN AGREEMENT
BETWEEN
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND
COMPANHIA METROPOLITANA
DE SANEAMENTO DE SAO PAULO

DATED JUNE 21, 1971
LOAN NUMBER 758-ER

Schedule 2, "Description of Project" to the aforesaid Agreement shall be replaced with the following new Schedule 2:

The project consists of the following parts:

- A. The construction of 26 km of concrete permanent gravity interceptors along the Dos Meninos and upper Tamanduatei Rivers with trunk collector river crossings; 22 km of sewer interceptors along the lower Tamanduatei River, the upper and south bank of Tiete River; a 3.0 m³/sec primary treatment plant at San Caetano; a 1.5 m³/sec secondary treatment plant at Mogi-Suzano; related low lift pump stations for the treatment plants; and improvements of the existing Leopoldina and Pinheiros sewage treatment plants.
- B. The supply of machinery, equipment and materials for the facilities referred to in paragraph A.
- C. The purchase of service equipment.
- D. The services of consultants and the training of staff.

The project is expected to be completed by December 31, 1975.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By _____
Gunter K. Wiese
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

COMPANHIA METROPOLITANA DE SANEAMENTO DE
SAO PAULO, SANESP

Date _____

By _____
Braz Juliano
Diretor Presidente

Authorized Representatives

Date _____



SANESP

COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

PRE-0253/1027/73-SANESP-C

May 31, 1973

Mr. John Kalbermatten
Chief, Water Supply Section
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Date Rec'd

June 14, 1973

Date Ack'd

June 25/73

Assigned to

F.R.

BR-3-35

Re.: International Competitive Bidding
nº CP 01/73
Contracts

Dear Sir :

Doc. # 194386

We have pleasure to inform you that in accordance with the terms of your cable, contracts were awarded between SANESP and successful bidders of the International Competitive Bidding nº CP - 01/73, for the construction of sewage interceptors of the ABC system, as follows:

Contract SANESP nº 040/73, for the construction of Section T 1 of interceptors, awarded with Escritório de Construção e Engenharia ECEL S.A.; ✓

Contract SANESP nº 041/73, for the construction of Section T 2 of interceptors, awarded with CONSTRAN S.A. - Construções e Comércio; ✓

Contract SANESP nº 042/73, for the construction of Section T 3, CCBE-ROSSI SERVIX Engenharia S.A.; ✓

Contract SANESP nº 043/73 for the construction of Section M 1, S.A. PAULISTA DE CONSTRUÇÕES E COMÉRCIO, ✓

Contract SANESP nº 044/73 for the construction of Section M 2, ENBASA Engenharia e Obras S.A. ✓

Contract SANESP nº 045/73 for the construction of Section M 3, ENGERAL, Engenharia e Obras S.A. ✓

We herewith forward two copies of each contract.

Yours faithfully

Braz Juliano
Diretor Presidente

Enc.

AV. ENDRÉO - SANESP
AV. COSTA CARVALHO, 300 - PINHEIROS
FONES: 286-8132 - 286-8655

avenida angélica n.º 2223 - 8.º a 17.º andares - tel. 256-4422 (pabx) - caixa postal 30546 - são paulo
mod. 1001-A

RECEIVED

1973 JUN 13 PM 3:04

COMMUNICATIONS
SECTION

Brazil - Loan 758 BR



COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

SANESP

ECF - 179/1031/73 - SANESP-C

May 30, 1973

Mr. John Kalbermatten
Chief, Water Supply Section
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Re.: São Paulo Water Pollution Control
Project - Loan 758-BR
Reporting Requirements

Dear Sir:

not attached

With reference to Sections 3.05 and 5.02 of the Loan Agreement 758 - BR, we forward enclosed herewith periodic information and reports required for the Project related to the 4th quarter, 1972, and to the 1st quarter, 1973, with respective balance sheets.

Yours very sincerely

Date Rec'd. *June 8/73*
Date Ack'd. *no reply*
Assigned to *JMK / R.C.*
L.O. Dale Coutinho
Ignacio Dale Coutinho
Diretor

BR-3-32

1973 JUN-8 AM 10:40

21 21

1. The first part of the report is a summary of the work done during the last year. It covers the following points:

2. The second part of the report is a detailed account of the work done during the last year. It covers the following points:

3. The third part of the report is a summary of the work done during the last year. It covers the following points:

4. The fourth part of the report is a detailed account of the work done during the last year. It covers the following points:



SANESP

Brasil Lo 758 Ad
COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

PRE-252/1026/73 - SANESP - C

May 30, 1973

Mr. John Kalbermatten
Chief, Water Supply Section
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Date Received June 14, 1973
Date Acknowledged JUNE 26, 1973 (cable)
Assigned to F.R.

BR-336

Re.: São Paulo Pollution Control Project
Bid N° CP - 02/73

Dear Sir:

- not attached
In reply to your letter dated May 18, 1973, we forward herewith copy of the invitation to bid N° CP 02/73, with changes proposed, as follows:

- ✓ a) Item 2 (page 3), SANESP's quotation in Section 2 - "Objeto" has been deleted;
- ✓ b) Paragraph 5.2 (pages 6 and 7), the rate of exchange to be used will be those in effect at time of contract award;
- ✓ c) Item 10.7 (page 33) it is specified that the tests will be witnessed and approved by SANESP's representative;
- ✓ d) In the instruction sheet (page 38), item 4, it is required presentation of table providing the prices FOB, CIF and of local transportation.

Yours very sincerely

Braz Juliano
Braz Juliano
Diretor Presidente

enc.: copy of the invitation to bid N° CP-02/73

NOVO ENDERÇO - SANESP
RUA COSTA CARVALHO, 300 - PINHEIROS
FONES: 286-8132 - 286-8655

Brazil - loan 758 Adm,

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: BRAZ JULIANO
CIASANESPE
SAO PAULO

DATE: MAY 24, 1973
LOAN 758-BR

CLASS OF

SERVICE: FR 4 1-1

COUNTRY: BRAZIL

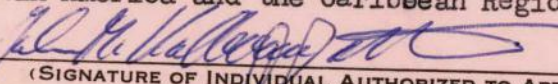
TEXT: REURCAB MAY TWENTY TWO CONCERNING EVALUATION OF BIDS ZERO ONE SEVENTY THREE
Cable No.: FOR CONSTRUCTION OF ABC INTERCEPTORS STOP BANK HAS NO OBJECTION TO YOUR
AWARDS OF CONTRACTS T ONE TO ECEL COMMA T TWO CONSTAN COMMA T THREE ROSSI
COMMA M ONE PAULISTA COMMA M TWO ENBASA AND M THREE ENGERAL STOP PROCEED
TO EXECUTION OF CONTRACTS STOP REGARDING BIDDING PROCEDURES FOR MOGI SUZANO
WORKS COMMA WE WILL WRITE YOU SOON STOP REGARDS

KALBERMATTEN
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME John M. Kalbermatten
Chief, Water Supply Section
DEPT. Latin America and the Caribbean Regional Office.

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: FRodriguez:mcg
CONTROL No. BR-3-26, BR-3-29

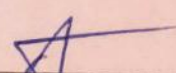
ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Bühler (LEG)
Helne (CTR)
Kanchuger (LC2DA)
Kalbermatten (LCPFB)
Sheehan (LCPFB)
Division Files

For Use By Communications Section

Checked for Dispatch: 

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE
4 00 PM 1973
MAY 24

TO: BRAZ JULIANO
CIANESSE
SAO PAULO

COMMUNICATIONS
LOAN 758-BR
MAY 24, 1973

CLASS OF
SERVICE

COUNTRY: BRAZIL

TEXT:
Cable No.

WORKS COMM WE WILL WRITE YOU SOON STOP REGARDS
TO EXECUTION OF CONTRACTS STOP REGARDING BIDDING PROCEDURES FOR MOGI SUZANO
COMM M ONE PAULISTA COMM M TWO ENRASA AND M THREE ENRERAL STOP PROCEED
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FOR CONSTRUCTION OF ABC INTERCEPTORS STOP BANK HAS NO OBJECTION TO YOUR
REURCAR MAY TWENTY TWO CONCERNING EVALUATION OF BIDS ZERO ONE SEVENTY THREE

KALBERMATTEN
INTERRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME John M. Kalbermatten
Chief, Water Supply Section
Latin America and the Caribbean Regional Office.

SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: PRODUCTIONS: MCG
CONTROL NO. BR-3-26, BR-3-29

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCE AND COPY DISTRIBUTION:
cc: Messrs. Buhler (LEG)
Helne (CTR)
Kanchuger (LCSDA)
Kalbermatten (LCPPB)
Sheehan (LCPPB)
Division Files

For Use By Communications Section

Checked for Dispatch

OFFICE MEMORANDUM

BRZ - Ln 758

TO: Mr. John M. Kalbermatten, Chief Water Supply
Section (LCPPE)
FROM: Fritz Rodríguez, EGR, (LCPPE)
SUBJECT: BRAZIL - Loan 758-BR
Sao Paulo Pollution Control Project
Progress in Project Execution

DATE: May 23, 1973

1. This memorandum is intended to summarize the discussions I had in Washington from May 14 to 17 with officials of the Companhia Metropolitana de Saneamento de Sao Paulo (SANESP) on the above subject. Following the results of the first bidding for construction of sewage interceptors in Greater Sao Paulo (ABC system), SANESP has revised the estimated costs of its construction program, and consequently is requesting cancellation of US\$3.0 million in the original US\$15.0-million loan. Messrs. Braz Juliano and Alcindo Camano, of SANESP, also came to Washington to submit their evaluation report on the above-mentioned tender, and to discuss bid documents for reinforced concrete pipes.

2. As you are aware of, the project defined in the appraisal report was abandoned and the Bank approved a new construction program submitted by SANESP in a letter of February 23, 1973. The Bank loan would have financed US\$15.0 million of the appraisal project costs; or the estimated foreign exchange component of the project. For the new program of works, it was decided that the Bank will continue to finance 18 per cent of project costs, as set forth in the Loan Agreement. As I pointed out in my Back-to-Office and Full Report of March 12, 1973, the new construction program is smaller and consequently the Bank financing will be less than US\$15.0 million, unless additional works can be identified.

3. On the basis of unit prices provided by SANESP, I prepared an estimated cost of the new works and found that the Bank financing would have amounted to US\$14.0 million. Cost estimates were expressed at September 1971 price levels and physical contingencies ranged from 10% for equipment to 20% for civil works. These estimates also included financing of the study of a long-term pollution control program for the Sao Paulo metropolitan area, and of some short-term alternatives, such as river aeration. We were also willing to finance 18% of the cost of additional works to be identified after preparation of the long-term program would have been completed, in order to permit full withdrawal of the original loan amount by SANESP. A tentative financing plan, established with figures of this investment program, indicated that the internal cash generation forecast by SANESP for the 1972-75 period was to increase by 45%.

4. Final design of the project is now completed. SANESP has revised the cost estimates and found that they would amount to Cr\$382.2 million or US\$63.7 million, US\$14.0 million less than the original estimates. In view of financial constraints and especially because the officials of SANESP do not like the loan conditions (we only finance 18% of expenditures for all local procurement and civil works contracts), Mr. Juliano appeared unwilling

May 23, 1973

to accept that the Bank finances additional works under the present loan conditions. He suggested that SANESP at once undertake the study of a master plan for water pollution control in Greater Sao Paulo, which would be submitted to the Bank for a second loan. Mr. Juliano made it clear that he wants to cancel any amounts in the loan, which are not now allocated to the revised program.

5. The Bank financing is now expected to amount to US\$12.0 million. I recommend that the Bank approve the cancellation of US\$3.0 million requested by SANESP. For this purpose a draft letter has been prepared and is annexed to this memo. Schedule 1 of the Loan Agreement (Withdrawal of the Proceeds of the Loan) has been revised to reflect this cancellation and SANESP should give its formal agreement to the revised schedule. Schedule 2 (Description of the Project), which was forwarded per our letter of March 30, 1973 to SANESP for its approval, has been accepted. However, Mr. Juliano objected to the way it was presented to him. He explained that he could not co-sign a document with Mr. Meiches, State Secretary of Public Works, since SANESP is an independent entity from the State Government. Messrs. Meiches and Juliano will be asked to approve Schedule 2 on two separate documents.

6. Mr. Juliano also submitted the SANESP evaluation report on bidding No. CP 01/73 for construction of sewage interceptors in Greater Sao Paulo (ABC system). Previous to his visit to Washington, the Bank received a cable from ETESCO, a company participating in the bidding, charging that improper procedures had been used by SANESP for the qualification of bidders. I carefully reviewed the report and concluded that SANESP had rejected the ETESCO's bid on a good ground. Eighteen Brazilian and one German construction firms have participated in the bidding for six separate contracts. After evaluating the bids received, I found that it was possible to combine the awards for a total contract amount of Cr\$80,368,540. SANESP would prefer to make a different combination of contractors, which would result in a total contract price of Cr\$81,541,719 or 1.4% higher than the first combination mentioned. I informed Mr. Juliano that the Bank will have no objection to his proposal.

7. I also reviewed bid documents for the supply of reinforced concrete pipes and suggested that SANESP make some changes in the specifications (see attached copy of letter of May 18, 1973 to SANESP).

Attachments

cc: Messrs. Bühler (LEG)
Costa (LCPPB)
Helne (CTR)
Kanchuger LC2DA)
Sheehan (LCPPB)

Division Files

FRodríguez:mcg

DRAFT LETTER

Loan 758-BR

May 23, 1973

Companhia Metropolitana de
Saneamento de Sao Paulo, SANESP
Rua Costa Carvalho, 300-Pinheiros
Sao Paulo, Brazil, S. A.

Re: Sao Paulo Pollution Control Project

Gentlemen:

Pursuant to Section 6.01 of the "General Conditions Applicable to Loan and Guarantee Agreements of the Bank," referred to in Section 1.01 of the Loan Agreement (Sao Paulo Pollution Control Project), dated June 21, 1971, between the Bank and SANESP, the Bank agrees to your request for cancellation of US\$3.0 million in the Loan amount.

Enclosed are two copies of a revised table of expenditures to replace the one appearing in paragraph 1 of Schedule 1 (Withdrawal of the Proceeds of the Loan) to the subject loan, and two copies of a revised Schedule 2 (Description of the Project) which will replace the present Schedule 2 to the subject loan.

Please confirm your agreement to the foregoing by signing the enclosed copy of this letter and one copy of the revised paragraph 1 of Schedule 1 and of the revised Schedule 2, and returning them to us.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By _____
Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

COMPANHIA METROPOLITANA DE SANEAMENTO DE
SAO PAULO, SANESP

By _____
Braz Juliano
Diretor Presidente

Oscar Felomeno Lotito
Diretor

Authorized Representatives

To be cleared with and cc: Messrs. Bühler, Helne, Kanchuger, Kalbermatten, Sheehan.

LOAN AGREEMENT
BETWEEN
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

COMPANHIA METROPOLITANA
DE SANEAMENTO DE SAO PAULO

DATED JUNE 21, 1971
LOAN NUMBER 758-BR

The following table of expenditures replaces that appearing in paragraph 1 of Schedule 1 to the aforesaid agreement:

| <u>Category</u> | <u>Amount of the
Loan Allocated
(Expressed in
Dollar Equivalent)</u> | <u>% of Expenditures
to be Financed</u> |
|--|--|---|
| I. Imported machinery,
materials and equipment | 3,500,000 | 100% of foreign
expenditures |
| II. Civil works and locally
produced or procured
machinery, materials and
equipment | 6,700,000 | 14% of total expenditures,
representing the estimated
foreign expenditures
component |
| III. Consultants' services and
training | 800,000 | 100% of foreign
expenditures |
| IV. Unallocated | 1,000,000 | |
| TOTAL | <u>12,000,000</u> | |

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By _____
Gunter K. Wiese
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

COMPANHIA METROPOLITANA DE SANEAMENTO DE
SAO PAULO, SANESP

Date _____

By _____
Braz Juliano
Diretor Presidente

Oscar Felomeno Lotito
Diretor
Authorized Representatives

Date _____

LOAN AGREEMENT
BETWEEN
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND
COMPANHIA METROPOLITANA
DE SANEAMENTO DE SAO PAULO

DATED JUNE 21, 1971
LOAN NUMBER 758-BR

Schedule 2, "Description of Project" to the aforesaid Agreement shall be replaced with the following new Schedule 2:

The project consists of the following parts:

- A. The construction of 26 km of concrete permanent gravity interceptors along the Dos Meninos and upper Tamanduatei Rivers with trunk collector river crossings; 22 km of sewer interceptors along the lower Tamanduatei River, the upper and south bank of Tiete River; a 3.0 m³/sec primary treatment plant at San Caetano; a 1.5 m³/sec secondary treatment plant at Mogi-Suzano; related low lift pump stations for the treatment plants; and improvements of the existing Leopoldina and Pinheiros sewage treatment plants.
- B. The supply of machinery, equipment and materials for the facilities referred to in paragraph A.
- C. The purchase of service equipment.
- D. The services of consultants and the training of staff.

The project is expected to be completed by December 31, 1975.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By _____
Gunter K. Wiese
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

COMPANHIA METROPOLITANA DE SANEAMENTO DE
SAO PAULO, SANESP

Date _____

By _____
Braz Juliano
Diretor Presidente

Oscar Felomeno Lotito
Diretor
Authorized Representatives

Date _____

DRAFT LETTER

Loan 758-BR

May 23, 1973

Governo do Estado de Sao Paulo
a/c Secretaria dos Serviços e Obras Públicas
Rua Riachuelo, 115 3º andar
Sao Paulo, Brazil, S. A.

Re: Sao Paulo Pollution Control Project

Gentlemen:

Please refer to the Project Agreement (Sao Paulo Water Supply and Pollution Control Projects), dated June 21, 1971, between the State of Sao Paulo and the Bank.

As we informed you in our letter of March 30, 1973, we agreed with officials of SANESP on an Immediate Construction Program which is to some extent different from the one described in the Loan Agreement referred to in the Project Agreement as the Pollution Control Loan Agreement.

Enclosed are two copies of a revised Schedule 2 (Description of the Project) which will replace the present Schedule 2 of the Pollution Control Loan Agreement. Please confirm your agreement to the changes in the project description by signing a copy of the revised Schedule 2, and returning it to us.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Gunter K. Wiese, Director
Country Programs Department
Latin America and Caribbean
Regional Office

To be cleared with and cc: Messrs. Bühler, Helne, Kanchuger, Kalbermatten,
Sheehan

LOAN AGREEMENT
BETWEEN
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND
COMPANHIA METROPOLITANA
DE SANEAMENTO DE SAO PAULO

DATED JUNE 21, 1971
LOAN NUMBER 758-BR

Schedule 2, "Description of Project" to the aforesaid Agreement shall be replaced with the following new Schedule 2:

The project consists of the following parts:

- A. The construction of 26 km of concrete permanent gravity interceptors along the Dos Meninos and upper Tamanduatei Rivers with trunk collector river crossings; 22 km of sewer interceptors along the lower Tamanduatei River, the upper and south bank of Tiete River; a 3.0 m³/sec primary treatment plant at San Caetano; a 1.5 m³/sec secondary treatment plant at Mogi-Suzano; related low lift pump stations for the treatment plants; and improvements of the existing Leopoldina and Pinheiros sewage treatment plants.
- B. The supply of machinery, equipment and materials for the facilities referred to in paragraph A.
- C. The purchase of service equipment.
- D. The services of consultants and the training of staff.

The project is expected to be completed by December 31, 1975.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By _____
Gunter K. Wiese
Country Programs Department
Latin America and Caribbean
Regional Office

CONFIRMED:

Governo do Estado de Sao Paulo

Date _____

By _____
Carlos Antonio Rocca
Secretario da Fazenda

José Meiches
Secretario dos Serviços e Obras
Authorized Representatives

Date _____

PRE - 223/0865/73 - SANESP - C

May 17, 1973

Date Received

May 17/73

Date Acknowledged

Assigned to

FR/R.C./JMK

Mr. John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office
International Bank for Reconstruction and Development
Washington, D.C. 20433

BR-3-28

Re: São Paulo Pollution Control Projects
Loan 758-ER

Dear Sir:

We are in receipt of your letter dated March 30, 1973, wherein you state having no objections to the project reformulation put forward in our letter of February 23, 1973 - Re.: PRE/081/0394/73 - SANESP - C.

Based on this affirmative a new financing plan was drawn up for 1972-1975, which will be forwarded to Banco Nacional da Habitação - BHN, Fomento Estadual de Saneamento Básico - FESB, Banco do Estado de São Paulo - BANESPA, and to the Secretaria de Economia e Planejamento, in accordance with the following table:

| <u>APPLICATIONS</u> | <u>Cr\$</u>
<u>Million</u> | <u>US\$</u> | <u>%</u> |
|-----------------------------|-------------------------------|-------------|----------|
| Project Works | 382.2 | 63.7 | 76.9 |
| Other Works | 110.8 | 18.5 | 22.3 |
| Total Investments | 493 | 82.2 | 99.2 |
| Increase in Working Capital | 3.6 | 0.6 | 0.8 |
| Total Applications | 496.6 | 82.8 | 100.0 |

NOVO ENDEREÇO - SANESP
RUA COSTA CARVALHO, 300 - PINHEIROS
FONES. 286 8132 - 286-0055

avenida angélica n.º 2223 - 8.º a 17.º andares - tel. 256-4422 (pabx) - caixa postal 30546 - são paulo
mod. 1091

| <u>SOURCES</u> | <u>Cr\$</u>
<u>Million</u> | <u>US\$</u> | <u>%</u> |
|------------------------------|-------------------------------|--------------|-------------|
| Internal Cash Generation | 128.7 | 21.4 | 25.8 |
| Less: Debt Service | <u>(41.2)</u> | <u>(6.9)</u> | <u>8.3</u> |
| Net Internal Cash Generation | 87.5 | 14.5 | 17.5 |
| IBRD | 69.0 | 11.5 | 13.9 |
| FESB/BNH | <u>100.5</u> | <u>16.8</u> | <u>20.3</u> |
| Total Borrowings | <u>169.5</u> | <u>28.3</u> | <u>34.2</u> |
| State Funds | <u>239.6</u> | <u>40.0</u> | <u>48.3</u> |
| Total Sources | 496.6 | 82.8 | 100.0 |

Projections made at 1972 Cruzeiro Values (1 US\$ = Cr\$ 6.00)

From the above table you will notice that IBRD would finance a maximum amount of US\$12.0 million, and not US\$ 15.0 million as originally provided.

Under these conditions, we request cancellation of US\$ 3.0 million from the amount of Loan No. 758-BR, which will result in the following changes to Schedule I.

| <u>Category</u> | <u>Amount of the
Loan Allocated
(Expressed in
Dollar Equivalent)</u> | <u>% of Expenditures
to be Financed</u> |
|--|--|---|
| Imported machinery
materials and equipment | 4,700,000 | 100% of foreign
expenditures |
| Civil works and locally
produced or procured
machinery, materials
and equipment | 5,400,000 | 14% of total expen-
ditures, representing
the estimated foreign
expenditures component |
| Consultants' services and
training | 1,000,000 | 100% of foreign
expenditures |
| Unallocated | <u>900,000</u> | |
| TOTAL | 12,000,000 | |

Sincerely,

Braz Juliano
Diretor Presidente

AVO ENDEREÇO - SANESP
RUA COSTA CARVALHO, 300 - PINHEIROS
FONES: 266-8132 - 286-8655

Brochil - Item 758 Adm.

INCOMING CABLE

DATE AND TIME
OF CABLE:

MAY 22, 1973 1215

LOG NO.:

196/22

TO:

RODRIGUEZ INTBAFRAD

FROM:

SAO PAULO

ROUTING

ACTION COPY: MR. SHEEHAN
MR. WIESE
INFORMATION COPY: MR. SKILLINGS
DECODED BY: MR. RODRIGUEZ

TEXT:

SANESP INDICA EXECUCAO OBRAS SISTEMA ABC CONCORRENCIA PUBLICA 01/73
SEQUENTES EMPREITEIRAS: TRECHO T1 ECEL, TRECHO T2 CONSTAN, TRECHO T3
ROSSI, TRECHO M1 PAULISTA, TRECHO M2 ENBASA, TRECHO M3 ENGERAL.
SOLICITAMOS APROVACAO CONFORME ENTENDIMENTOS AI REALIZADOS.
CUMPRIMENTOS

CIASANESPE BRAZJULIANO

RECEIVED

MAY 22 4 46 PM 1973

COMMUNICATIONS
SECTION

COMMUNICATIONS SECTION

COMMUNICATIONS SECTION

COMMUNICATIONS SECTION

COMMUNICATIONS SECTION

COMMUNICATIONS SECTION

TEXT: COMMUNICATIONS SECTION

FROM: COMMUNICATIONS SECTION

TO: COMMUNICATIONS SECTION

FROM: COMMUNICATIONS SECTION

DATE AND TIME: COMMUNICATIONS SECTION

| | |
|--------------|----------------|
| DECODED BY: | MR. [REDACTED] |
| CALL: | MR. [REDACTED] |
| INFORMATION: | MR. [REDACTED] |
| ACTION CALL: | MR. [REDACTED] |
| HOLLING | |

INCOMING CYBER

5/22/73 12:45 PM

Brazil-Loan 758 Admin.

Loan 758-BR

May 21, 1973

ETESCO S. A.
Comercio e Construccoes
Praça Oswaldo Cruz 138-10º andar
Sao Paulo, Brazil, S. A.

Re: Sao Paulo Pollution Control Project
Bid No. 01/73

Gentlemen:

Thank you for your cable of May 13, 1973 giving your comments on the evaluation of bids for the construction of sewage interceptors in Greater Sao Paulo (ABC system). You have charged in this cable that improper procedures had been used by SANESP for the qualification of bidders, particularly in the evaluation of your proposal.

We are currently revieweing the SANESP's evaluation report on this bidding, and you may rest assured that your comments will be considered in our review.

Very truly yours,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

FRodriguez:mcg 

cc: Messrs. Helne (CTR)
Bühler (LEG)
Kanchuger (LC2DA)
Kalbermatten (LCPPB)
Sheehan (LCPPB)

CONTROL No. BR-3-23

Loan 758-BR

May 18, 1973

Eng. Braz Juliano
Diretor Presidente
Companhia Metropolitana de
Saneamento de Sao Paulo, SANESP
Rua Costa Carvalho, 300 - Pinheiros
Sao Paulo, Brazil, S. A.

Re: Sao Paulo Pollution Control Project
Bid No. CP 02/73

Dear Eng. Juliano:

During your recent visit to Washington, we had the opportunity to discuss the bid documents CP 02/73 for the supply of reinforced concrete pipes. We have proposed that you make some changes in the specifications, and with this letter we would like to confirm the results of our discussions.

a) We agreed that it would be improper to give an estimated cost of the pipes in the documents, and consequently the SANESP's quotation shown in Section 2-"Objeto"- should be deleted.

b) As you indicated in paragraph 5.2.4, the rates of exchange to be used in bid evaluation would be those in effect on the date bids are opened. However, if there is a subsequent change in the value of currencies, the rates at the time the contract award is made should be used. We agreed that this latter provision should be added in the documents.

c) It was decided that the tests of materials required by the specifications would be witnessed and approved by a representative of SANESP. You should also specify that failure of SANESP or its representative to provide such inspection, should not relieve the contractor of his responsibility to furnish materials in accordance with these specifications.

d) It was also agreed that the tender form should provide for an entry of local and foreign prices for each item.

Eng. Braz Juliano

- 2 -

May 18, 1973

In conclusion, SANESP will modify the bid documents in light of the above results, and will then proceed to the bid opening, as originally planned for June 15, 1973.

Sincerely,

Signed Richard H. Sheehan

(for) John M. Kalbermatten

Chief, Water Supply Section

Public Utilities Projects Division

Latin America and the Caribbean Regional Office

FRodríguez:mcg

cc: Messrs. Kanchuger
Helne
Kalbermatten
Sheehan

CONTROL No. BR-3-25



COMPANHIA METROPOLITANA DE SANEAMENTO DE SÃO PAULO

SANESP

Basil loan 758 BR

May 16, 1973

Mr. John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U. S. A.

Ref.: Pré-qualificação de empreiteiras-Obras
MOGI-SUZANO - empréstimo BR-758

Dear Sir:

Informamos que as empreiteiras que participaram da concorrência pública número 01/73 - SANESP foram considerados aptas pela SANESP a executar interceptores de esgotos. Tratando-se de 19 (dezenove) empresas de alto nível de capacidade técnica e econômica-financeira, solicitamos que essas empresas sejam consideradas pelo Banco Internacional de Reconstrução e Desenvolvimento-BIRD qualificadas para participarem das obras do sistema MOGI-SUZANO.

Caso esta solicitação seja aprovada, essas empreiteiras seriam convidadas pela SANESP a apresentarem proposta para as obras dos interceptores do sistema acima referido.

Atenciosamente,

Braz Juliano
Diretor Presidente

ACC:mcg

Date Received

July 12/73

Date Acknowledged

July 12/73

Assigned to

JMK/FR

BR-243

NOVO ENDEREÇO - SANESP
RUA COSTA CARVALHO, 300 - PINHEIROS
FONES: 286-8132 - 286-8655

avenida angélica n.º 2223 - 8.º a 17.º andares - tel. 256-4422 (pabx) - caixa postal 30546 - são paulo
mod. 1001

INTFRAD64145

Brazil - Jan 758 Adm.
INCOMING CABLE

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MAY 16, 1973

MAY 13 9 32 AM 1973

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MARTINEZ REMITTANCE 13.517 PESOS MEXICANOS ON APRIL 4 THROUGH
BANCO DE MEXICO SA PASSED THROUGH IRVING BANK WHICH INFORMED
US THAT EXECUTED ORDER ON MAY 14

CIASANESPE

CFM INTBAFRAD 13.517 4 CIASANESPE

REPT 13.517 4 CIASANESPE