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Folder ID: 1384211

Project ID: P006246

Dates: 1/7/1972 - 5/7/1973

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ISAD Reference Code: WB IBRD/IDA LAC

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RETURN TO I.B.R.D. - I.D.A. FILES

BRAZIL - Loan 757 BR

Vol. I

Archives
1384211
R1978-071 Other #: 77968B
Sao Paulo Water Supply and Pollution Control Projects - Brazil - Loan 0757, Loan 0758 - P006246 - Correspondence - Volume 1

RETURN TO
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FOR FURTHER CORRESPONDENCE PLEASE SEE VOL. II

RECORDS MANAGEMENT SECTION

Brasil - Loan 757 Adm.

Loan 757-BR

May 7, 1973

Ing. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua e
Esgotos da Capital
Rua Riachuelo, 115 - 11° Andar
01007 Sao Paulo
Brazil

Re: Sao Paulo Water Supply Project
Procurement

Dear Ing. Lima Pontes:

We refer to your letter of April 23, 1973 regarding the procedures used by SAEC in the evaluation of bids for civil works contracts. You have mentioned that the evaluation criteria were reviewed and approved by a Bank mission in 1972, but we could find no record of such an approval.

As you may recall, our Guidelines for Procurement were discussed during the recent visit of Messrs. Rodríguez and Costa to SAEC in January 1973, and you agreed to consider in bid evaluation not only the bid prices, but also the technical and financial resources of bidders. We believe that only on this basis, exclusion of unreliably low bids can be made.

We have already suggested in our letter of April 2, 1973 that you adopt different evaluation criteria in bid documents. Furthermore, we would be glad to review a standard form of documents for the contracts contemplated in paragraph 3 of Schedule 4 of the Loan Agreement, so we might comment in advance on the procedures you would intend to follow in future bids. Incidentally, the contracts listed in your letter were approved by us, and not rejected as you indicated.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

FRodríguez:mcg

cc: Messrs. Bühler
Helne
Kanchuger
Kalbermatten
Sheehan
Division Files

CONTROL No. BR-3-22

Brasil - Loan 757 Adm.

Loan 757-BR

May 4, 1973

Ing. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua e
Esgotos da Capital
01007 Sao Paulo
Brazil

Re: Sao Paulo Water Supply Project
Procurement

Dear Ing. Lima Pontes:

Your proposal for an increase of the percentage (37%) set forth in Category IV of Schedule 1 of the Loan Agreement has been carefully studied. We also noted that you had proposed this increase only for equipment manufactured in Brazil, and not for the civil works contemplated in this category, as it was stated in your cable of April 24, 1973.

We regret to inform you that we cannot accede to your request. As you know, it was mutually agreed that our financing will be limited to 37% of your total expenditures for the Project, and since the percentage of eligible expenditures for civil works has already been increased to 37%, no further changes in the withdrawal schedule could possibly be made.

Yours truly,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

FRodríguez:mcg
Cleared with and cc: Mr. Kanchuger
cc: Messrs. Buhler (LEG)
Helne (CTR)
Kalbermatten (LCPPB)
Sheehan (LCPPB)
Division Files
CONTROL No. BR-3-20

Brasil - Loan 757 Adm.

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 066/73

São Paulo, 23 de abril de 1973

Ilmo. Sr.
JOHN KALBERMATTEN
International Bank for
Reconstruction and Development
1818 H Street, N.W.
WASHINGTON DC 20 433
U.S.A.

Prezado Senhor:

Acusamos recebimento do seu telegrama datado de 19 de março de 1973, assim como a sua carta datada de 02 de abril último.

Com relação ao não financiamento dos contratos de nºs. 581/72, 623/72, 627/72, 639/72, 641/72, 647/72, 653/72, 660/72, 675/72, 678/72 e 784/72, participamos a V.S. a nossa estranheza, uma vez que o critério de julgamento foi apresentado à missão do Banco que aqui esteve no ano de 1972, tendo merecido a sua aprovação. Esclareço, ainda, que a redação dessa cláusula do edital contou com a colaboração dos membros da missão do Banco em reunião havida na Consultoria Jurídica da Secretaria dos Serviços e Obras Públicas do Estado de São Paulo.

Aguardando pronunciamento de V.S., subscrevemo-nos mui

Date Rec'd. May 3/1973
Date Ack'd. May 7/73
Assigned to JMF/FR

BR-3-22

Atenciosamente

Eng. LUIZ AUGUSTO DE LIMA PONTES
Diretor da CPE

LALP/cfn.

Brahil-Loan 757 Adm,

INCOMING CABLE

Log.104

Date Received Apr. 24/73

Date Acknowledged May 4/73

Assigned to FRI

BR - 2 - 20

RECEIVED

APR 24 12 14 PM 1973

COMMUNICATIONS SECTION

WUI10 LNM859 SAO PAULO 28 23 1845

LT

KALBERMATTEN INTBAFRAD

WASHINGTON DC

Distribution:
Mr. Sheehan
Mr. Kalbermatten ✓
Mr. Wiese
Mr. Skillings

April 23, 1973

SOLICITO PRONUNCIAMENTO BANCO RELACAO CARTA CPE 95/72 DE OUTUBRO 1972 SOBRE POSSIBILIDADE DE FINANCIAMENTO INTEGRAL DE TEBOS E PECAS ESPECIAIS PT ABRACOS

LIMAPONTEC SAEC

Brazil-Docs 757 Addn.

INCOMING CABLE

Log.104

RECEIVED

APR 24 12 14 PM 1973

COMMUNICATIONS SECTION

NU110 LNMR59 SAO PAULO 28 23 1845

LT

KALBERMATTEN INTRAFRAD,

WASHINGTON DC

Distribution:
Mr. Sheehan
Mr. Kalbermatten
Mr. Wiese
Mr. Skillings

April 23, 1973

SOLICITO PRONUNCIAMENTO BANCO RELACAO CARTA CPE 95/72

DE OUTUBRO 1972 SOBRE POSSIBILIDADE DE FINANCIAMENTO

INTEGRAL DE TEBOS E PECAS ESPECIAIS PT ABRACOS

LIMAPONTEC SAEC

Brazil - Ln. 757 Educ.

INTFRAD64145

INCOMING TELEX

Lil

Log.138

FROM SAO PAULO

ARTHANDER SPO

Distribution:
Controller Mr. Rutland

APRIL 5,1973

TO MR WALTER C.P. RUTLAND
CONTROLLER'S DEPARTMENT

FROM ARTHANDER SPO

SUBJECT: SUPERINTENDENCIA DE AGUA E ESGOTOS DA CAPITAL -
LOAN NO. 757BR

FROM YOUR LETTER DATED FEBRUDRY 5,1973 WYIARE UNABLE TO DETERMINE THE OUTSTANDING BALANCE OF THE ABOVE LOAN.

PLEASE TELEX TO US THE BALANCE OF SUCH LOAN AS OF DECEMBER 31, 1972.

BEST REGARDS

Brahil - Ln. 757 Adm.

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

21538

TO: ARTHANDER

DATE: APRIL 5, 1973

CLASS OF SERVICE: LT ele WU1

COUNTRY: SAO PAULO
BRAZIL

TEXT:
Cable No.: REURCAB APRIL 5 REGARDING LOAN 757 BR THERE WERE NO DISBURSEMENTS AS AT DECEMBER 31, 1972 STOP COMMITMENT CHARGE U.S. DOLLARS 82,500 PAID NOVEMBER 1, 1972

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Walter C. P. Rutland

DEPT. Controller's

SIGNATURE Walter C. Rutland
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:
cc: Messrs. Rutland, Gray, Elliott
File: Statement Folder 757 BR
Letters to Borrower's Auditors
LCardash/ty

For Use By Communications Section

Checked for Dispatch: A

(IMPORTANT: See Secretaries Guide for preparing form)

ORIGINAL (File Copy)

REFERENCE:

SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

DEPT: Controller's

NAME: Walter C. P. Rutland

AUTHORIZED BY:

Checked for Dispatch:

For Use By Communications Section

LCarbash/ty

Letters to Borrower's Auditors

File: Statement Folder 757 BR

cc: Messrs. Rutland, Gray, Elliott

CLEARANCES AND COPY DISTRIBUTION:

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DISPATCHED

APR 5 10 14 PM 1973

COMMUNICATIONS SECTION

INTRAFRAD

1972

DECEMBER 31, 1972 STOP COMMITMENT CHARGE U.S. DOLLARS 82,500 PAID NOVEMBER 1,

Cable No.:

TEXT: REFRCAB APRIL 5 REGARDING LOAN 757 BR THERE WERE NO DISBURSEMENTS AS AT

COUNTRY: BRAZIL
SAO PAULO

SERVICE: LT

CLASS OF

TO: ARTHANDER

DATE: APRIL 5, 1973

OUTGOING WIRE

ASSOCIATION INTERNATIONAL DEVELOPMENT	RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL BANK FOR	CORPORATION INTERNATIONAL FINANCE

Brazil Loan 757 BR

April 4,1973

Econ. Modesto Stama
Diretor Comercial
Superintendencia de Agua e
Esgotos da Capital - SAEC
Rua Riachuelo 115 - 11° Andar
01007 Sao Paulo
Brazil

Re: Loan 757 BR

Dear Econ. Stama:

Reference is made to your withdrawal application No. 11 dated March 12,1973 for Cr$ 1,079,047.52.

Please note that we have processed this application for payment in the reduced amount of Cr$1,020,241.00. The unpaid difference Cr$ 58,806.52 represents expenditures of Cr$ 12,968.47, Cr$ 19,158.16 and Cr$ 26,679.89 under civil works contracts Nos. 616/72, 619/72 and 345/72, respectively, which are not eligible for financing from Loan 757 BR. In this connection please refer to Mr. Kalbermatten's letter dated April 2,1973 (a copy attached).

Very truly yours,

A.A. Casson
Chief, Disbursements Division

File: 757 BR - General
cc: Mr. Rodriguez (Projects, LAC)
cc: LAC Files (G1066)

AAHelne/dsc

Brazil Loan 757 JKL

Loan 757-BR

April 2, 1973

Ing. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua e
Esgotos da Capital
Rua Riachuelo, 115 - 11° Andar
01007 Sao Paulo
Brazil

Re: Sao Paulo Water Supply Project
Procurement

Dear Ing. Lima Pontes:

Further to our cable of March 19, 1973, we have reviewed your contracts for installation of water mains in the bairros of Sao Paulo Municipality, and noted that the awards were made to the bidders whose offers approached the arithmetic means of bid prices received. This does not conform to our Guidelines for Procurement, and in no way could be considered as a bid evaluation.

We regret to inform you that expenditures under your contracts Nos. 637/72, 624/72, 616/72, 337/72, 621/72, 634/72, 642/72, 673/72, 619/72 and 345/72 will not be eligible for financing with the proceeds of the Loan. We had no opportunity to review the bidding documents prior to the execution of the contracts, and in future bids we would recommend that you adopt different evaluation criteria. In particular, you should evaluate the capability and financial resources of bidders whose bids would appear too low.

We also reviewed your Contracts Nos. 581/72, 623/72, 627/72, 639/72, 641/72, 647/72, 653/72, 660/72, 675/72, 678/72 and 784/72, and found them eligible for disbursement under the terms and conditions of the Loan Agreement.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

FRodríguez:mcg

cc: Messrs. Buhler (LEG)
Kanchuger (LC2DA)
Helne (CTR) (with att.)
Kalbermatten (LCPPB)
Sheehan (LCPPB)
Division Files CONTROL No. BR-2-8 and BR-3-5

BRZ 757
BRZ 758

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

March 30, 1973

To : Mr. Gunter K. Wiese (through Mr. Fernandes)

From : Robert Kanchuger

Subject: Sao Paulo Water Supply and Pollution Control Projects

We have made the changes you have suggested on the letters to Dr. Meiches and Mr. Juliano. The letters are for your signature because we are proposing signed amendments to Schedules 1 and 2 of the Loan Agreement. Please note that two copies of each of these amendments are attached to the letters to Dr. Meiches and Mr. Juliano. It will be necessary for each of them to sign the amendments and send copies of each back to us. Your signature on the attached amendments will also be necessary.

Attachments

V Brazil Loan 757 Add
cc Brazil Loan 758 Add

March 30, 1973

Dr. Jose Meiches
Secretario dos Servicos e Obras Publicas
Gabinete do Secretario
Rua Riachuelo, 115
01007 Sao Paulo, SP, Brazil

Re: Sao Paulo Water Supply and
Pollution Control Projects
Loans 757 and 758-BR of June 21, 1971

Dear Dr. Meiches:

We appreciate the courtesies and cooperation that you and the officials of SAEC and SANESP extended to Messrs. Kalbermatten, Thys, Kanchuger, Rodriguez and Costa during their recent visit to Sao Paulo. They have submitted a report on the subject projects and we have informed Messrs. Garcez Filho and Juliano of their findings and recommendations. However, we would like to draw a number of matters to your attention.

The mission found that the State Government has made adequate provisions to finance its counterpart of the project costs and we hope that the budgeted funds will be disbursed to SAEC and SANESP, and the State Government will continue to give high priority to the project. We are confident that SAEC's transformation into an autonomous entity and reorganization of the water supply and sewerage sector in Greater Sao Paulo are of paramount importance for your Secretariat, and the Bank would appreciate being informed on these matters. In this context, SAEC's administrative capacity would be greatly improved by the proposed use of new electronic data-processing equipment. We urge you to support this action.

We think that SAEC, COMASP and SANESP should agree to a re-allocation of the revenues collected by SAEC to provide adequate funds for all three agencies. We also suggest that a joint tariff study be undertaken to determine the adequacy of current rates to consumers.

As you might already know, we agreed with SANESP on an Immediate Construction Program which is to some extent different from the one described in the Loan Agreement. (Please see our attached letter to SANESP.) We recognize that the new program of works will bring more benefits in terms of water pollution abatement in Greater

Sao Paulo and we would ask you to give your formal agreement to the new SANESP project by signing and returning to us a copy of the attached Schedules 1 and 2. The proposed works are not committed to any specific long-term pollution control program, and will therefore be justified regardless of which alternative pollution program will eventually be adopted. In this connection, permit me to emphasize strongly that a new master plan for water resources of Greater Sao Paulo should be prepared as soon as possible.

In the mission's review of SANESP's and SAEC's financial activities it was learned that as a result of Loan Agreements entered with the National Housing Bank (BNH), all of the revenues of SAEC and SANESP must be deposited with the Sao Paulo state Bank, BANESPA. The revenues so deposited with BANESPA are blocked and may not be withdrawn unless the debt service to BNH is being met. This provision appears to us to contravene section 5.03(b) of each of the Loan Agreements which prohibits the Borrowers from granting liens on their assets, without their granting the Bank equivalent liens. We are asking both SANESP and SAEC to take such measures as may be necessary to grant the Bank liens equivalent to that of BNH. We would appreciate your assistance in arranging for this to be done.

We shall appreciate having your views on these matters.

Very truly yours,

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

Attachments

Cleared with and cc: Messrs. Kalbermatten, Section Chief, Water, LAC
Buhler, Lawyer
Helne, Controller's

FRodriguez/RLCosta/RKanchuger:iap

Brasil Loan 757 Hol

March 29, 1973

Eng. Joao Moreira Garcez Filho
Superintendente
Superintendencia de Agua e Esgotos
Da Capital, SAEC
Rua Riachuelo, 115
01007 Sao Paulo, SP, Brazil

Re: Sao Paulo Water Supply Project
Loan 757-BR of June 21, 1971

Dear Eng. Garcez Filho:

An additional problem has been called to our attention in connection with the subject loan since Mr. Kalbermatten wrote to you on March 5, 1973.

We understand that as a result of Loan Agreements with the National Housing Bank (BNH), all of SANESP's revenues must be deposited with the state bank, BANESPA. The revenues so deposited with BANESPA then are blocked and may not be withdrawn unless the debt service to BNH is being met. This provision appears to us to contravene section 5.03(b) of the Loan Agreement which prohibits the granting of a lien by SANESP on its assets, without its granting the Bank an equivalent lien. We should like you to take such measures as may be necessary which will grant the Bank an equivalent lien to that of the BNH.

We look forward to hearing from you concerning the above matter at your earliest convenience.

Very truly yours,

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

Cleared with and cc: Messrs. Kalbermatten, Section Chief, Water, LAC
Buhler, Lawyer
Helne, Controller's

RKanchuger:sch

Brazil Cr 757

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

Brazil Cr 758

Mr Kanchuger

OFFICE MEMORANDUM

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

DATE: March 29, 1973

FROM: Robert Kanchuger, Loan Officer, LAC II

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

not attach.

1. We have attached for your signature letters to the President of the Companhia Metropolitana de Saneamento de Sao Paulo (SANESP), the Borrower for Loan 758-BR; the Superintendent of the Superintendencia de Agua e Esgotos da Capital (SAEC), the Borrower for Loan 757-BR; and to the State Secretary of Public Works for Sao Paulo. The letters are a result of a Bank supervision mission visit to the two subject projects in January and February. The attached back-to-office reports of the supervision mission explain in detail the points made in the letters.

2. If you sign the attached letters we propose advising the Executive Directors of the modifications that have been made to Loan 758 in the next semi-monthly report as follows:

> $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 a design change in the project (R 73-38).

certain

Attachments

Brasil Loan 757 Ad

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: LIMA PONTES
SAEC
RUA RIACHUELO 115
SAO PAULO

DATE: March 19, 1973
Loan 757-BR

CLASS OF SERVICE: FR

COUNTRY: BRAZIL

TEXT: Cable No.:

REURLET ELEVEN SEVENTY THREE REFERRING TO PIPING INSTALLATION IN BAIRROS STOP INFORM YOU THAT AWARDS OF CONTRACTS FOR SECTORS TWENTY COMMA TWENTYONE COMMA TWENTYTWO COMMA THIRTYTHREE COMMA THIRTYFOUR COMMA THIRTYFIVE AND GUAIANAZES ARE NOT CONSISTENT WITH OUR GUIDELINES FOR PROCUREMENT AND CONSEQUENTLY SUCH CONTRACTS ARE NOT ELIGIBLE FOR FINANCING UNDER LOAN SEVEN FIVE SEVEN BR STOP LETTER FOLLOWS ~~STOP~~ REGARDS

KALBERMATTEN
~~SHEEHAN~~
INTRAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Richard H. Sheehan
Chief, Public Utilities Division
DEPT. Latin America and the Caribbean Regional Office

SIGNATURE R. H. Sheehan
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

FRodríguez:mcg

cc: Messrs. Kanchuger
Helne
Sheehan
Kalbermatten

Div. Files
LAC Files

CONTROL No. BRA-3-5

For Use By Communications Section

Checked for Dispatch: _____

DISPATCHED

MAR 19 1 21 PM 1973

COMMUNICATIONS

Brasil Loan 757-BR

Loan 757-BR

March 19, 1973

Eng. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua e
Esgotos da Capital
Rua Riachuelo, 115 - 11° Andar
01007 Sao Paulo
Brazil

Re: Sao Paulo Water Supply Project
Consultants' Services

Dear Ing. Lima Pontes:

Thank you for your letter 044/73 of February 14, 1973 enclosing a copy of your contract with the "Pitometer Associates" for carrying out a research program on the operating conditions of the water distribution networks.

We have no objection to this contract and consider it eligible for financing under Category III of Schedule 1 of Loan 757-BR.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

FRodríguez:mcg

cc: Messrs. Kanchuger
Helne (with att.)
Sheehan
Kalbermatten

CONTROL No. BR-3-14

V Brasil - Ln. 757 Adm.

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

cc Brasil - Ln. 758 Adm

OFFICE MEMORANDUM

TO: Mr. John M. Kalbermatten (Section Chief, LCPPB) DATE: March 5, 1973

FROM: Rene Costa (FNA, LCPPB) and Fritz Rodríguez (EGR, LCPPB)

SUBJECT: BRAZIL - Loan 757-BR
Sao Paulo Water Supply Project
Supervision Mission
Back-to-Office and Full Report

Introduction

1. In accordance with Terms of Reference dated January 18, 1973, we visited Sao Paulo from January 22 to February 3, to supervise the Sao Paulo Water Supply Project of the Superintendencia de Agua e Esgotos da Capital (SAEC). This report is based on information collected during our stay in Brazil and on data submitted by SAEC to the Bank previous to our visit to Sao Paulo.

2. The main purpose of our mission in Brazil was to familiarize ourselves with the Sao Paulo projects (SAEC and SANESP), which were assigned to our Section following the reorganization of the Bank in October 1972, to evaluate progress in SAEC's transformation from a semi-autonomous entity to a commercial enterprise and review the construction program which has been delayed almost a year because of inadequate budgetary allocations of the Sao Paulo State Government.

Project Data

3.	Borrower	Superintendencia de Agua e Esgotos da Capital (SAEC)
	Amount of the Loan	US$22,000,000
	Amounts Disbursed (March 1, 1973)	US$999,000
	Appraisal Report Estimated Disbursements (December 31, 1972)	US$11,000,000
	Date of Loan Agreement	June 21, 1971
	Effective Date	January 13, 1972
	Closing Date	June 30, 1975
	Date of Last Supervision Mission	August 28, 1972
	Current Rate of Exchange	US$ 1 = Cr$ 6.15

4. Of the 6 million inhabitants of Sao Paulo municipality only about 3.5 million are served by the SAEC water distribution system. In the 1972-75 period, SAEC is proposing to extend its water networks to areas of the City without water service to benefit more than 2 million inhabitants who now use water from generally polluted private wells. Distribution in areas where pressure is low will also be improved. However, realization of this program will be possible only if the Companhia Metropolitana de Agua de Sao Paulo (COMASP), which is responsible for the supply of bulk water to Greater Sao Paulo, can furnish the water required to satisfy water demand of the additional population of the system, and if budgetary allocations from the Sao Paulo State Government are not constantly postponed. COMASP is actually building new water treatment facilities and transmission mains, but their execution has also been delayed due to the same budgetary constraints from the Sao Paulo State Government.

5. The SAEC project mainly consists of supplying and laying water distribution pipes and valves. It also includes the construction of additional storage reservoirs with a total capacity of 103,000 m^3, and the purchase of domestic water meters and billing equipment. Distribution pipes will be installed in low-income districts which cover about 20% of the area of Sao Paulo municipality.

Summary

6. There are good indications that SAEC, which is now a state entity, will be transformed into an autonomous enterprise in the next few months. The "Decreto" giving SAEC its new status has been approved by the State Government (Executive) and will be submitted to the State Legislative Assembly when it convenes in March 1973.

7. The Sao Paulo State Government has agreed to make adequate funds available to SAEC for the execution of the project. Budget allocations to SAEC for 1973 amount to Cr$67 million.

8. SAEC has also entered into Loan Contracts with the "Banco Nacional da Habitacao" (BNH), a Federal agency, and with the "Fomento Estudual de Saneamento Básico" (FESB), a State agency, and no shortness of funds is foreseen.

9. SAEC is a huge organization with more than 8,000 employees and as in any state institution of this size, organizational improvements are carried out slowly. However, thanks to the assistance of a PAHO mission, some progress could be discerned in many administrative sections and in operations. In particular, improvements could be noted in billing, collection and in the commercial accounting system introduced in 1971. A review of SAEC's operational statistics of billing and collection in the last few years shows encouraging progress.

10. SAEC's operating results for 1972 are not yet available and financing plans for 1972-75 are under preparation. There is still no agreement on SAEC's asset values and at this time neither depreciation nor rate of return can be computed. Repartition of fixed assets between SAEC, SANESP and COMASP is not clearly defined and transfer of assets from one corporation to another is still in process. The rate base used by SAEC for notional revaluation of assets is different from the methodoly described in the Loan Agreement.

11. Presently, personnel payroll, billings, collections, and fixed assets are processed through a computer. SAEC's objective is to computerize all financial, cost and stores accounts according to a feasibility study prepared by the PAHO mission. To satisfy its actual and future computer needs, SAEC must procure new equipment in the near future.

12. Project execution has been delayed because of administrative problems and lack of adequate State funds. However these difficulties have been solved and the program will soon be carried out. Manufacturing of pipes and fittings for a value of US$5.5 million is progressing well and 21 civil works contracts had been awarded. Bidding for pipes and fittings of an estimated cost of US$5.0 million is under way and contracts will be awarded soon. SAEC is budgeting for 1973 about Cr$60 million and Cr$100 million for water supply and sewerage works, respectively.

Action Taken and Recommended

13. A letter (See Annex 1) summarizing the mission's findings and commenting on SAEC's finances and future organization has been sent to SAEC.

14. An additional letter 1/ (Refer to Annex 2) should be sent to the State Secretary of Public Works, stating the following recommendations:

(i) The Sao Paulo State Government should continue to give high priorities to the Project and make the budgeted state funds disbursed to SAEC. (Paragraph 45).

(ii) SAEC's transformation into an autonomous entity should be made as soon as possible. (Paragraph 33).

(iii) Reorganization of the water supply and sewerage sector of Greater Sao Paulo should be of paramount importance and the Bank would appreciate being informed on this matter. (See Annex 3).

(iv) Requirements for SAEC to procure new electronic data-processing equipment are quite urgent and should get full support of the State Government. (Paragraphs 52, 53 and 54).

1/ Comments on SANESP are also presented in this letter and the reader should refer to the related Back-to-Office and Full Report for more information.

(v) SAEC, COMASP and SANESP should study tariff levels which would satisfy the three companies and the municipalities without inflating the average unit-price of water consumed.(Paragraph 64.)

(vi) An agreement should be reached between COMASP, SAEC and SANESP concerning budget allocations and revenues, and SAEC's overdue debt to SANESP (1971-72) should be paid. (Paragrah 48).

15. Since the project is at its early stage of execution, it does not appear necessary to change the percentages of disbursement given in Schedule 1 of the Loan Agreement. The percentage of total expenditures in Category IV was increased from 20% to 37% last year and the Bank should not agree to finance 100% of expenditures under such a Category, as SAEC requested.

16. Letters will be sent to SAEC and COMASP explaining how to present their Progress Reports to the Bank.

17. SAEC should grant to the Bank a lien similar to the one given to BNH-FESB on its bank accounts. (Paragraph 51).

18. The next supervision mission should take place sometime in July 1973.

Project Execution

19. The project execution has been delayed because of lack of administrative efficiency and of delays in obtaining the State funds which represent about 49% of the total cost of the project (see Annex 4). Furthermore, until mid-1972, the Sao Paulo State Government as the guarantor of the contracts, had not fulfilled its engagements which would permit two local co-lenders - Banco Nacional da Habitacao (BNH), the Federal Agency, and Fomento Estadual de Saneamento Basico (FESB) the State Agency, both institutions financing about 23% of the total investment program of SAEC, to enter into firm financing contracts with SAEC. As a result, the works programmed for 1971 and 1972 were initiated only in November 1972.

20. SAEC is planning to invest about Cr$64 million in new works in 1973. A tentative distribution of the investments is given below:

1973 Program of Works
(Amounts in Cr$ million)

Item	Cost Estimates
Supply of pipes and valves	30.0
Installation of pipes	10.4
Storage Reservoirs	6.5
Civil works (Pump Stations)	1.0
Land acquisition	1.3
Design and supervision	1.5
1972 Program carried over	13.4
TOTAL COST	64.1

In comparison with what was forecast in the Appraisal Report (Cr$198.3 million for 1971, 1972 and 1973 programs), the SAEC program of works for 1973 appears quite modest. We already foresee that SAEC would have to carry on its project beyond 1975. Of the Cr$64 million required for the fiscal year 1973, the Bank will finance Cr$23 million or about 36%, and the Sao Paulo State, Cr$30.6 million or 48%. Remaining requirements will be financed from internal cash generation (16%). With these funds SAEC is proposing to install about 540 Km of pipes and build two storage tanks of a total capacity of 60,000 m^3. The objective of SAEC is to provide water services to 80% of the metropolitan population by 1975.

21. Fifteen contracts for pipe laying and six contracts for construction of booster pump stations and storage tanks are in execution. We made a field inspection of the project and found the works poorly executed. Contract administration is under SAEC's responsibility, but it is assisted by its Consultants, SERETE. Supervision of the works by SAEC is superficial and must be improved. However, such improvements would be difficult to carry out before SAEC becomes an autonomous entity. A good example to show how the works are done is that no hydrostatic test is applied to the pipes before they are totally backfilled, and water mains are not desinfected before they are put in service. We discussed these matters with SAEC's staff and asked them to apply better standards to all new pipe laying contracts.

SAEC's Relations with COMASP and SANESP

22. The Companhia Metropolitana de Agua de Sao Paulo (COMASP) supplies bulk water to Sao Paulo and to other 36 municipalities of the metropolitan area. SAEC and the municipalities are responsible for water distribution and sewage collection. Treatment and disposal of bulk sewage of the metropolitan are under the responsibility of the Companhia Metropolitana de Saneamento de Sao Paulo (SANESP).

23. At the time of the appraisal, COMASP had an ambitious program to double Sao Paulo's present water supply, i.e. from its actual capacity of 15.5 m^3/sec to 33 m^3/sec by 1975. A first increase of 11 m^3/sec had to be completed in 1971. However, because of delays in getting State funds for its program and a 30% increase in project costs, the execution of the COMASP's works has been impeded and of the total 11 m^3/sec promised for 1971, only 2.5 m^3/sec will now be forthcoming by the end of 1973. COMASP is now proposing the following schedule:

Water Supply System	Capacity	Target Date
Guarapiranga	1.0 m^3/sec	Mid-1973
Rio Claro	1.5 m^3/sec	End 1973
Cantareira	3.0 m^3/sec	Beginning 1974

Actually, SAEC needs an additional 1.5 m^3/sec to correct deficiencies of the

system. Thus the first supply it will get from COMASP, will be put in the existing networks. It then becomes obvious that the new systems presently in construction in low-income areas will not receive any water supply at least for a year. SAEC would not be able to make house connections and thus get any revenues from these new systems.

24. COMASP's project is financed with the proceeds of a loan of Cr$800 million from BHH-FESB, (70% of project cost) with State Government's contributions and water sales to SAEC and Greater Sao Paulo municipalities. COMASP has also received a loan of US$16.5 million from IDB in 1972. Water sales to SAEC average 36 million m^3 a month. From SAEC's data, water unaccounted for reaches 30% of this volume which is disputed by SAEC, complaining of overcharge of more than 10% from COMASP. The 30% of water not accounted for may be set down to leakage from the distribution system and to old and unoperated water meters. For that reason, SAEC has signed a contract with "The Pitomer Associates" to carry out a research program on the operating conditions of the water distribution system. Metering and water quality control are made by a different entity CETESB (Centro Tecnologico Estadual de Saneamento Basico).

25. Generally, COMASP owns and operates transmission mains and storage tanks in the metropolitan area. However, the reservoirs in Sao Paulo are owned and operated by SAEC, and the Bank is financing construction of new ones in the City. SAEC is proposing that COMASP operates transmission mains and storage tanks in Sao Paulo and these assets financed by the Bank would go to COMASP.

26. As we previously indicated, collection of waste waters in Sao Paulo municipality is under SAEC's responsibility. Final disposal of bulk sewage is made by SANESP, which owns and operates sewage interceptors and treatment facilities in Greater Sao Paulo. Actually, domestic sewage and industrial wastes generated in the metropolitan area, are discharged without any treatment into the rivers which are severely polluted, and SANESP's program contemplates construction of interceptors along the rivers and of required treatment facilities. However, these interceptors would not perform their function of preventing wasteswaters from entering the rivers unless the necessary sewers and trunk collectors are constructed. In other words, SAEC and some other 36 municipalities in the Sao Paulo metropolitan area would have to build first the required sewerage systems in order that SANESP's program might produce some benefits in terms of river pollution abatement.

27. The Bank is not financing contruction of sewerage systems in Greater Sao Paulo, but our Project Agreement with the State of Sao Paulo provides that the State Government would allocate the required funds for these systems. SAEC is proposing to spend Cr$106.9 million in construction of sewers and trunk collectors in 1973. State budgetary allocations amount to Cr$36.4 million, and the difference would accrue from BNH and FESB's loans and internal cash generation. Financing of sewerage works in the other municipalities will be studied during the next supervision mission.

28. Although the Bank is not financing the COMASP program of works, Mr. Haroldo Jezler, the General Manager of COMASP, agreed to send quarterly progress reports to the Bank. This would give a better understanding of the works in progress in the whole area, and would allow the Bank to be informed of the financial interrelations between the three companies dealing with water supply and sewerage problems in the metropolitan area. A letter, confirming this agreement and explaining how to present the reports, will be sent to COMASP later.

Procurement and Disbursements

29. Last year SAEC prepared a US$5.5 million bidding for supplying pipes and fittings. All contracts were won by local suppliers and are actually under execution. At the time of the appraisal, it was expected that some 50% of the pipe and meter supply contracts would go to foreign manufacturers. We now expect that Brazilian suppliers will win most of if not all the contracts for pipe and meter supply. Bidding for the second and final package of pipes, valves and fittings is now under way.

30. Because of the simplicity of the project, civil works contracts for pipe laying and construction of the storage tanks are expected to be won by local contractors. There have been some delays in placing civil works contracts due to the fact that SAEC did not want to award them to lowest bidders, which fact nevertheless does not conform to Brazilian laws. Contrary to general practice, SAEC gives its own estimates of the works and is reluctant to accept tenders which are too far below its estimates. State authorities did not accept the awards made by SAEC, which finally had to award the contracts to the lowest bidders. During our stay in Sao Paulo, we explained to SAEC's staff that technical and financial resources of bidders should be considered in bid evaluation and only on this basis, exclusion of unrealiably low bids could be made. They agreed to insert such criteria in bid documents and apply them in future bid evaluation.

31. As of March 1, 1973, US$1 million or about 4.5% of the loan amount were disbursed. This sum is below the original estimate of the appraisal report (US$13.4 million) and this is partly due to delays explained in paragraph 19. Taking into account the likely postponement of the closing date, disbursements in 1973 are scheduled as follows:

Calendar Quarter	Appraisal Estimates 1/ (April 30, 1971)	New Estimates 1/ (December 1972)
I	13,400	1,100
II	15,700	2,300
III	17,800	3,600
IV	19,600	4,900

1/ Cumulative Disbursement at end of quarter in US$ thousand. No sufficient data are available to permit projection beyond 1973, but we presume that disbursements will continue in 1975.

32. The Bank is now financing 37% of expenditures for civil works and equipment produced in Brazil, which are covered under Category IV of Schedule 1 of the Loan Agreement. This percentage, originally set up to 20% in the Appraisal Report, was increased to 37% on the expectation that Brazilian contractors and suppliers would win all bids. In a letter of October 9, 1972, SAEC inquired whether the Bank would agree to finance 100% of expenditures for goods listed under Category IV of Schedule 1. To do that, it would be necessary either to decrease the percentage of disbursement for services contracted under Category IV or not disburse at all for civil works contracts. In return this would make our control of civil works construction quite loose. As we already pointed out, SAEC's supervision of the works is quite superficial and we should closely watch the entire project. Since the project is also at its early stage of execution, we do not think it necessary for the time being to change again the percentages given in the Loan Agreement.

Organization

33. Conditions of the Project Agreement with the State of Sao Paulo require that SAEC be transformed into a commercial enterprise to ensure its efficiency and autonomy. The "Decreto" which will grant this autonomy to SAEC has been prepared by the State Secretary of Public Works and will be submitted to the Legislative Assembly when it convenes next month. SAEC's management is confident that the proposal will be approved and its new organizational structure will take place sometime in July 1973.

34. SAEC will be renamed the "Companhia de Agua e Esgotos da Capital" (COAEP) and the State Government through FESB will hold the majority of COAEP shares. COAEP will propose tariff levels to the State Government for its approval.

35. Since early 1971, PAHO is giving management assistance to SAEC. Thanks to this assistance and the full support of SAEC's management, much progress is discerned in many administrative sectors and in operations. On PAHO's recommendations, three committees (one for data processing, billing and collecting, payroll, inventories and accounting; another for personnel; and a third one for operations and maintenance) have been set up to study the structural and organizational problems of each sector, and to implement management's recommendations. Important results have already been obtained in billing and collection (see paragraphs 39 and 40). Since 1971, a commercial accounting system is working in parallel with the cash-basis state system, (paragraph 43 and 44). Stores have been reorganized, and an impressive program for control of inventories has been established. Until SAEC becomes a commercial enterprise, little progress in the staff's performance is expected (see paragraphs 36 to 38). The mission suggested and SAEC agreed to create a fourth committee which would prepare a working program on the "financial" and "flow of information" aspects of the institution, which were completly neglected.

Personnel

36. Presently, SAEC is a huge organization with more than 8000 employees distributed as follows:

Regime	Number of Employees
CLF (Civil Servant)	4,757
CLE (A variant of CLF)	51
CLT (Employment Law)	1,469
Personnel Contracted	2,014
	8,291

Many of the civil servants do not perform any specific functions, but are considered as "passengers" who came from various State Ministries and who merely draw their salaries. Because of service regulations under Brazilian laws, SAEC's management cannot terminate those civil servants who constitute a real burden to organizational improvements in the corporation. In 1973, personnel expenditures (Cr$130 million or US$21 million) will amount to 63% of total operating costs before depreciation, and a 20% reduction of the personnel would mean an annual increase of Cr$26 million in operating incomes, which is equivalent to an increase of 10% in tariffs.

37. Transfer of employees to the new organization will be a somewhat complicated operation, and in this respect, SAEC's management submitted in November 1972 a proposal to the State Secretary. Under this proposal, all staff affiliated to the CLT regime will automatically be assigned to the new corporation. The civil servants will have a delay of 30 days to enroll under the CLT regime. If they choose to keep their actual CLF status, they will be placed on a "special list" of the Public Works Ministry and will be paid by SAEC for a 120-day period. After that, they will return to their respective Ministries and will be paid by the Sao Paulo State Government. At SAEC's option, staff on the "special list" may work for the corporation after the 120-day transition period, but they will lose their civil servants rights when serving in SAEC's new organization. Leaving the institution, they will automatically win back their rights.

38. PAHO and the working parties are preparing and executing yearly programs of training courses, (Cr$280,000 or US$46,000 had been spent in 1970-72). Priority has been given to training of existing personnel to take over the functions of specialists hired by SAEC. PAHO is also offering fellowships to senior staff for training in foreign countries and emphasis is also put on training of analphabets in SAEC. Last year 65 staff members participated in a training course on financial and accounting management sponsored by a famous management school in Sao Paulo, Getúlio Vargas. The training program was quite successfully accomplished in 1972 and a similar one is under preparation for 1973.

Billing and Collection

39. Billing and collection have greatly improved under PAHO's supervision. In June 1971 the quarterly billing was replaced by a two-monthly billing with regrouping of 700,000 consumer accounts in 40 new cycles, and for the first time, segregation and inclusion of arrears were shown on bills. Cut-off notices were also introduced and issued for non-payment of a bill with arrears within 15 days of its issuance.

40. In 1972 the "Comercial Division" in charge of billing and collection was raised to a department level, thus reporting directly to the General Manager. Billing and collecting, and meter-reading manuals were drawn up and codification of meter conditions for electronic processing was introduced. Bi-monthly water consumption is now memorized in the computer and if meter reading cannot be made, billing is prepared on an average of past readings. As of December 1972 all premises were recoded on the basis of the 1969 cadastral survey and systematic updating started in January 1973. Implementation of this codification follows a PERT program prepared for 1973.

41. From July 1971 to June 1972 collections from customers were reported as follows:

Category	Billings	Collections	% of Billings Collected
		Cr$ million	
Private Dwellings	264.8	256.0	96.7
Public Buildings 1/	9.5	5.2	54.7

1/ Represents only 3.5% of total billing.

The above figures show that collection was quite effective last year, except for the state Government and municipal buildings, where measures must be taken to force them to pay. In 1972 house connections increased by 2.3%; during the same period billings went up 7.2% in proportion to 1971 and collection 24.2%.

42. Under the new system, there are actually 79,600 accounts with arrears, or about 12% of the 670,000 house connections. As of October 1972, arrears under the old system were estimated at Cr$92.5 million (Cr$5.5 million are due by government agencies), of which Cr$43.7 million had been already collected. SAEC's management has set up a commission to evaluate the results of last years collection program and to suggest measures in order to further reduce accounts with arrears and make collecting more effective.

General and Cost Accounting

43. In 1971 SAEC introduced a commercial accounting system to be used initially in parallel with the existing accounting system which is oriented to the State budgetary structure and serves little purpose as a management tool. Both systems are not interconnected, but the new one still relies on accounting vouchers prepared under the old system. The State accounting system will be completely eliminated after SAEC's transformation into an autonomous entity. Accounts under the new system are kept manually, but they will be soon computerized, if SAEC can get a new computer (see paragraphs 52 to 54). Presently both accounting systems work more or less satisfactorily.

44. The cost accounting system is entirely integrated in the general accounting (commercial) and was designed by the PAHO's mission. Actually, there are 178 cost centers which register about 180,000 movements a month. The PAHO Consultant and the Commercial Manager of SAEC have agreed to implement a budgetary control on only 70 centers. There is also a monthly treasury control based on an acceptable classification of expenses.

Finances

45. State Government budgetary allocations to SAEC for the next three years would be successively Cr$67.0 million, Cr$118.6 million and Cr$135.0 million. These figures appear in the proposal submitted to the Legislature, but the budget, as it was approved and voted, does not give the details of allocations per service but only a global figure for infrastructure projects. Nevertheless, assurances were given to the mission by the Secretary of State that priority will be attached to the COMASP/SAEC and SANESP programs and consequently other works would be eventually cut in case of shortage of funds. In the past, the State contributions were managed by FESB, a State Agency. Now these funds will be coming through BANESPA, the Sao Paulo State Bank, and FESB will be only the technical agency for public works in Sao Paulo State. Loan contracts with BNH and FESB have been executed.

46. Commercial accounting results for 1972 are not yet available, but they will be sent to the Bank shortly. Fixed asset values have not yet been established (see paragraph 49) and consequently depreciation and rate of return cannot be computed.

47. The 1973 SAEC budget is very detailed, but would serve little purpose as a management tool. Much valuable information is missing, and it was agreed that subsequent budgets will include Income Statements, Cash Flow Projections, Balance Sheets and a 3-year financing plan. The 1973 budget does not show the changes in disbursements and financing scheduled for 1972 and corrections should be made. Moreover, it does not indicate that a tariff increase would improve revenues and that operating costs would decrease, once the company becomes independent. Also, the debt

service is not clearly indicated in the budget, and there is no provision for an expected increase in working capital. At the request of the mission, the financial department is revising its 3-year financing plan, which will be submitted to the Bank along with a forecast of Income Statements. A tentative financing plan for 1973-1975 period (see Annex 4) shows that the internal cash generation estimated by SAEC should be increased by 52% in 1973 and 50% during the entire period. This might be achieved both by a tariff increase (based on the UPC index), and a reduction of personnel expenses. These measures should be implemented in 1973.

48. There are some inconsistencies between SAEC's payments to SANESP and revenues shown in SANESP's budget. Arrears of SAEC payments to SANESP for 1971 and 1972 amount to Cr$11.6 million. This figure is shown in SANESP's budget as revenues, but is not treated by SAEC as expenditures. A decision should be made by the State Secretary of Public Works.

49. During the negotiations for the Loan, SAEC agreed to revalue its assets on its books to Cr$570 million net of depreciation, as of December 1969. With the starting 1969 figure, SAEC has not yet computed the value of the net fixed assets at December 1972. However, in 1972 a SAEC committee made an inventory of the assets and produced a net value of Cr$835 million at December 31, 1972, a figure much higher than the one which would be obtained, starting with the Loan Agreement value. Separation of assets between SAEC, SANESP and COMASP is not clearly defined and a discrepancy between the above figures might be due partly to transfer of assets to other entities, but which was not recorded in SAEC's books, to inclusion of non-operational assets or inadequate depreciation provision. SAEC is trying to find out where are the discrepancies, and if necessary, a Consultant should look into the matter and draw final conclusions. SAEC is also proposing to transfer reservoirs and transmission mains to COMASP.

50. Presently, revaluation of assets is made with a one-year delay. Depreciation is charged to Income Statement at historical value and the rate base calculation is different. Additions to fixed assets in a coming year or works in progress are not considered. Under such circumstances, the rate of return calculation is not possible. We suggest that the next Bank mission determine what would be the rates of return if the rate base prescribed by Brazilian laws, but different from the one described in the Loan Agreement, were followed for the revaluation of fixed assets. The results of the study will then be submitted to the Bank's consideration in particular, if the rates of return stipulated in the Loan Agreement would have to be modified.

51. Conditions of Loan Agreements between SAEC and BNH/FESB stipulate that all SAEC's revenues, which are deposited with BANESPA (the State Bank) in accordance with Sao Paulo State laws, should be blocked until the loans are repaid to these institutions. Section 5.03 of our Loan Agreement with SAEC specifies that, if a lien is given by the Borrower on its assets, as a

security for any debt, the Bank should be granted an equivalent lien. The Bank was not informed in due time of the creation of such lien, as required in the same section of the Loan Agreement. The mission expressed its concern to SAEC, the State Secretary of Public Works, BANESPA and the Central Bank of Brazil. We were told that because SAEC cannot dispose of its revenues, violation of this section of the Loan Agreement could not be discussed at the State level and should be referred to the Federal Minister of Finances, who signed the Guarantee Agreement. The mission recommends that this problem be studied by the Legal Department.

Miscellaneous Matters

52. Purchase of New Electronic Data-Processing Equipment

At the present time, payroll of personnel, billings and collections, fixed assets are processed through a UNIVAC 1050 computer which is obsolete and overloaded. Another similar computer owned by UNAO DE BANCOS is used as back-up. SAEC's objective is to computerize all financial, cost and stores accounts according to the feasibility study prepared by the PAHO's mission. The long-term purpose is to establish a complete Management Information System. To satisfy the demands, SAEC must therefore purchase new electronic data-processing equipment.

53. Financing of this computer was included in the Bank Loan and last October we approved bid documents and specifications of the equipment. However, this purchase had to be also approved by the "Concelho Estadual de Procesamento de datos, a State Agency, which referred the case to another State Agency PRODESP (Procesamento de Datos do Estado de Sao Paulo), in charge of electronic processing of State agencies' data. PRODESP's conclusions are not yet known, but it is anticipated that PRODESP would try to take over the SAEC data processing, and in this case, would have to purchase a new computer since it does not have the necessary equipment for this processing.

54. UNAO DE BANCOS is contemplating to trade its computer and soon SAEC would have to buy it or find a new back-up for its computer. The first alternative appears to the PAHO consultants and the mission to be the most convenient and would allow SAEC to wait until a final decision is taken on the purchase of a computer of the 4th generation. Any further progress in SAEC's reorganization depends upon procurement of a new electronic data-processing equipment.

55. Audit

External audit of SAEC State accounts is made by the Brazilian branch office of Arthur Andersen & Co. The audit report for 1971 was made available in January 1973 with no comments on the Balance Sheets, and the commercial accounting of SAEC was completely left out. We met with Arthur Andersen's

staff and they agreed to comment on the commercial balance sheet for 1972.

56. Except for cash auditing, internal audit in SAEC is poor. Closer contacts between the PAHO mission and the auditors should also be established.

57. Tariffs

The purchase of bulk water from COMASP continues to be at unit prices per m^3, which has increased almost 50% in the last two years. COMASP has proposed a 30-year contract based on an average price per m^3, which would be subject to be revised each year. COMASP's objective is a 7% remuneration of its assets and the contract provides for a minimum charge corresponding to the minimum volume of water that COMASP must supply to SAEC and the municipalities. Under the terms of this contract, COMASP would reserve the right to verify the accounts and financial statements of the municipalities, which would have also to submit their work program for COMASP's approval. The draft contract stipulates that the average tariff might be changed for a two-part tariff, with a fixed charge corresponding to the minimum volume of water to be provided by COMASP and a variable charge based on excess volume consumed.

58. Under COMASP's proposal, all water bills would show the total amount to be paid, with a provision for COMASP's bulk water production. This cost called DC (Destague Compencao) would be computed on the basis of the total volume consumed. It is also required that SAEC and the municipalities send to COMASP an account of their monthly billings within 10 days following the end of a month. Bank accounts of the municipalities and SAEC would be blocked until COMASP's invoices are paid.

59. SAEC is preparing a proposal for a retail tariff increase to take effect on July 1, 1973. This study will be submitted to the Bank for its approval. Billing cost would be included in Capital cost in order not to penalize the poorest consumers. Actually, SAEC's customers are not required to give a security for SAEC's services and we suggested that such a proposal be made.

60. SANESP entirely depends on SAEC for its revenues. Last January the SANESP contract with SAEC was extended for one year. Meanwhile, SANESP will study a new tariff structure with fixed and variable charges. This study should be sent to the Bank for its review and approval (see Back-to-Office and Full Report on Loan 758-BR).

61. Present tariff bases are different in the three companies. COMASP's revenues must provide a specific rate of return on its fixed assets. SANESP's revenues are a percentage of the value of its fixed assets, and SAEC uses a differential tariff structure. Under the circumstances, it is difficult to determine what are the real costs of water and sewerage services to be charged to the consumers. Since the three companies

are presently reviewing their tariffs, we suggested that identical criteria be used by them and the State Secretary of Public Works concurred with us.

62. Inventories

SAEC has 23 stores, of which three are inventory centers (one for water equipment and parts, another for sewerage equipment and the third one for miscellaneous parts). Since the stores were organized in 1972, no physical inventory has ever been made. Statistics provided to the mission by the administrative manager, show that the average inventory value between 1969 and 1972 represents two times the volume of annual purchases. This is a good ratio, but the mission has some doubts about it. SAEC has in stock 6,000 different items of which only 350 amount to 60% of the stock value. PAHO has established a PERT program for creation of an efficient inventory management before January 1974. This program is broken up into three steps: the first would be the codification of the items (to be completed in September 1973), the second, a physical inventory and the third, the set up of an inventory control. The mission found the program feasible, except for the third step which indeed will require more time. If the two first steps can be achieved by the end of 1973, this would be still a big success. The inventory control would be computerized.

63. Transports

The SAEC Transport Department is badly organized. Presently, of the 882 motor vehicles in service, 25% are rented and 54% are more than 5 years old. Maintenance is poor and in 1972 SAEC's vehicles stood idle about three months. No comprehensive study of SAEC's transport problems has been undertaken and the mission stressed them to the General Manager, who believes that the situation would be only improved when SAEC becomes fully autonomus.

64. Progress Reports

Although the Loan has been effective for more than a year, the Bank has not received any reports from SAEC. We stressed the obligation for SAEC to send quarterly reports to the Bank and asked the PAHO's mission to keep us informed of their activities in SAEC. A letter will be sent to SAEC describing how the progress reports should be presented.

65. A list of Places visited and Persons met during our mission in Sao Paulo is given in Annex 5.

Attachments

FRodríguez/RCosta:mcg

cc: Messrs.: Knox (LCPDR), Sheehan (LCPPB), Skillings (LC2DA), Rovani (PBPDR),(5)
Buhler (LEG), Kanchuger (LC2DA), Helne (CTR), Ringskog (LCPPB),
Wiese (LC2DR), Calika (LCPDR), Bowron (PAB), Baum (PAS)(3),
Jeurling (LCPPB), Miss Furumura (LCPPB).
Division Files, LAC Files(2)

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ANNEX 1

Loan 757-BR

March 5, 1973

Eng. Joao Moreira Garcez Filho
Superintendente
Superintendencia de Agua e
Esgotos da Capital, SAEC
Rua Riachuelo, 115
01007 Sao Paulo, Brazil

Re: Sao Paulo Water Supply Project

Dear Eng. Garcez Filho:

We wish to thank you and your staff for the kind cooperation and courtesies extended to Messrs. Rodríguez and Costa during their recent visit to Sao Paulo. They have submitted a report on the SAEC project, and with this letter we would like to inform you of their findings and recommendations.

As the mission told you during the discussions, we are generally pleased with the recent decision of the State Government on allocation of state funds to the project, and with progress in the reorganization of the company, as for instance, the results obtained in billing and collection. We also hope that SAEC's transformation into a fully autonomous enterprise will further improve its efficiency which will result in better services for Sao Paulo Municipality.

Nevertheless, we are concerned about SAEC's financial situation and think that important improvements remain to be made in various managerial areas. Although the PAHO Consultants have been working with some success on the accounting and financial aspects of the Company, the mission could not get a reliable financing plan for a 3-year period (1973-75) and the 1973 budget is far from being a good management tool. This indicates that the whole information system on financial results has to be organized, and we hope that the "financial committee" proposed by the mission will be set up soon. We suggest that the "financial committee" first revise the SAEC 1973-75 financing plan, copy of which should be sent to the Bank as soon as it is ready. Enclosed herewith is copy of a tentative financing plan which the committee might use as a model. This plan has been established with SAEC's figures for its investment program and shows that the internal cash generation forecast by SAEC should be increased by about 50%. We believe that this objective might be achieved both by a tariff increase in July 1973, reflecting at least the devaluation, and a reduction in the operating costs, which would take place once the company becomes autonomous.

Since 1970, about Cr$93 million are spent annually for the training of personnel, but SAEC's staff requirements are not yet defined, and the Company has undertaken various studies and programs to improve the management of personnel, inventories, internal auditing, transports, without first setting forth any objectives.

There are some discrepancies between SAEC and COMASP accounts of the volumes of water sold by COMASP to SAEC and of the fixed assets, and between SAEC and SANESP accounts payable and receivable on the contractual revenues of SANESP. The resulting conflicts make our technical and economic evaluation of the sector quite difficult and the Bank strongly recommends that an agreement be worked out between the parties.

The problem of revaluation of SAEC's fixed assets should be studied more thoroughly, and in particular, a comparison should be made between the annual rate bases calculated in accordance with Brazilian laws and those which would be obtained following the terms of the Loan Agreement. We anticipate another visit to Sao Paulo sometime in July 1973 and the next mission will certainly bring this matter into focus.

The mission made a field inspection of the project and found that the quality of the works could be improved. Supervision by SAEC must be strengthened and hydrostatic tests and desinfection should be applied to the pipes before they are put in service.

We are asking the Secretary of Public Works to give effectual support to your proposed purchase of electronic data-processing equipment. We shall soon send you a letter describing how the quarterly progress reports should be prepared for submission to the Bank.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

Enclosure

ANNEX 2

DRAFT LETTER

Loans 757-BR and 758-BR

March 5, 1973

Re: Sao Paulo Water Supply and Pollution Control Project

Dear Dr. Meiches:

We appreciate the courtesies and cooperation that you and the officials of SAEC and SANESP extended to Messrs. Kalbermatten, Thys, Kanchuger, Rodríguez and Costa during their recent visit to Sao Paulo. They have submitted a report on the Sao Paulo project and we have informed Messrs. Garcez Filho and Juliano of their findings and recommendations. However, we would like to stress here some issues which we think might deserve your kind consideration.

The mission found that the State Government has made adequate provisions to finance its counterpart of the project costs and we hope that the budgeted funds will be disbursed to SAEC and SANESP, and the State Government will continue to give high priorities to the Project. We are confident that SAEC's transformation into an autonomous entity and reorganization of the water supply and sewerage sector in Greater Sao Paulo are of paramount importance for your Secretariat, and the Bank would appreciate being informed on these matters.

We also think that SAEC, COMASP and SANESP should agree about tariff levels which would satisfy the three Companies and the Municipalities, without inflating the average unit-price of water consumed and spent, and an agreement should be worked out between SAEC and SANESP on budget allocations and revenues, and the SAEC overdue debt to SANESP. We also believe that SAEC urgently needs new electronic data-processing equipment and in this regard the SAEC proposal should receive your effective support.

As you might already know, we agreed with SANESP on an Immediate Construction Program which is to some extent different from the one described in the Loan Agreement. We recognize that the new program of works will bring more benefits in terms of water pollution abatement in Greater Sao Paulo and we would ask you to give your formal agreement to the new SANESP project. The proposed works are not committed to any long-term pollution control program, and since the original project was abandoned, it is imperative that a new master plan for water resources of Greater Sao Paulo be prepared as soon as possible.

We shall appreciate having your views on these matters.

Very truly yours,

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

Excelentissimo Senhor Doutor José Meiches
Secretario dos Servicios e Obras Públicas
Gabinete do Secretario
Rua Riachuelo - 115 , 01007 Sao Paulo, Brazil

ORGANIZATION OF THE WATER SUPPLY AND SEWERAGE SECTOR IN SAO PAULO STATE

1. Within the Sao Paulo metropolitan area there are presently three companies COMASP, SAEC and SANESP, and 36 municipalities dealing with water supply and sewarage problems. COMASP is a bulk water supplier and SANESP, a bulk sewage agency. Water distribution and sewage collection systems are operated by SAEC in the municipality of Sao Paulo, and by 36 other municipalities in Greater Sao Paulo. Water Supply and sewerage services in municipalities located within the Santos area are under the responsibility of a different company, SBS (Saneamento da Baixada Santista). Another SANEVALE (Saneamento da Vale) provides the same services to the municipalities located along the Río Ribeira do Iquape's Valley. A State institution, FESB (Fomento Estadual de Saneamento Básico), is the technical and financial agency for water supply and sewerage operations in the other municipalities of the State.

2. The four companies and FESB operate independently, although they are all under the authority of the State Secretary of Public Works. This authority is particularly felt when the institutions are semi-autonomous. COMASP, SBS and SANEVALE, created in 1968, and SANESP, set up in 1970, are autonomous commercial enterprises. SAEC which was established in 1969 and FESB, in 1967, are semi-autonomous entities (autarquia).

3. Financing of water supply and sewerage works in Sao Paulo comes from various institutions. State Funds are provided by the state treasury to a revolving fund called FAE/SP (Fondo da Agua e Esgotos de Sao Paulo), and are accrued from the state budget, or from BNH (Banco Nacional da Habitacao), when State budget allocations are not available. BNH's contribution of capital is refunded by the State Treasury. It is assumed that the revolving fund will be self-sufficient when the loans made to the municipalities are repaid. Local Financing is made by BNH to municipalities which can afford BNH's loan conditions and by the CAIXA ECONOMICA do Estado de Sao Paulo to municipalities with consumers of very low income revenues (lost funds). External Financing has been made by IBRD to SAEC and SANESP, and by IDB to COMASP. State and local funds allocated to the municipalities are managed by BANESPA (Banco do Estado de Sao Paulo) which also guarantees their repayment.

4. The Secretary of Public Works recognizes that there are important problems which remain to be solved before having an efficient sector organization. This is particularly true in the metropolitan area, where the three existing companies have difficulties in coordinating their works and operations, and cannot agree on a tariff structure and repartition of assets. The State Government committed itself to execute a 3-year program of works in the sector, but it never made adequate funds available to the Companies and as a result, the project execution was delayed.

5. The CONSELHO ESTADUAL DE SANEAMENTO BASICO was set up in March 1971. Its principal objective is to promote a better coordination between the three companies of the metropolitan area. To date, the Council produced few results (since its creation, its members met only twice).

6. The present organization of the water supply and sewerage sector in the State of Sao Paulo is different from the one which will be established in other 22 Brazilian States, following the PLANASA federal program. The objective of this program sponsored by BNH is to provide water services to 80% of the population by 1980. The basic organizational structure proposed is characterized by a State Public authority in charge of construction, operations and maintenance of water facilities. Basically, the financial procedures described in paragraph 3, would be applied in these States.

7. BHN informed the mission that the Sao Paulo State will be included in the PLANASA program in 1973. Three problems remain to be solved before this decision is taken. The first one would be the creation of a single State Company. However, this would spread confusion in the management of the three existing metropolitan companies, which are relatively new and have important works under construction. A solution of this problem would be the creation of a Holding company, as suggested by the State Secretary of Public Works. The second problem is the transformation of SAEC into a commercial enterprise. The Decreto giving SAEC autonomy has been approved by the Executive (Governor) and will be submitted to the Legislature in March/April 1973. The third one concerns the municipalities which want to keep their financial independence, and will consequently refuse to enter into the PLANASA program. This appears to BNH as of second importance, because the State and BNH will make it clear to these municipalities, that no funds would be made available for their water supply and sewerage programs, if they do not join the new State organization.

March 5, 1973

ANNEX 4

BRAZIL - LOAN 757-BR

SAO PAULO WATER SUPPLY PROJECT - SAEC

TENTATIVE FINANCING PLAN FOR 1972-75 1/

(Amounts in Million)

	1972	1973	1974	1975	Total 1972-75		%	Appraisal %
	- - - - - - - Cr$ - - - - - - -				Cr$	US$		
APPLICATIONS								
Water Project	24.1	64.1	99.2	169.4	356.8	59.5	43.5	45.0
Sewerage Project	4.7	106.9	144.2	113.2	369.0	61.5	45.0	51.0
Other Investments	11.7	23.5	19.3	22.2	76.7	12.8	9.4	
TOTAL WORKS	40.5	194.5	262.7	304.8	802.5	133.8	97.9	96.0
Increase in Working Capital	3.5	6.0	4.0	4.0	17.5	2.9	2.1	4.0
TOTAL APPLICATIONS	44.0	200.5	266.7	308.8	820.0	136.7	100.0	100.0
SOURCES								
Internal Cash Generation	31.7	51.0	57.4	69.4	209.5	34.9	25.5	34.8
Less: Debt Service	(8.2)	(8.8)	(12.0)	(16.0)	(45.0)	(7.5)	(5.5)	(8.8)
Net Internal Cash Generation	23.5	42.2	45.4	53.4	164.5	27.4	20.0	26.0
I.B.R.D. Loan	6.0	23.3	34.3	68.4	132.0	22.0	16.0	17.0
F.E.S.B. Loan	-	34.0	34.2	26.0	94.2	15.7	11.5	11.5
[illegible].H. Loan	-	34.0	34.2	26.0	94.2	15.7	11.5	11.5
TOTAL LOANS	6.0	91.3	102.7	120.4	320.4	53.4	39.0	40.0
STATE FUNDS	14.5	67.0	118.6	135.0	335.1	55.9	41.0	34.0
TOTAL SOURCES	44.0	200.5	266.7	308.8	820.0	136.7	100.0	100.0
Net ICG SAEC's Financing Plan		27.8	41.5	40.2	109.5			
Necessary increase		52%	9%	33%	50%			

1/ Projections made at 1972 cruzeiro values (1 US$ = Cr$6.00)

March 5, 1973

PLACES VISITED AND PERSONS MET

1. Secretariat of Public Works and Services
Rua Riachuelo 115, Sao Paulo

Professor Jose MEICHES, State Secretary
Dr. Jacobo LEINER, Coordinator

2. SAEC Offices
Rua Riachuelo 115, Sao Paulo

Eng. Joao Moreira GARCEZ FICHO, Superintendent
Eng. Jose Vulf KOCHEN, Deputy
Eng. Luis Augusto de LIMA PONTES, Director of C.P.E.
Eng. Walter Jacomo TONIOLO, Director of Planning and Control
Eng. Carlos Roberto MINERVINO RAMOS, Project Engineer
Eng. William CECILIO, Director of Works
Econ. Modesto STAMA, Commercial Director
Econ. Alvaro Leo Gragnani IPPOLITO, Administrative Manager
Econ. Noemino BRZOSTEK, Deputy Director
Econ. Newton Colombo MARTINI, Chief of Commercial Accounting
Econ. Messias PALHARES, Chief Accountant

3. SANESP Offices
Rua Costa Carvalho, 300 -Pinheiros, Sao Paulo

Eng. Braz JULIANO, Director-President
Eng. Oscar Felomeno LOTITO, Director of Works
Eng. Armando Fonzari PERA, Special Consultant
Eng. Luis VICENTINI
Econ. Henrique HIRSCHFELD, Financial Superintendent
Cont. Mario Mitimiro SUGUIMOTO, Chief Accountant

4. COMASP Offices
Ave. Paulista - 2073, Sao Paulo

Harold JEZLER, Director-President

5. Arthur Andersen & Co.
Rua Direita, 250 - 25° andar, Sao Paulo

Giuseppe N. MAIOLINO, Partner
Roberto Henrique SIMOES, Manager

6. FESB Offices
Ave. Bernardino de Campos - 115, Sao Paulo

Oscar FUGITA, Director of Planning

7. BANESPA Offices
Praza Antonio Prádo, 8 - 9° andar or
Ave. Bernardino de Campos - 115,8° andar, Sao Paulo

Juán FITTIPALDI, Director
Ambrosio SALA, Deputy Director

8. BANCO CENTRAL DO BRASIL
Rua Boa Vista, 356 - 15° andar, Sao Paulo

Mario G. OTERO, Manager
Benetido de OLIVERA ALVEZ

March 5, 1973

Brasil-Ln. 757 Adm.

Loan 757-BR

March 5, 1973

Eng. Joao Moreira Garcez Filho
Superintendente
Superintendencia de Agua e
Esgotos da Capital, SAEC
Rua Riachuelo, 115
01007 Sao Paulo, Brazil

Re: Sao Paulo Water Supply Project

Dear Eng. Garcez Filho:

We wish to thank you and your staff for the kind cooperation and courtesies extended to Messrs. Rodríguez and Costa during their recent visit to Sao Paulo. They have submitted a report on the SAEC project, and with this letter we would like to inform you of their findings and recommendations.

As the mission told you during the discussions, we are generally pleased with the recent decision of the State Government on allocation of state funds to the project, and with progress in the reorganization of the company, as for instance, the results obtained in billing and collection. We also hope that SAEC's transformation into a fully autonomous enterprise will further improve its efficiency which will result in better services for Sao Paulo Municipality.

Nevertheless, we are concerned about SAEC's financial situation and think that important improvements remain to be made in various managerial areas. Although the PAHO Consultants have been working with some success on the accounting and financial aspects of the Company, the mission could not get a reliable financing plan for a 3-year period (1973-75) and the 1973 budget is far from being a good management tool. This indicates that the whole information system on financial results has to be organized, and we hope that the "financial committee" proposed by the mission will be set up soon. We suggest that the "financial committee" first revise the SAEC 1973-75 financing plan, copy of which should be sent to the Bank as soon as it is ready. Enclosed herewith is copy of a tentative financing plan which the committee might use as a model. This plan has been established with SAEC's figures for its investment program and shows that the internal cash generation forecast by SAEC should be increased by about 50%. We believe that this objective might be achieved both by a tariff increase in July 1973, reflecting at least the devaluation, and a reduction in the operating costs, which would take place once the company becomes autonomous.

Since 1970, about Cr$93 million are spent annually for the training of personnel, but SAEC's staff requirements are not yet defined, and the Company has undertaken various studies and programs to improve the management of personnel, inventories, internal auditing, transports, without first setting forth any objectives.

There are some discrepancies between SAEC and COMASP accounts of the volumes of water sold by COMASP to SAEC and of the fixed assets, and between SAEC and SANESP accounts payable and receivable on the contractual revenues of SANESP. The resulting conflicts make our technical and economic evaluation of the sector quite difficult and the Bank strongly recommends that an agreement be worked out between the parties.

The problem of revaluation of SAEC's fixed assets should be studied more thoroughly, and in particular, a comparison should be made between the annual rate bases calculated in accordance with Brazilian laws and those which would be obtained following the terms of the Loan Agreement. We anticipate another visit to Sao Paulo sometime in July 1973 and the next mission will certainly bring this matter into focus.

The mission made a field inspection of the project and found that the quality of the works could be improved. Supervision by SAEC must be strengthened and hydrostatic tests and desinfection should be applied to the pipes before they are put in service.

We are asking the Secretary of Public Works to give effectual support to your proposed purchase of electronic data-processing equipment. We shall soon send you a letter describing how the quarterly progress reports should be prepared for submission to the Bank.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

Enclosure

FRodríguez/RCosta:mcg

cc: Messrs. Kanchuger (CL2DA)
Helne (CTR)
Kalbermatten (LCPPB)
Sheehan (LCPPB)
Division Files
LAC Files

BRAZIL - LOAN 757-BR

SAO PAULO WATER SUPPLY PROJECT - SAEC

TENTATIVE FINANCING PLAN FOR 1972-75 1/

(Amounts in Million)

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1/ Projections made at 1972 cruzeiro values (1 US$ = Cr$6.00)

Brasil Loan 757 Hd

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 044/73 São Paulo, 14 de fevereiro de 1973

Date Received Feb. 26/73
Date Acknowledged March 19/73
Assigned to JOHK
File
BR-3-14

Ilmo. Sr.
JOHN KALBERMATTEN
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington DC 20 433
U.S.A.

Prezado Senhor:

Estamos encaminhando, em anexo, cópia do contrato que assinamos com a firma "The Pitometer Associates" de New York, com o propósito de fornecimento de consultoria , assistência e treinamento dos técnicos da SAEC em assuntos relacionados ao sistema distribuidor de água, conforme preve o nosso contrato 757-B, seção 3.02, item b.

Sendo o que se apresenta no momento, subscrevemo-nos muito

Atenciosamente

Eng. LUIZ AUGUSTO DE LIMA PONTES
Diretor da C.P.E.

SECTION
COMMUNICATIONS
1973 FEB 23 AM 8:14
RECEIVED

Brasil Loan 757 Ad

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 044/73 São Paulo, 14 de fevereiro de 1973

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Sendo o que se apresenta no momento, subscrevemo-nos muito

Atenciosamente

Eng. LUIZ AUGUSTO DE LIMA PONTES
Diretor da C.P.E.

COMMUNICATIONS SECTION
1973 FEB 23 AM 9:41
RECEIVED

RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

Brasil Loan 757 Ad

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 042/73

São Paulo, 12 de fevereiro de 1973

Date Received Feb. 23/73
Date Acknowledged No reply
Assigned to JMK / FR
BR - 3-10

Ilmo. Sr.
JOHN M. KALBERMATTEN
International Bank for
Reconstruction and Development
1818 H Street , N.W.
Washington DC 20 433
U.S.A.

Prezado Senhor:

Em anexo, estamos encaminhando a V.S. o Cronograma Físico e Financeiro do Sistema Distribuidor de Água - da Capital referente ao ano de 1973, conforme solicitação do Eng. Fritz Rodrigues.

Sem mais para o momento, subscrevemo-nos

Atenciosamente

Eng. LUIZ AUGUSTO DE LIMA PONTES
Diretor da C.P.E.

SECTION
COMMUNICATIONS
1973 FEB 22 AM 8:34
RECEIVED

RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

RUA RIACHUELO, 118 - CEP 01007 - SÃO PAULO - BRASIL

RECEIVED

1973 FEB 22 AM 8:34

COMMUNICATIONS
SECTION

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 045\73

São Paulo, 15 de fevereiro de 1973

Date Received
Date Acknowledged
Assigned to

ILmo. Sr.
JOHN M. KALBERMATTEN
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington DC 20 433
U.S.A.

Prezado Senhor:

Em anexo, estamos encaminhando a V.S. o cro
nograma Físico e Financeiro do sistema Distribuidor de Água -
da Capital referente ao ano de 1973, conforme solicitação do
Eng. Fritz Kogitzes.

Sem mais para o momento, subscrevemo-nos

Atenciosamente

Eng. LUIZ AUGUSTO DE LIMA PONTES
Diretor da C.P.E.

Brasil Loan 757 BR

February 8, 1973

Eng. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua e
Esgotos da Capital
Rua Riachuelo, 115 - 11° Andar
01007 Sao Paulo
Brazil

Re: BRAZIL - Loan 757-BR
Sao Paulo Water Supply Project
Bid No. 01/73

Dear Ing. Lima Pontes,

Thank you for your letter 08/73 of January 15, 1973 enclosing a copy of bid documents no. 01/73 for the supply of cast or ductile iron pipes and fittings. The documents were discussed during the recent visit of Mr. Rodriguez to Sao Paulo and as a result of these discussions, an addendum was issued to cover the changes we proposed in our letter of January 9, 1973. We wish to confirm that the Bank has no objection to this addendum.

You may proceed with the bidding.

Sincerely,

Signed: Mr. Richard H. Sheehan

(for) John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and the Caribbean Regional Office

FRodriguez:dm

cc: Messrs. Kanchuger
Sheehan
Kalbermatten
LAC Files
Division Files

CONTROL NO. BRA-3-6
BRA-3-8

Brasil Loan 757 BR

1066

AIR MAIL

February 5, 1973

Messrs. Arthur Andersen & Co.
Caixa Postal 1266
Sao Paulo, Brazil

re: Loan No. 757 BR

Gentlemen:

We have been requested by Superintendencia de Agua e Esgotos da Capital, their letter dated January 3, 1973, to provide you with information concerning the above-mentioned loan as at December 31, 1972.

We are enclosing a copy of our Record of Loan Maturities showing the principal balances as of that date. Among other balances, the Statement shows the principal amounts withdrawn and outstanding in various currencies with the respective U.S. dollar equivalents, held by this Bank. An index of the various symbols and currency codes used appears on the left side of the statement.

Interest and other charges have been paid to October 31, 1972.

Sincerely yours,

Walter C. P. Rutland
Chief, Accounting Division
Controller's Department

Enclosure:

cc: Superintendencia de Agua e
Esgotos da Capital
Sao Paulo, Brazil

cc: Messrs. Rutland, Gray, Elliott
Miss Cardash
File: Letters to Borrower's Auditors
Loan Documents 757 BR
JNelson/ty

Brasil Loan 757 BR

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 035/73

São Paulo, 1 de fevereiro de 1973

Date Rec'd Jan 30/73
Assigned to FR
Feb. 8/73

Ilmo. Sr.
John M. Kalbermatten
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

BR-3-8

Prezado Senhor:

w/ Attached

Por intermédio desta, estamos encaminhando à V. S. cópias das cartas enviadas às Representações Diplomáticas estrangeiras no Brasil, dando ciência da realização de concorrência internacional para aquisição de TUBULAÇÃO E PEÇAS ESPECIAIS DE FERRO FUNDIDO OU DÚCTIL E VÁLVULAS.

O material, correspondente a essa concorrência, destina-se à expansão do sistema de abastecimento de água da Cidade de São Paulo - Brasil, obra a ser financiada por esse Banco.

Na expectativa de suas breves notícias, enviamos

Atenciosas Saudações

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

dks

Brazil Loan 757 Admin

January 31, 1973

Eng. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Rua Riachuelo 115
CEP-01007
Sao Paulo, Brazil

Re: BRAZIL - Loan 757-BR

Dear Eng. de Lima Pontes:

This will acknowledge receipt of your letter No. CPE 08/73 dated January 15, 1973 with which you enclosed copies of advertisements for Bid No. 01/73.

We will send you our comments as soon as we have reviewed them.

Very truly yours,

(signed) Richard H. Sheehan

(for) John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and Caribbean Regional Office

cc: Mr. Sheehan

JMKalbermatten:mk

Control No. BRA-3-6

Brazil. Terms of Reference
cc Brazil - Loan 757 Admin
cc Brazil - Loan 758 Admin
cc Brazil - Bahia Water Supply
cc Colombia. Terms of Reference

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. John M. Kalbermatten

DATE: January 25, 1973

cc Colombia - Loan 682 Admin
cc Colombia - Loan 741 Admin

FROM: Richard H. Sheehan

SUBJECT: BRAZIL - Loans 757-BR and 758-BR
Sao Paulo Water Supply and Pollution Control Projects
Supervision Mission
Bahia State Water Supply Project
Pre-appraisal Mission
COLOMBIA - Loan 741-CO - Second Bogotá Water Supply Project
Loan 682-CO - Cali Water Supply and Sewerage Project
Supervision Mission - Terms of Reference

1. You should plan to visit Sao Paulo beginning January 31, 1973 to review the reformulation of the Water Pollution Control Project and determine whether a re-appraisal of this project is necessary.

2. In addition, you should review the status and programming of the financial contributions of the State to both SAEC and SANESP.

3. Following your visit to Sao Paulo, you should discuss with BNH and EMBASA officials in Rio de Janeiro and Salvador the status of preparation of the Bahia State Water Supply Project. You should, in particular, discuss with these officials project identification and evaluation criteria and gain a firsthand impression of the institutions which will be responsible for project execution. In your discussions, you should use the guidelines proposed in the memorandum of January 23, 1973 on the Bahia State Water Supply Project by Messrs. Ringskog and Jeurling addressed to Mr. Knox.

4. On your return from Brazil, you should stop in Bogotá to discuss the slow progress of the Chingaza Tunnel construction (Loan 741-CO) and determine, in consultation with the Empresas de Acueducto y Alcantarillado de Bogotá (EAAB) and their consultants, what remedial actions should be taken.

5. While in Colombia, you should also visit Cali to review the implementation by EMCALI of the measures requested by the Bank (Mr. Wiese's letter of November 17) to ameliorate the financial position of the Company. In your discussions you should use as a guideline Mr. Chadwick's memorandum to Mr. Wiese (January 22, 1973) on this subject.

6. On your return, you should prepare the usual Back-to-Office and/or Full Report.

JMKalbermatten:mcg

Cleared with and cc: Messrs. Skillings (Prog. II,LAC), Zinman (Program II,LAC)

cc: Messrs. Knox, Rovani (5), Buhler (Legal), Helne (Controller's), Wiese, Calika, Bowron, Baum, Collell (Legal), Prudence (Controller's), Favilla (IBRD-Bogotá) Chadwick (Program II, LAC), Miss Furumura
Division Files
LAC Files

Brasil - Loan 757 Ad
cc Brasil Loan 758 Ad

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: PIMENTA
GEGRAN
RUA DOS FRANCESES 350
SAO PAULO

DATE: JANUARY 18, 1973

CLASS OF SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.:

REFERENCE LOANS 757 AND 758 STOP BANK MISSION CONSISTING COSTA AND RODRIGUEZ ARRIVING SAO PAULO JANUARY 22 STOP MISSION WILL REMAIN SAO PAULO UNTIL FEBRUARY 2 STOP KANCHUGER JOINING DISCUSSIONS JANUARY 22 AND 23 STOP KALBERMATTEN WILL JOIN MISSION JANUARY 31 STOP GARCEZ FILHO AND BRAZ JULIANO HAVE BEEN CONTACTED TO MAKE ARRANGEMENTS INITIAL MEETINGS AFTERNOON JANUARY 22 STOP LOOK FORWARD TO MEETING WITH YOU ~~STOP~~ 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:jbv

ORIGINAL (File Copy)
(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Costa
Kalbermatten
Rodriguez

For Use By Communications Section

Checked for Dispatch: _____

NBrasil Loan 757 Hd
CBrasil Loan 758 Hd
CBrasil terms of Reference

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

OFFICE MEMORANDUM

TO : Messrs. R. Costa and F. Rodríguez DATE: January 18, 1973

FROM : J. M. Kalbermatten

SUBJECT: BRAZIL - Loans 757-BR and 758-BR
Sao Paulo Water Supply and Pollution Control Project
Supervision Mission - Terms of Reference

1. You should plan to arrive in Sao Paulo on January 22, 1973 and stay about two weeks. Then you should proceed to Salvador, Brazil, where you will join a Bank mission for the preappraisal of the Bahia State Water Supply Project. Mr. Rodríguez will spend about three days in Salvador and after will return to Washington. Mr. Costa will remain there for about one week and then will leave for Cali, Colombia, where he will discuss with the Empresas Municipales de Cali (EMCALI) the latest developments in their financial situation (See Mr. Kalbermatten's Terms of Reference for preappraisal of the Bahia State Water Supply Project and supervision of Cali Project).

2. The primary object of your mission is to familiarize yourselves with the Sao Paulo projects (SAEC and SANESP) and also to evaluate the new program of works submitted by SANESP.

3. In Sao Paulo you should, in particular:

i) Discuss with SANESP the proposed changes in the project and verify the feasibility of the new works;

ii) determine whether the SANESP Project should be reappraised because of reformulation of its components;

iii) acquaint yourselves with all the financial and institutional aspects of the projects;

iv) inquire about the amount and timing of the Sao Paulo State's budgetary allocations to the project, and status of BNH and FESB Loans.

v) review SAEC's latest data on the valuation of fixed assets;

vi) evaluate with the Consultants (PAHO) progress in SAEC's organization (billing and collecting, general accounting, cost accounting, budgeting and inventory control, internal auditor, flow of information, etc.). In this regard, you

should pay a visit to the commercial auditor of SAEC-SANESP, Arthur Anderson; and,

vii) discuss the financing plan presented in Messrs. Thys and Williams' Back-to-Office Report of October 19, 1972, taking into account possible changes in local financing, project construction program and project costs.

4. You should review with both institutions (SAEC and SANESP) progress of the works under construction, and revise cost estimates of the projects and latest disbursement schedules. Procurement matters should also be discussed and depending on developments, bid documents for SANESP contracts, and bid evaluation reports of SAEC should be reviewed.

5. Progress in the training program of both institutions should also be evaluated.

6. Mr. Kanchuger will join you in Sao Paulo on January 22 and will accompany you for two days.

7. In Salvador, Mr. Rodríguez will discuss with the Consultants and local authorities procurement requirements of the Bank (See Terms of Reference dated January 10, 1973 - Preappraisal of Bahia State Water Supply Project).

8. On your return, you should prepare the usual Back-to-Office and/or Full Report.

FRodríguez/RCosta:mcg

Cleared with and cc: Mr. Kanchuger (Program II, LAC)

cc: Messrs: Knox
Sheehan (Projects Division Chief)
Kalbermatten (Projects Section Chief)
Skillings (Program II, LAC)
Rovani (5)
Buhler (Legal)
Helne (Controllers's)
Ringskog
Wiese (Program II LAC)
Calika
Bowron
Baum
Miss Furumura
Division Files
LAC Files

Brazil Loan 737 BR

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 011/73

São Paulo, 16 de janeiro de 1 973

Ilmo. Sr.
John M. Kalbermatten
"International Bank for Reconstruction and Development"
1818 H Street, N.W.
Washington, DC 20 433
U. S. A.

Date Rec'd. Jan. 30 '73
Date Ack'd. March 19, 73
Assigned to JMK / ER

BRA - 3-5

Prezado Senhor:

Em aditamento a nossa correspondência anterior, CPE Nº 117/72 de 27/11/1972, estamos encaminhando à Vossa Senhoria, anexadas à presente, a documentação relativa à construção de obras de distribuição de água em diversos bairros da cidade de São Paulo e constituída dos seguintes elementos:

1. Edital de Concorrência
2. Termo de abertura das propostas
3. Relatório da Comissão Julgadora e Quadro Comparativo
4. Contrato

As obras correspondentes referem-se:

a) ASSENTAMENTO DE REDE DE DISTRIBUIÇÃO DE ÁGUA:

Autos 1.572: Setor 35 - Vila Brasilândia - Anéis 1, 2, 3, 4, 5 e parte do 7.

1.573: Setor 35 - Vila Brasilândia - Anéis 6, 9 e parte do 7.

1.576: Setor 22 - Sacoman Zona Baixa - Anéis 1, 7, 9, 10, 11, 12 e 13.

1.583: Setor 41 - Sapopemba Zona Média - Anéis 7, 8 e ramificações dos anéis 6 e 7.

1.584: Setor 41 - Sapopemba - Anéis 11, 12, 13 e ramificações.

O/8

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 011/73

Autos 1.585: Setor 41 - Sapopemba - Anéis 3, 4, 5 e 6.

1.586: Setor 33 - Pirituba Zona Baixa - Anéis 2, 3, 4 e ramificações.

1.587: Setor 33 - Pirituba Zona Baixa - Anéis 1, 2 e ramificações zona alta e baixa.

1.588: Setor 33 - Pirituba Zona Alta - Anéis 3, 4, 5.

1.598: Setor 34 - Itaquera - Anéis 7, 9, 13 e ramificações zona alta.

1.599: Setor 34 - Itaquera - Anéis 3, 4, 5 - Zona Baixa

1.604: Setor 21 - Vila Alpina - Anéis 6, 7 e 8 - Zona - Alta.

1.605: Setor 21 - Vila Alpina - Anéis 11 e 12 - Zona - Baixa.

1.606: Setor 20 - Vila Formosa - Zona Alta.

1.609: Guaianazes - Zonas Alta e Baixa.

b) CONSTRUÇÃO CIVIL:

Autos 1.567: Construção Civil e Instalação do "Booster" Moóca Penha - Vila Maria.

1.616: Estação Elevatória e obras complementares de Pirituba.

1.617: Reservatório e Torre de Pirituba.

1.618: Reservatório do Jardim Popular.

1.619: Reservatório de Vila Formosa.

1.620: Reservatório de Ermelindo Matarazzo.

Aproveitamos a oportunidade para reiterar a V.S. , nossos protestos de estima e consideração.

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

O/8

Yugoslavia - Sarajevo Envir...
" Yugoslavia - Terms of Ref.
" Brazil - Terms of Ref.
" Brazil - Loan 757 Bol
" Brazil - Loan 758 Bol

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

OFFICE MEMORANDUM

TO: Mr. Alain Thys DATE: January 16, 1973

FROM: Gavin E. Wyatt

SUBJECT: YUGOSLAVIA - Sarajevo Environmental Pollution Project, Preappraisal
BRAZIL - Supervision of Loans 757-BR and 758-BR.
- Terms of Reference

You should plan to arrive in Sarajevo on January 21 where you will join Dr. Lee and myself.

In Sarajevo you should participate in discussions with the authorities for the purpose of determining the outline of the project which is intended to reduce the pollution of the air and water in the Sarajevo area and also provide additional water supplies to the city. You should also inform the authorities of any additional studies and information which the Bank will require before sending an appraisal mission.

From Sarajevo you should proceed to Sao Paulo, Brazil, stopping over in Paris for the purpose of discussing the solid wastes incineration and Central Heating system developed by the B.R.G.M. and visit the Paris Plant.

In Brazil, you should join Messrs. Kalbermatten and Costa to discuss the progress of the Sao Paulo Projects.

On your return to Washington on or about February 5, you should prepare a brief report on the results of your mission to Yugoslavia.

AThys:ca

Cleared with and cc: Mr. Horsley, Mr. Kalbermatten

cc: Messrs. Eccles, Votaw, Wapenhans, Central Projects (5), Bowron (P&B)
Fish, K.Jones, Finzi, Sheehan, Walser (Legal) Hakim (Controller's)
EMENA files, Division files, Chron file.

Brazil Loan 757 Adl

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

Date Rec'd. Jan. 30/73
Date Ack'd. Jan. 31/1973 - Feb 8/73
Assigned to ~~JAK~~ FR

CPE Nº 08/73

São Paulo, 15 de janeiro de 1973

Loan 757-BR
STS REPLY

Ilmo. Sr.
John M. Kalbermatten
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

BRA-3-6

Prezado Senhor Kalbermatten:

Estamos encaminhando para conhecimento de V. S., o Edital de Concorrência Internacional Nº 01/73, assim como cópia dos editais publicados em periódicos desta Cidade.

No aguardo do pronunciamento de Vv. Ss., subscrevemo-nos,

Atenciosamente

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

dks

Brazil — Loan 757
Brazil — Loan 758

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

BOOK OF TWO CABLES

OUTGOING WIRE

TO: GARCEZ FILHO
SUPERINTENDENCIA DE AGUAS
E ESGOTOS DE CAPITAL
RUA RIACHUELO , 115 - 5° ANDAR
SAO PAULO

DATE: JANUARY 15, 1973

CLASS OF SERVICE: LT

ITT

COUNTRY: BRAZ JULIANO
COMPANHIA METROPOLITANA DE
TEXT: SANEAMENTO DE SAO PAULO
Cable No.: AVENIDA ANGELICA NO. 2223, 16° ANDAR
SAO PAULO

REFERENCE LOANS 757 AND 758 BR STOP BANK SUPERVISION MISSION CONSISTING COSTA AND RODRIGUEZ ARRIVING SAO PAULO MONDAY JANUARY 22 VARIG FLIGHT 855 STOP MISSION WILL BE STAYING HILTON STOP MISSION WILL REMAIN SAO PAULO UNTIL FEBRUARY 2 STOP PLEASE MAKE ARRANGEMENTS INITIAL MEETINGS AFTERNOON JANUARY 22 STOP KANCHUGER WILL JOIN DISCUSSIONS JANUARY 22 and 23 STOP KALBERMATTEN WILL JOIN MISSION JANUARY 31 STOP REGARDS

KANCHUGER
INTBAFRAD

DISPATCHED JAN 15 8 12 PM 1973 COMMUNICATIONS

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert Kanchuger

DEPT. Latin America and the Caribbean

SIGNATURE _____
(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. Costa
cc: Messrs. Kalbermatten
Rodriguez

For Use By Communications Section

Checked for Dispatch: _____

(IMPORTANT: See Secretaries Guide for preparing form)

ORIGINAL (File Copy)

REFERENCE: Kanchuger:jpv

SIGNATURE: (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

DEPT: Latin America and the Caribbean

NAME: Robert Kanchuger

AUTHORIZED BY:

Checked for Dispatch:

For Use by Communications Section

Cleared with and cc: Mr. Costa
cc: Messrs. Kalbermatten
Rodriguez

CLEARANCES AND COPY DISTRIBUTION:

NOT TO BE TRANSMITTED

DISPATCHED
JAN 15 8 15 PM 1973
COMMUNICATIONS

KANCHUGER
DARTABAND

KALBERMATTEN WILL JOIN MISSION JANUARY 31 STOP REGARDS
JANUARY 22 STOP KANCHUGER WILL JOIN DISCUSSIONS JANUARY 22 and 23 STOP
UNTIL FEBRUARY 2 STOP PLEASE MAKE ARRANGEMENTS INITIAL MEETINGS AFTERNOON
STOP MISSION WILL BE STAYING HILTON STOP MISSION WILL REMAIN SAO PAULO
COSTA AND RODRIGUEZ ARRIVING SAO PAULO MONDAY JANUARY 22 AVRIG FLIGHT 855
REFERENCE LOANS 757 AND 758 BR STOP BANK SUPERVISION MISSION CONSISTING

Cable No.: SAO PAULO
TEXT: AVENIDA ANGELICA NO. 2223, 19o ANDAR
SANEAMENTO DE SAO PAULO
COMPANHIA METROPOLITANA DE
COUNTRY: BRAZ JULIANO

SAO PAULO
RUA RIACHUELO, 115 - 5o ANDAR
E ESCOTOS DE CAPITAL
SUPERINTENDENCIA DE AGUAS
TO: GARCEZ FILHO

SERVICE: LT
CLASS OF:
DATE: JANUARY 15, 1973

BOOK OF TWO CABLES

OUTGOING WIRE

ASSOCIATION INTERNATIONAL DEVELOPMENT	RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL BANK FOR	CORPORATION INTERNATIONAL FINANCE

Form No. 72 (5-70)

Brazil - Terms of Refer
cc Brazil - Liaison
cc Brazil - Loan 757-BR
cc Brazil - Loan 851-BR
cc Brazil - Bahia Water Supply

Mr. Robert Wanchuger

January 12, 1973

Robert F. Skillings

BRAZIL - Terms of Reference

1. You will go to Brazil on January 20, returning to Washington on February 8, in order to participate in the following:

a. the supervision of the Sao Paulo Water and Sewerage Project on January 22 and 23;

b. the supervision of the Grain Storage Project from January 24 to January 28;

c. discussions on possible Bank participation in sites and services projects on January 29 and 30; and

d. the pre-appraisal of the Bahia Water project from January 31 to February 6.

2. During your mission you will attend to such other operational matters that arise.

cc: Messrs. Wiese
Kalbermatten
Costa
Ringskog
Strombom
Goffin
de Alba

RKanchuger:jbv

Brazil Loan 757 BR

January 11, 1973

Eng. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua e
Esgotos da Capital
Rua Riachuelo, 115-11° andar
01007 Sao Paulo, Brazil

Re: BRAZIL - Loan 757-BR
Sao Paulo Water Supply Project
Procurement

Dear Eng. Lima Pontes:

Further to our letter of December 22, 1972, we have reviewed the bid documents for installation of water mains in the bairros of Sao Paulo Municipality and have noted that bids Nos. 024/72, 025/72 and 026/72 refer to contracts for equipment and civil works in Americanópolis. Since these contracts are not part of the project financed by the Bank, we presume that you sent the bid documents only for our information and no further action is required.

In respect to bid No. 022/72, we would like that you give us a brief description of the booster pump station with its location and relation to existing and proposed water storage tanks, so we can determine the eligibility of the contract for financing under the Loan.

We also noted that you allowed only 14 days for preparation of tenders and our objection or approval of the time allowed will depend on the outcome of the bidding. In this regard, please send us copies of the bid opening statements and evaluation reports, and your award recommendations.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and Caribbean Regional Office

FRodríguez:mcg

cc: Messrs. Kanchuger
Sheehan
Kalbermatten
BR-2-9 Division Files

Brasil Loan 757 Hol

January 9, 1973

Eng. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua e
Esgotos da Capital
Rua Riachuelo, 115-11° andar
01007 Sao Paulo, Brazil

Re: BRAZIL - Loan 757-BR
Sao Paulo Water Supply Project
Procurement

Dear Eng. Lima Pontes:

We have reviewed the draft bid documents for supplying cast or ductile-iron pipes and fittings, forwarded with your letter 123/72 of December 20, and have the following comments:

a) The purpose and terms of bid bonds are not clearly defined in the bid documents and bidding guarantees should amount to a percentage of bid prices (for instance 5%), rather than a fixed figure as indicated in paragraphs j) and i) of section 1, chapter II "Condiçoes de Habilitacao". It should also be specified how and when bid bonds are released to bidders.

b) The terms for delivery of the equipment cannot be the same for local and foreign suppliers or should at least refer to FOB Port of embarkation for foreign firms, instead of CIF Santos as it now stands in paragraph b) of "Condiçoes de entrega".

c) Paragraph 3) of chapter 1 "Generalidades" should read "...países membros do Banco Internacional para Reconstruçao e Desenvolvimento e aos da Suiça," instead of "do Fundo Monetário Internacional e aos da Suiça."

d) We believe that lead joints are no longer being used and we wonder whether you would delete "as juntas de chumbo" in the tender forms and technical specifications. Please also note that the American Standard for Cement-Mortar Lining has been revised and is now known as ANSI A21.4-1971 (AWWA C104-71). Item 2.1.1.4 of A.B.N.T. standards EB-137 and P-EB-303 is quite general and we feel that you should better specify the materials required for outside coatings.

We suggest you revise the documents in light of the above comments. Please send copies of the bid advertisement to be published in Brazilian newspapers to Embassies or Consulates of member countries of the Bank, and Switzerland, which might furnish the equipment under bidding. Note in this regard that Romania has recently become a member of the Bank.

We would also appreciate receiving copies of the invitation to bid and the revised specifications with the contract number mentioned.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and Caribbean Regional Office

FRodríguez:mcg

cc: Messrs. Kanchuger
Sheehan
Kalbermatten
Division Files
BRA-3-1

Brazil Loan 757-BR

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: LIMA PONTES
SAEC
RUA RIACHUELO 115
SAO PAULO

DATE: JANUARY 8, 1973
LOAN 757-BR

CLASS OF SERVICE: LT

COUNTRY: BRAZIL

TEXT: REURLET 117 NOVEMBER TWENTY SEVEN CONCERNING CONTRACTS FOR PIPING INSTALLATION
Cable No.:
IN BAIRROS STOP PLEASE SEND US COPIES OF BID OPENING STATEMENTS AND EVALUATION
REPORTS FOR OUR REVIEW AND APPROVAL OF CONTRACT AWARDS STOP REGARDS

KALBERMATTEN
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME John M. Kalbermatten
Chief, Water Supply Section
DEPT. Public Utilities Projects Division LA&C

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: CONTROL No. BR-2-8

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Kanchuger
Sheehan
Kalbermatten
Division Files
FRodríguez:mcg

For Use By Communications Section

Checked for Dispatch: _____

DISPATCHED

JAN 8 7 09 PM 1973

COMMUNICATIONS

Brasil Loan 757 BR

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

São Paulo, 3 de janeiro de 1 973

AO
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
1818 H. STREET N.W.
Washington, DC 20433 - USA

757 BR.

Dear Sirs:

Re: Loans

Please send direct to our auditors, Messrs. Arthur Andersen & Co., Caixa Postal 1266, São Paulo - Brasil a statement of the balance due to you as at December 31,1972.

Also include details of collateral, if any, interest rate, and the date interest has been paid on the - loans.

Your prompt reply will be appreciated.

Very truly yours

MESSIAS PALHARES
Diretor de Divisão

Econ. MODESTO STAMA
Diretor Comercial

O/8

RECEIVED
1973 JAN 10 AM 11:50

Brazil - Loan 757 - admin
Dec 31st, 1972

Country	Loan # 757 Credit # Investment #	Project
BRAZIL		

Title and Description

1973 Budget for SAEC.

Form No. 114
(1-73)

Document Date Dec/1972	Prepared By SAEC	
Transmittal Letter No. Date	From No Letter-Copy Card for File [X]	Document # 22176

Brazil - Loan 757 - Admin
Dec. 31st, 1972

Country	Loan # 757 Credit # Investment #	Project
BRAZIL		

Title and Description

Proposta para politica de transporte na SAEC.
Relatorio das actividades da Diretoria de Administracao en 1972.

Form No. 114 (1-73)

Document Date	Prepared By SAEC	
Transmittal Letter No. Date	From No Letter-Copy Card for File ☒	Document # 22174 A 13

Brazil Loan 757 BR

December 22, 1972

Eng. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua e
Esgostos da Capital
Rua Riachuelo, 115-11° andar
01007 Sao Paulo, Brazil

Re; BRAZIL - Loan 757-BR
Sao Paulo Water Supply Project
Procurement

Dear Eng. Lima Pontes:

Thank you for your letter 111/72 of November 23 giving further comments on bid documents Nos. 008/72 and 009/72 for the supply of steel pipes and fittings. We have also received your letters 114/72 and 117/72 of November 27, 1972 with enclosures concerning contracts for installation of water distribution networks in the "bairros" of Sao Paulo Municipality.

We are reviewing the contracts and soon we shall inform you of their eligibility for financing from the Loan.

We are planning to visit Brazil next month and look forward to discussing with you pending procurement matters.

All the best wishes for the Holiday Season and the New Year.

Yours truly,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and Caribbean Regional Office

FRodríguez:mcg

cc: Messrs. Kanchuger
Helne
Sheehan
Kalbermatten
Division Files

CONTROL No. BR-2-7
BR-2-8
BR-2-9

Brasil Loan 757 BR

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 123/72

São Paulo, 20 de dezembro de 1972

Date Rec'd. Jan 2/73
Date Ack'd. Jan 9/73
Assigned to JMK/F.R
BRA 3-11

Ilmo. Sr.
John M. Kalbermatten
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Ref:- Concorrência Internacional para compra de tubos

Prezado Senhor:-

Estamos encaminhando para conhecimento e autorização de V. S., cópia do edital "CONCORRÊNCIA PÚBLICA INTERNACIONAL PARA O FORNECIMENTO DE TUBULAÇÃO E PEÇAS ESPECIAIS DE FERRO FUNDIDO OU DUCTIL E VÁLVULAS", material esse destinado à Expansão da Rêde de Abastecimento de Água da cidade de São Paulo.

O referido documento foi submetido a consideração da firma Serete Engenharia S.A., conforme documento que segue anexo, conforme prevê o nosso contrato 757/BR.

A data prevista para a apresentação da proposta será a de 19 de março de 1973, estando sendo providenciada a publicação do edital no Diário Oficial do Estado e periódicos desta Capital na primeira semana de janeiro de 1973.

No aguardo do pronunciamento de V. S., enviamos nossas cordiais

Saudações

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

dks

Bcon'l Loan 757 BR

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 123/72

São Paulo, 20 de dezembro de 1972

Date Rec'd. Jan 2/73

Date Ack'd. Jan 9/73

Assigned to IMK/ F/2

3-1

Ilmo. Sr.
John M. Kalbermatten
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Ref:- Concorrência Internacional para compra de tubos

Prezado Senhor:-

Estamos encaminhando para conhecimento e autorização de V. S., cópia do edital "CONCORRÊNCIA PÚBLICA INTERNACIONAL PARA O FORNECIMENTO DE TUBULAÇÃO E PEÇAS ESPECIAIS DE FERRO FUNDIDO OU DUCTIL E VÁLVULAS", material esse destinado à Expansão da Rêde de Abastecimento de Água da cidade de São Paulo.

O referido documento foi submetido a consideração da firma Serete Engenharia S.A., conforme documento que segue anexo, conforme prevê o nosso contrato 757/BR.

A data prevista para a apresentação da proposta será a de 19 de março de 1973, estando sendo providenciada a publicação do edital no Diário Oficial do Estado e periódicos desta Capital na primeira semana de janeiro de 1973.

No aguardo do pronunciamento de V. S., enviamos nossas cordiais

Saudações

1973 JAN -1 AM 10:39

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

RECEIVED

dks

RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

Brazil - Loan 757 BR
Authorized Signatures

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

GABINETE DO SUPERINTENDENTE
RUA RIACHUELO, 115 - 5º ANDAR - SÃO PAULO

São Paulo, 13 de dezembro de 1972

Crt-GS- **674|72**

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, DC 20433
USA.

Re: 757 BR

At.Mr.Prudence

Em resposta ao seu telegrama datado de 14 de novembro de 1972 e de 12 de dezembro de 1972 e de acordo com o que preceitua a seção 5.04 das General Conditions Applicable to Loan and Garantee Agreements, tenho a informar que pelo regulamento desta Autarquia a autoridade autorizada a assinar os "With drawal Applications" é o seu Superintendente, e na sua ausência o Superintendente Adjunto.

Informo que, por delegação expressa no regulamento já mencionado, deleguei também ao nosso Diretor Comercial competência para assinar os referidos "Applications".

Seguem abaixo os nomes e as assinaturas autorizadas, esclarecendo que apenas uma assinatura das três autorizadas é bastante para representar a SAEC nesse procedimento.

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

GABINETE DO SUPERINTENDENTE
RUA RIACHUELO, 115 - 5º ANDAR - SÃO PAULO

Crt-GS- **674|72**

Engº JOÃO MOREIRA GARCEZ FILHO
Superintendente

Engº JOSÉ VULF KOCHEN
Superintendente Adjunto

Econ. MODESTO STAMA
Diretor Comercial

As referidas assinaturas vão autenticadas por notário público oficial da cidade de São Paulo.

Sendo o que tinha a informar, subscrevo-me

atenciosamente

6.º CARTÓRIO DE NOTAS
- RUA SENADOR FEIJÓ, 155 -
Reconheço a firma
João Moreira Garcez Filho
S. Paulo, 13-12 de 1972
em test.º da verdade

Engº JOÃO MOREIRA GARCEZ FILHO
Superintendente

O SÊLO ESTADUAL DEVIDO SERÁ PAGO POR VERBA

ES. OFICIO DE NOTAS
(CARVALHO SOBRINHO)
Rua Roberto Simonsen N.º 122
Tels. 36-3730 - 36-5573 - 35-5069 - São Paulo

Reconheço a 12 firma Pedro de Jesus Vell
Rodrigues Macedo Stoma.

S. Paulo, 13 de DEZ. de 1972

Em test. _____ da verdade

RINALDO MARIN
Escrevente Autorizado

	Cr$ 0,[illegible]
	Cr$ 0,[illegible]
	Cr$ 0,[illegible]
TOTAL	Cr$ 6,[illegible]

Por Firma

ESCRITURA DA FAZENDA DO EST. DE SÃO PAULO
20 CENTAVOS

Brazil Loan 757 Alusa

ECON.MODESTO STAMA
DIRETOR COMERCIAL
SUPERINTENDENCIA DE AGUA
E ESGOTOS DA CAPITAL - SAEC
R.RIACHUELO 115
SAO PAULO,
BRAZIL

DECEMBER 12,1972

IHF GOVT.

REURCAB DECEMBER 12 LOAN 757HR UNABLE TO PROCESS APPLICATIONS NUMBERS ONE THROUGH FIVE AS WE HAVE NOT YET RECEIVED FROM YOU EVIDENCE OF AUTHORITY OF THE PERSON OR PERSONS AUTHORIZED TO SIGN WITHDRAWAL APPLICATIONS UNDER THE LOAN TOGETHER WITH SPECIMEN SIGNATURE OF EACH SUCH PERSON REQUIRED BY SECTION 5.04 OF THE GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS ALTHOUGH REQUESTED BY US IN OUR LETTER DATED OCTOBER 1,1971 AND CABLE DATED NOVEMBER 14,1972 STOP PLEASE FORWARD SOONEST TO IBRD DISBURSEMENTS DIVISION STOP REGARDS

PRUDENCE
INTRAFRAD

A.A.Cassou
Controller's

AAHelne/dsc

File: 757 BR - General
cc: Mr. Helne (Follow-up)
: Mr Kanchuger
: Latin America & Carib. Files ✓

RCA1644/04

248423 IBRD UR

BACEN C BSB

Brasil - Loan 757 Admin
Mr Fernandes

G 1066

File
Log 214
Sao Paulo

RECEIVED

DEC 4 4 50 PM 1972
COMMUNICATIONS SECTION

TELEX FROM BRASIL DECEMBER 4, 1972

FROM BANCO CENTRAL DO BRASIL - BRASILIA

TO INTBAFRAD - WASHINGTON

4.12.72

Distribution

Mr. Skillings
Mr. Kanchuger
Treasurer, Cashier

TEST 1154

ATT KANCHUGER - REYOURS NOV 14, PAYMENT USDOLLARS 82,500 UNDER LOAN 757 BR, DUE NOV 1, BORROWER HAS INFORMED TAHT BANCO DO BRASIL NEW YORK HAS BEEN REQUESTED BY BANCO DO ESTADO DE SAO PAULO, UNDER REFERENCE OT 1/6456-72, TO PAY REFERRED AMOUNT TO FEDRESERVE NEW YORK FOR YOUR ACCOUNT ON OCTOBER 30. BACENCAMBIO.

VP/

AS/18:45

248423 IBRD UR

BACEN C BSBGGGGM

Brazil Loan 757 Files
Brazil Loan 758 Files

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: November 30, 1972

FROM: Robert Kanchuger

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

1. Two major problems have been encountered with the projects. The first only relates to the Pollution Control project and involves basic questions of what the Bank loan will finance. The second problem involves the financial contributions of the state of Sao Paulo and is common to both projects.

2. With respect to the first problem, the Borrower would like the project modified to handle waste water treatment in a different manner. The motivation for requesting the change appears to be technical, financial, ecological and political. Technically and financially, the Borrower believes that the original project is a costly overdesign beyond the needs of the system; while ecologically and politically it contends that the scheme proposed would pollute an important recreational lake whose surrounding citizenry has become aroused over the presence of the project.

3. The proposed alternate scheme is being studied by an American engineering firm and its report should be completed in January. The alternative being studied would be for a project approximately half the size of the present US$81.5 million project. The Bank loan finances only US$15 million of project costs. Were a smaller project to be recommended, the Bank would continue to finance approximately 18 percent of project costs, the estimated foreign exchange component of the project. This would mean a smaller loan and cancellation of any excess amounts, unless additional works were added.

4. The consultant is also studying the inclusion in the project of additional trunk sewers and smaller interceptors, raising the total cost of the project almost to its former level. Inclusion of such facilities would be a logical extension of the originally proposed project. There is some question, however, as to whether the municipalities involved in such an expanded undertaking could provide the needed counterpart. The state of Sao Paulo would have to agree to guarantee the availability of of such funds. Mr. Colasuonna confirmed that the state understood that it would have this obligation if the project is increased.

5. A Bank mission to Sao Paulo is planned in January to review the technical feasibility and desirability of the alternate scheme, including the expanded activities. This would in effect amount to a reappraisal of the project.

6. In the meantime, we have advised the Borrower to go ahead with the preparation of procurement documents for that part of the project which would not be affected by selecting the alternate scheme, so that there would be as little delay as possible in project implementation.

7. The January mission to Sao Paulo would also review the adequacy of the contributions to be made by the state to both projects. During his recent visit to Washington, the state Secretary of Planning, Mr. Colasuonno, assured us that these contributions were adequate, but this will have to be verified.

cc: Messrs. Skillings
Kalbermatten
Buhler
Martinez

Brazil Loan 757 ADmin
cc Brazil Loan 758 ADmin

November 29, 1972

Dr. L. M. Ramirez-Boettner
Resident Representative
Nacoes Unidas
Avenida Rui Barbosa, 910 - 2º And.
Caixa Postal 743 - ZC- 00
Rio de Janeiro, GB, Brasil

Dear Dr. Ramirez-Boettner:

Re: Sao Paulo Water Supply and Pollution Control
(Loans 757-BR and 758-BR)

Mr. Skillings has asked that I reply to your letter of November 17 requesting the details of the Bank loans for Sao Paulo water supply and pollution control projects.

For your information I have attached a copy of the Bank's appraisal report for these loans. As you know, Bank reports are restricted and I would appreciate it if the report is only used by your office and that it does not receive general circulation.

I have only recently begun to work in the Brazil Division in the Bank and I look forward to meeting you in the near future.

Sincerely yours,

Robert Kanchuger
Country Programs Division
Latin America and Caribbean
Regional Office

Attachment

RKanchuger:glw

Brazil Loan 757 BR

November 28, 1972

Eng. Luiz Augusto de Lima Pontes
Director da C.P.E.
Superintendencia de Agua e
Esgotos da Capital
Rua Riachuelo 115-11º Andar
01007 Sao Paulo, Brazil

Re: Brazil - Loan 757-BR
Sao Paulo Water Supply Project
Procurement

Dear Eng. Lima Pontes:

We have reviewed the draft bid documents for computer equipment, forwarded with your letter 83/72 of September 8, and have the following comments:

(a) The wording used in the third paragraph of the "Comunicacao Sobre Abertura De Concorrencia Internacional" to refer to the Bank financing is acceptable; but you might find preferable the language suggested in Section 3.1 of our Guidelines for Procurement. You should also indicate in the Notice of Bidding the closing date and hour, and place for submission of proposals.

(b) Paragraph 1.2.4 specifies that bidders may submit proposals covering the whole or part of the items required. This might further complicate bid evaluation and lead to the alternative of contracting separate firms and consequently to a possible lack of coordination between them. We would rather propose not to accept bids for only part of the items.

If you concur on the preceding comment, then you should revise paragraphs 1.5.4, 2.41 e) and 2.5.

(c) It is usually required that a bidder submit together with his offer a Bid Bond that guarantees its earnestness. However, bid bonds or bidding guarantees are not mentioned anywhere in the documents, except in paragraph 1.5.1 where the word "garantias" is only cited. In addition to the Performance Bond requested per item 2.1.3, we suggest you ask for an Equipment Operation Guarantee. It is not also defined in the documents how and when the Performance Bond is released.

(d) In clause 2.2.1 b), please delete "indicando as taxas de conversao adotadas". There is no need to get such information. However, you may specify that portion of bid prices which bidders expect to spend in Brazil, should be stated in cruzeiros.

(e) We wonder how clause 2.5.4 would be enforced with a foreign bidder, if you have not required bidding guarantees. (See our comment under (c).)

(f) In clause 3.4.1 it should read "mencionada no item 2.1.4", instead of "mencionada no item 2.3".

(g) We think that the "Nota" in Item 4 "Areas a sistematizar" should be more precise so that you have specific bases for bid evaluation.

(h) Ten days after bid invitation is too short a period for bidders to comment on the documents and ask for clarification (Section 2.6.1) and such a requirement is unusual in international bidding. Quite the contrary, bidders should be allowed to consult SAEC on the documents when preparing bids, but such queries should be made at least twenty days before the closing date of the bidding.

(i) In Section 3.4.5 there is a misprint which should read "stand-by".

(j) Items, such as awarding period, withdrawal of proposals, sub-contracts, preference for Brazilian manufacturers, should be included in the documents. It might also be convenient to attach a proposal form to the specifications.

We suggest you revise the documents taking the above comments into consideration. At least a period of 75 days should be allowed for preparation of bids. The invitation to bid should be advertised in two major newspapers in Brazil and a technical magazine of wide international circulation. You should also send copies of the invitation to local representatives of the member countries of the Bank and Switzerland, and to the Bank along with a revised copy of the specifications. Any comments we would then have would be incorporated into addenda to the documents.

Because of rapid progress in data processing technology, computers quickly become obsolete. Consequently there is a growing tendency for leasing instead of buying computers to make replacement of old models easier and obtain better services from suppliers. Thus it may be to SAEC's advantage to lease the equipment under bidding. However, we must inform you that in case you decide to lease, expenditures under such lease would not be eligible for financing under Loan 757-BR.

Sincerely,

FRodríguez:mcg

Cleared with and cc:
Messrs. JJennings
AHelne (Controller's)
RKanchunger
EWilliams
Central Files
Division Files

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Projects Division
Latin America and Caribbean Regional Office

Control No. BRA-2-42

Brasil Loan 757 Vol

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 117/72 São Paulo, 27 de novembro de 1972

Ilmo. Sr.
John M. Kalbermatten
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Date Rec'd. Dec. 6, 1972
Date Ack'd. Jan. 8, 1973
Assigned to WATER

BR 2-8

Prezado Senhor:-

Encaminhamos à V. S., anexadas à presente, cópias dos contratos firmados entre esta Superintendência e diversas firmas, referentes ao assentamento de redes de distribuição de água em vários bairros da cidade de São Paulo, conforme relação que damos abaixo:-

Termo de Contrato nº	Firma Contratada	Assunto
616/72	Civil e Industrial S.A.-Concisa	Redes de distribuição de água, V ila Alpina, anéis 11, 12 e ramificações
619/72	Ircos Construções Civis e Sanitárias Ltda.	Idem, Vila Brasilândia, anéis 1, 2, 3, 4, 5, 8 e parte do 7
621/72	Construtora Augusto Velloso S.A.	Idem, Pirituba, zona alta, anéis, 3, 4, 5 e ramificações
623/72	W. A. Bastos Construções	Idem, Itaquera, anéis 7, 9, 13 e ramificações
624/72	Imobiliária Cappelano S.A.	Idem, Vila Formosa, zona alta

D.P

CPE Nº 117/72 27.11.72

Termo de Contrato	Firma Contratada	Assunto
627/72	Tecimo Construções e Engenharia Ltda.	Redes de distribuiução de água, Sapopemba, anéis 11, 12, 13 e ramificações
634/72	Construtora Augusto Velloso S.A.	Idem, Pirituba, anéis 2, 3, 4 e ramificações
636/72 → Bid 050/72	Construtora Civil e Industrial Concisa	Idem, Americanópolis, setor 32, sub-setor IX
637/72	Comercial e Construtora Stecca S.A.	Idem, Guaianazes, zonas alta e baixa
639/72	Construtora Augusto Velloso S.A.	Construção Civil do Reservatório e Tôrre de Pirituba
641/72	Construtora Civil e Industrial S.A. Concisa	Idem, idem, Jardim Popular
642/72	Consursan Engenharia e Comércio S.A.	Redes de distribuição de água, Pirituba, anéis 1, 2 e ramificações
647/72	Embasa - Engenharia e Comércio S.A.	Construção Civil do Reservatório de Vila Formosa

CPE Nº 117/72 27.11.72

Termo de Contrato	Firma Contratada	Assunto
653/72	Sarima - Engenharia S.A.	Rede de distribuição de água Sapopemba, anéis, 3, 4, 5 e 6
654/72	Ircos Construções Civis e Sanitárias Ltda.	Reforma, ampliações e obras complementares dos Reservatórios do Alto,da Moóca
660/72	Amafi Comercial e Construtora Ltda.	Rede de distribuição de água Sapopemba, anéis 7 e 8 e ramificações dos anéis 6 e 7
662/72	Relmac Engenharia e Pavimentação Ltda.	Reforma, ampliações e Obras complementares nos Reservatórios de Santana, Mirante, Vila Medeiros, Vila Maria e Vila Nova Cachoeirinha
678/72	Construtora Cocaro Ltda.	Redes de distribuição de água Vila Alpina, anéis 6, 7, 8 e ramificações.

Outrossim, queremos informá-lo de que enviaremos à V. S. os contratos restantes, tão logo os tenhamos registrados.

Valemo-nos da oportunidade para enviar,

Atenciosas Saudações

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

Brasil Loan 757 Hd

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 114/72

São Paulo, 27 de novembro de 1972

Ilmo. Sr.

John M. Kalbermatten

International Bank for Reconstruction and Development

1818 H Street, N. W.

Washington, DC 20 433

U. S. A.

Prezado Senhor:-

— not Attached

Estamos encaminhando à V. S., anexadas à presente, cópias xerográficas dos Editais de Concorrência Pública nºs.- 002/72, 022/72, 024/72, 025/72, 026/72 e 027/72,

Informamos que as Tomadas de Preços em questão, destinam-se a coletar preços para o assentamento de rede de distribuição de água para diversos bairros da Capital de São Paulo.

Date Rec'd. Dec. 6/72
Date Ack'd. Jan 11/73
Assigned to JMK/FR

BR-2-94

Nesta oportunidade enviamos à V. S.,

Atenciosas Saudações

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

dks

RECEIVED

RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

Bearif Loan 757 Mel

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 114/72 São Paulo, 27 de novembro de 1972

Ilmo. Sr.

John M. Kalbermatten

International Bank for Reconstruction and Development

1818 H Street, N. W.

Washington, DC 20 433

U. S. A.

Prezado Senhor:-

Estamos encaminhando á V. S., anexadas á presente, cópias xerográficas dos Editais de Concorrência Pública nºs.- 002/72, 022/72, 024/72, 025/72, 026/72 e 027/72,

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Nesta oportunidade enviamos á V. S.,

Atenciosas Saudações

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

Date Rec'd. Dec. 6/72
Date Ack'd. Jan 11/73
Assigned to TMK/FR

1972 DEC -6 AM 9:04

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RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

Brazil Loan 757 BR

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 111/72

São Paulo, 23 de novembro de 1972

Ilmo. Sr.
John M. Kalbermatten
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Date Rec'd. Dec. 4, 1972
Date Ack'd.
Assigned to JMK / FR

BR-2-7

Prezado Senhor Kalbermatte:

Acusamos o recebimento de sua carta datada de 7 de novembro de 1972, onde V. S. faz comentários sobre as concorrências nºs. 008/72, 009/72, 049/72 e 050/72.

Com relação às concorrências nºs. 008 e 009/72, que dizem respeito à compra de tubos de aço e peças especiais para os setores de Americanópolis e Sacoman, tenho a informar que essas concorrências não se referem ao projeto do Banco, mas sim ao Projeto Americanópolis, que conta com financiamento do FESB-BNH e que já é do conhecimento de V. S. .

Com referência às concorrências nºs049 e 050/72, assim como as demais que já foram enviadas ao Banco, esclareço que estamos enviando, nos próximos dias, à V. S., os contratos já assinados entre firmas adjudicantes e a SAEC.

Sendo sòmente êste o assunto que temos a tratar com V. S., no momento, aproveitamos a oportunidade para enviar nossas

Atenciosas Saudações

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

dks

RECEIVED

RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

Brant Ivan 767 [illegible]

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 111/72 São Paulo, 23 de novembro de 1972

Date Rec'd. Dec. 4, 1972
Date Ack'd.
Assigned to JMK/FR

Ilmo. Sr.
John M. Kalbermatten
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

BR-2-7

Prezado Senhor Kalbermatte:

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Sendo sómente êste o assunto que temos a tratar com V. S., no momento, aproveitamos a oportunidade para enviar nossas

Atenciosas Saudações

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

1972 DEC -1 PM 3:41

dks

RECEIVED

RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

Board Loan 757-BR

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

BOOK OF FIVE CABLES

OUTGOING WIRE

TO:

CARLOS ANTONIO ROCCA
SECRETARY OF FINANCE
SAO PAULO

DR MIGUEL COLASUONNO
SECRETARY OF PLANNING
SAO PAULO

DATE: NOVEMBER 20, 1972

CLASS OF SERVICE: LT

1TT

COUNTRY:

JOSE MARIA VILAR DE QUEIROZ
MINISTRY OF FINANCE
RIO DE JANEIRO

PAULO LIRA
BANCENTRAL
BRASILIA

TEXT:
Cable No.:

SUPERINTENDENCIA DE AGUA E
ESGOTOS DA CAPITAL
RUA RIACHUELO, 115- 5° ANDAR

BRAZIL

REF LOAN 757-BR STOP CONTRARY OUR PREVIOUS TELEGRAMS PAYMENT RECEIVED ON DUE DATE STOP UNFORTUNATELY PAYMENT NOT RECORDED OUR ACCOUNTS THROUGH BANK STAFF OVERSIGHT STOP SINCERELY REGRET ANY INCONVENIENCE OR DIFFICULTY OUR ERROR MAY HAVE CAUSED STOP REGARDS

KANCHUGER
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME: Robert Kanchuger

DEPT.: Latin America and the Caribbean

SIGNATURE: Robert Kanchuger
(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: Messrs. Topolsky
Skillings
cc: Mr. Kafka
Mr. Kalbermatten

For Use By Communications Section

Checked for Dispatch:

(IMPORTANT: See Secretaries Guide for preparing form)

ORIGINAL (File Copy)

REFERENCE: RKanchuger:Jpa

SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

DEPT: Latin America and the Caribbean

NAME: Robert Kanchuger

AUTHORIZED BY:

Checked for Dispatch:

For Use By Communications Section

Mr. Kalpermatten
cc: Mr. Kalka
Skillings
Cleared with and cc: Messrs. Topolsky

CLEARANCES AND COPY DISTRIBUTION:

NOT TO BE TRANSMITTED

DISPATCHED
NOV 20 9 57 PM 1972
COMMUNICATIONS

INTERVENED
KANCHUGER

ONE ERROR MAY HAVE CAUSED STOP REGARDS

BANK STAFF OVERSIGHT STOP SINCERELY REGRET ANY INCONVENIENCE OR DIFFICULTY

ON DUE DATE STOP UNFORTUNATELY PAYMENT NOT RECORDED ONE ACCOUNTS THROUGH

NEW YORK 151-NR STOP CONTRARY ONE PREVIOUS TELEGRAMS PAYMENT RECEIVED

BRAZIL

RUA RIACHUELO, 115- 5o ANDAR
ESCOLOS DA CAPITAL

Cable No.: SUPERINTENDENCIA DE AGUA E

TEXT:

RIO DE JANEIRO — BRASILIA
MINISTRY OF FINANCE — BANCENTRAL
JOSE MARIA ALFAR DE QUEIROZ — PAULO LIRA

COUNTRY:

SAO PAULO — SAO PAULO
SECRETARY OF FINANCE — SECRETARY OF PLANNING
CARLOS ANTONIO ROCCA — DR MIGUEL COLASUONNO

SERVICE: TL

CLASS OF

TO:

DATE: NOVEMBER 20, 1972

BOOK OF FIVE CABLES

OUTGOING WIRE

ASSOCIATION INTERNATIONAL DEVELOPMENT	RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL BANK FOR	CORPORATION INTERNATIONAL FINANCE

Form No. 22 (5-70)

Record from 10 1 [illegible]

Brazil Loan 757 AD
cc Brazil Loan 758 AD

UNITED NATIONS NAÇÕES UNIDAS

REPRESENTAÇÃO DO PROGRAMA DAS
NAÇÕES UNIDAS PARA O DESENVOLVIMENTO NO BRASIL

AVENIDA RUI BARBOSA, 910 - 2.° AND.
CAIXA POSTAL 743 - ZC - 00
RIO DE JANEIRO - GB - BRASIL
TELEX.: 031768
TELEG.: "UNDEVPRO RIO DE JANEIRO"
TELEFONES: 225-9384
225-6969

EDIFÍCIO DO BNDE - 17.° AND.
SETOR BANCÁRIO SUL
CAIXA POSTAL - 07-1671
BRASÍLIA, D. F. — BRASIL
TELEX: 353
TELEFONES: 24-2684
24-3684

REF.
FILE: 4355
7.1.19

17 November 1972

Dear Mr. Skillings,

I have read with much interest the IBRD publication World Bank Operations - Sectoral Programs and Policies. I believe it is a very useful document.

I have noted with particular interest the Table I on World Bank/IDA Lending for Water/Sewerage FY 1962-1971, which appears on page 252 and which includes project Sao Paulo Water and Pollution Control for Brazil for which IBRD has earmarked US$ 37 million. I should be grateful if you would send me details of this loan.

Sincerely yours,

Dr. L.M. Ramirez-Boettner
Resident Representative

Mr. Robert F. Skillings
Chief, Brazilian Division
Latin America and the Caribbean
International Bank for Reconstructions and Development
1818 H street N.W., Washington D.C.20433
U.S.A.

Brazil loan 757 Admin
cc Brazil loan 758 Admin

UNITED NATIONS NAÇÕES UNIDAS

REPRESENTAÇÃO DO PROGRAMA DAS
NAÇÕES UNIDAS PARA O DESENVOLVIMENTO NO BRASIL

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TELEG.: "UNDEVPRO RIO DE JANEIRO"
TELEFONES: 225-8384
225-6868

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Chief, Brazilian Division
Latin America and the Caribbean
International Bank for Reconstructions and Development
1818 H street N.W., Washington D.C.20433
U.S.A.

1972 NOV 22 AM 10:13

RECEIVED

Brazil | Loan 757 BR

Files

November 17, 1972

A.A. Helne

Brazil - Loan 757 BR (Sao Paulo Water Supply Project)

Mr. Fritz Rodriguez (Projects, Latin America & Caribbean) called recently inquiring whether the Bank would pay the cost of leasing of an electronic computer by the Borrower (SAEC) for billing purposes under Category II (Imported water meters and billing equipment) of Schedule 1 of the Loan Agreement. For the purpose of wording of the bidding documents SAEC had requested the Bank to consider three alternatives, under which SAEC would either (1) purchase the equipment (2) lease it, or (3) lease it with option to buy.

I advised Mr. Rodriguez that the cost of leasing would not be eligible for financing under Loan 757 BR, being an operational expense to the Borrower rather than capital or services expense normally financed by the Bank. Messrs. Clyde (Legal) and Dutt (Area) agreed with this position. I also pointed out to Mr. Rodriguez that due to today's progress in data processing technology a computer quickly becomes absolete and that, as there is hardly any resale market for such equipment, it would perhaps be more economical for the Borrower to lease than buy. The leasing arrangement also would have the advantages of easier replacement of old models and better service from the supplier.

File: 757 BR - General
cc: Mr. Clyde
: Mr. Kanchuger
: Mr. Rodriguez
: Operational Files ✓

AAHelne/dsc

Board / Loan 757 Bra

FORM NO. 26
(4-69)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: NOVEMBER 17, 1972 1610

LOG NO.: 92/18

TO: INTERAFRAD KANCHEDGER

FROM: SAO PAULO

ROUTING	
ACTION COPY:	MR. FLOOD MR. KANCHEDGER
INFORMATION COPY:	MR. WIESE
DECODED BY:	TREAS:-CASHIER

TEXT:

TRANSCHEVO A SEGUIR TELEX ENVIADO 30 OUT 1972 BANCO DO BRASIL S/A NEW YORK ABRASPAS PAY US/ 82.500,00 VALUE OCTOBER 31 1972 TO FEDERAL RESERVE BANK OF NEW YORK 33 LIBERTY ST NEW YORK NY 10045 ATT FOREIGN DEPARTMENT FOR CREDIT INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT RE COMMITMENT CHARGE PERIOD MAY 1972 TO OCTOBER 31 1972 PT REGISTRATION CERTIFICATE 21/16779 BY ORDER SUPERINTENDENCIA DE AGUA E ESGOTADOS DA CAPITAL OUR RE OT 1/0156-72 FECHASPAS PT A SEGUIR TRANSCHEVO TELEGRAMA ENVIADO SABC RESPONDENDO SEU TELEGRAMA NOVEMBRO 6 ABRASPAS ENVIADO TAXA DE COMPROMISSO 27 OUTUBRO PARA BANCO DO BRASIL S/A NEW YORK PAYMENT ORDER NUMBER OP 1-0156-72. SABC BRASIL FECHAAPAS ABRACOS.

CARNEZ FILHO SEAC

SECTION
COMMUNICATIONS
NOV 20 10 53 AM 1815

EP.

TYPED

FOR INFORMATION REGARDING INCOMING CABLES, PLEASE CALL THE COMMUNICATIONS SECTION, EXT. 2021

ORIGINAL

TYPED

Nov 20 10 23 AM 1972

COMMUNICATIONS
SECTION

Brazil Loan 757 Allen

MR ENG. JOAO GARCEZ FILHO
SUPERINTENDENTE
SAEC, RUA RIACHUELO 115
SAO PAULO
BRAZIL

NOVEMBER 14,1972

IBF GOVT.

RE LOAN 757 BR TO ENABLE US TO PROCESS WITHDRAWAL APPLICATIONS PLEASE FORWARD SOONEST EVIDENCE OF AUTHORITY OF THE PERSON OR PERSONS AUTHORIZED TO SIGN WITHDRAWAL APPLICATIONS UNDER THE LOAN TOGETHER WITH THE AUTHENTICATED SPECIMEN SIGNATURE OF EACH SUCH PERSON REQUIRED BY SECTION 5.04 OF THE GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

INTRAFRAD

Stanley J.Perch
Controller's

File: 757 BR _ Loan Agreement
cc: to and cleared with in substance: Mr. Buhler (B-811)
cc: Operational Files ✓

AAHelne/dsc

Brazil Loan 757 Admin
2660

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

BOOK OF FIVE CABLES

OUTGOING WIRE

TO: CARLOS ANTONIO ROCCA
SECRETARY OF FINANCE
SAO PAULO

DR MIGUEL COLASUONNO
SECRETARY OF PLANNING
SAO PAULO

DATE: NOVEMBER 14, 1972

CLASS OF SERVICE: LT + Pele

COUNTRY: JOSE MARIA VILAR DE QUEIROZ (WI) 31137
MINISTRY OF FINANCE
RIO DE JANEIRO

PAULO LIRA (WI) 41344
BANCENTRAL
BRASILIA

TEXT:
Cable No.: SUPERINTENDENCIA DE AGUA E
ESGOTOS DA CAPITAL
RUA RIACHUELO, 115 - 5° ANDAR
SAO PAULO

BRAZIL

REF LOAN 757-BR STOP PAYMENT US$82,500 DUE NOVEMBER 1 NOT RECEIVED STOP BORROWER ADVISED PAYMENT DATE OUR LETTER SEPTEMBER 22 STOP NO ANSWER RECEIVED OUR TELEGRAM NOVEMBER 8 TO BORROWER REPORTING PAYMENT NOT RECEIVED STOP APPRECIATE YOUR COOPERATION TO EFFECT PAYMENT STOP REGARDS

KANCHUGER
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert Kanchuger

DEPT. Latin America and the Caribbean

SIGNATURE Robert Kanchuger
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RKanchuger:jbv

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

RECEIVED COMMUNICATIONS NOV 14 5 35 PM 1972

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Messrs. Topolsky
Skillings

cc: Messrs. Kalbermatten
Kafka

For Use By Communications Section

Checked for Dispatch: /

DISPATCHED

Nov 14 2 32 PM 1972

COMMUNICATIONS
SECTION

Brazil Loan 757 Admin

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: SUPERINTENDENCIA DE AGUA E
ESGOTOS DA CAPITAL
RUA RIACHUELO, 115 - 5° ANDAR
SAO PAULO

DATE: NOVEMBER 8, 1972

CLASS OF SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.:

REF LOAN 757-BR AND OUR LETTER SEPTEMBER 22 STOP PAYMENT US$82,500 DUE NOVEMBER 1 NOT RECEIVED STOP PLEASE CABLE STATUS ~~STOP~~ REGARDS

KANCHUGER
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert Kanchuger

DEPT. Latin America and the Caribbean

SIGNATURE Robert Kanchuger
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RKanchuger:jbv

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Skillings

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Checked for Dispatch:

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ORIGINAL (File Copy)

REFERENCE: RKanchuger:lpv

SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

DEPT: Latin America and the Caribbean

NAME: Robert Kanchuger

AUTHORIZED BY:

Checked for Dispatch:

For Use By Communications Section

Cleared with and cc: Messrs. Topolsky Skillings

CLEARANCES AND COPY DISTRIBUTION:

NOT TO BE TRANSMITTED

DISPATCHED
NOV 8 9 47 PM 1972
COMMUNICATIONS

INTBAERAD
KANCHUGER

NOVEMBER 1 NOT RECEIVED STOP PLEASE CABLE STATUS ~~STOP~~ REGARDS

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Cable No.:

TEXT:

COUNTRY: BRAZIL

SAO PAULO
RUA RIACHUELO, 115 - 5º ANDAR
ESGOTOS DA CAPITAL

TO: SUPERINTENDENCIA DE AGUA E

SERVICE: LT

CLASS OF

DATE: NOVEMBER 8, 1972

OUTGOING WIRE

ASSOCIATION INTERNATIONAL DEVELOPMENT	RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL BANK FOR	CORPORATION INTERNATIONAL FINANCE

Form No. 15-70

Brazil/Loan 757 Adl

November 7, 1972

Eng. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua e
Esgotos da Capital
Rua Riachuelo 115-11° Andar,
01007 Sao Paulo, BRAZIL

Re: BRAZIL - Loan 757-BR
Sao Paulo Water Supply Project
Procurement

Dear Eng. Lima Pontes:

Thank you for your letter 100/72 of October 18 enclosing copies of (i) bidding documents Nos. 008/72 and 009/72 for supplying steel pipes and fittings for a value of Cr$1,450,350 or approximately US$241,725 and (ii) bidding documents Nos. 049/72 and 050/72 for installation of water mains in Americanopolis for a cost of Cr$2,016,000 or approximately US$336,000.

We have noted that you allowed only 20 days for preparation of bids, and submitted the specifications for our review after bids had been received. We regret to inform you that the contracts for steel pipes and fittings will not be eligible to be financed out of the proceeds of the Loan. Since this equipment was estimated to cost more than US$100,000, it should have been procured through international competitive bidding, as set forth in Section 2.03, Article II , and according to the procedure outlined in Schedule 4, Paragraph 1 of the Loan Agreement.

However, you may decide to call off the bidding and issue new invitations to bid in conformity with our Guidelines for Procurement. In that case we would reconsider financing expenditure under such contracts.

In respect to bidding documents Nos. 049/72 and 050/72, we await the bid evaluation and award recommendation of the contracts, before making any comment on them.

Sincerely,

Signed Richard H. Sheehan

(for) John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Division
Projects Department
Latin America and the Caribbean

FRodríguez:mcg

Cleared with and cc: Mr. Kanchuger (Area Dept.)
Mr. Helne (Controller's)

cc: Mr. Kalbermatten
Division Files

CONTROL No. BR-2-5

FORM NO. 57 | INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Brazil Loan 516 Ed
Brazil Loan 757 Ed
Brazil Loan 758 Ed
Brazil Loan 853 Ed
Brazil Loan 857 Ed
Brazil - Industry
Brazil Bahia Water Supply
Brazil Amazon Basin
Brazil Livestock
Brazil Agriculture Bank

TO: Files

DATE: November 2, 1972

FROM: Devbrat Dutt

SUBJECT: BRAZIL - Status of Agriculture and Water Supply Projects

1. The purpose of this memo is to summarize the current status of projects I was dealing with in the Brazil division along with my suggestions for action in the next several months.

2. Loans Already Made

(i) Livestock Project (Loan 516-BR): The project is moving well. The Central Bank expects full commitment of funds by December 31, 1972. From Brazil we are awaiting:

(a) a letter confirming that the manual cleared with the Bank has been issued.

(b) information on marketing study,

(c) confirmation of training program, and

(d) confirmation of engagement of experts for pasture/field trials.

(ii) Sao Paulo Water Supply and Pollution Control Projects (Loans 757-BR and 758-BR): The supervision report of October 19, 1972 summarizes the present position. My memo of April 7, 1972 records the problems anticipated and the people already approached for solving these. Recently I checked with BNH and understood that their loan contribution would be forthcoming. The only problem that remains to be settled is one to be solved by the state government and refers to the state contributions to the stocks of SANESP and SAEC. The Secretary of Planning in Sao Paulo (who makes the budgetary allocations) should realize his responsibilities in terms of the commitments that the state government has made in the Project Agreement. The SAEC is well administered, with strong management, and can look after itself. SANESP continues to be a weak organization and would need support from the Bank. The proposed actions - (a) Mr. Skillings addressing a letter to Mr. Colasuonno and (b) Messrs. Kalbermatten and Kanchuger visiting Sao Paulo in November to review the state government proposal for project modification, are important.

(iii) Alto Turi Land Settlement Project (Loan 853-BR): Mr. Jaime Alipio de Barros confirmed to me on the telephone on October 26 the information contained in the Interior Ministry's cable of October 25, that all substantive actions for effectiveness have already been taken. As soon as the loan becomes effective we should arrange for a supervision mission to assist sound start of the project.

(iv) Grain Storage Project (Loan 857-BR): In September I reviewed the position with Dr. Gigante of Banco do Brasil and most of the action required for loan effectiveness has already been taken. We are awaiting a letter from Banco do Brasil to define the parts of Mato Grosso, Goias and Minas Gerais states that are to be included in the project area (section 1.02h of the Loan Agreement). The material received in the Bank in September should be reviewed for the clearances required under sections 3.03; 3.04; and Schedule 5 paras. 3.1 and 6.1 of the Loan Agreement. The need for making investments under this project is extremely urgent and I would suggest that Mr. Kanchuger reviews the position with Banco do Brasil when he is in Brazil in November. In case Mr. Loh, who is familiar with the project, can visit Brazil in November, he can help in settling most of the points on the spot.

3. Projects in the Pipeline

(i) Agriculture Export Industries Credit Project: My memo of October 6 (recommendations accepted by Mr. Wiese) summarizes my views. An early discussion with Mr. Yokota on these points will be useful. Mr. David Steel can be requested to cover the appraisal report chapter on participating banks.

(ii) Bahia State Water Supply Project: My memo of October 13 was discussed with projects. Mr. Kalbermatten is preparing a Pre-Issues paper which would be available in another two weeks. The mission scheduled for November 20 will be very useful. The feasibility study has been airmailed by BNH and on receipt will be transmitted to Projects.

(iii) Amazon Settlement Project: Project preparation is going on well. Mr. Hewson has left with me (please see the Division file) his draft report on his review of the project in October. Mr. Kanchuger may review the project preparation when he is in Brasilia next. The main issues would be: (a) institutional -- for Project implementation, (b) definition of income target and consequently of farm size, (c) place of high value/plantation crops in the settlement program, and (d) arrangements for securing the interest of indigenous Indians in and around the Project area.

(iv) Third Livestock Project: Project report is expected in December. As early as possible we should discuss with the Central Bank on reserving a portion of the proposed loan funds for the benefit of small farmers and cooperatives. At my request Mr. Bono has agreed to discuss with the Brazilians suitable models for small farmers and cooperatives, and feels that the Brazilians would be receptive, if we agree to: (a) mixed farming - crops, forage seed and livestock raising - in the small farms, and (b) consider softer subloan terms.

(v) Agriculture Research Project: The Agriculture Minister has requested Bank assistance. I think it will be useful for the Bank to get involved in organization of the Research Corporation, rather than to wait for it to be organized and then discuss a research project for the north/northeast. Besides replying to the Agriculture Minister we should make up our own mind on the proposals already received.

(vi) Future Colonization Projects in the NE: Interior Ministry (Messrs. Cavalcanti and General Velloso) have requested Bank assistance in preparing new colonization projects in the NE (in the states of Maranhao, Piaui and Bahia). This can be arranged with funds available under the Alto Turi Project (Loan 853-BR). As soon as the loan becomes effective discussions could be held on future project preparation.

cc: Messrs. Skillings
Kanchuger
Senner
Steel

DDutt:jbv

Brazil. Loan 757. Adm
Loc Files

PAN AMERICAN HEALTH ORGANIZATION
Pan American Sanitary Bureau, Regional Office of the
WORLD HEALTH ORGANIZATION

525 TWENTY-THIRD STREET, N.W., WASHINGTON, D.C. 20037, U.S.A. CABLE ADDRESS: OFSANPAN

TELEPHONE 223-4700

IN REPLY REFER TO: ES-Brazil-2201/28/1 (SAEC) A/F

30 October 1972

Date Recd Oct. 30/72
Date ack'nd NR
Assigned to IMK

BR-2-6

Mr. John M. Kalbermatten
Public Utilities Projects Department
International Bank for Reconstruction and
Development Room N.510
809 - 19th St., N.W.
Washington, D.C. 20025

Dear Mr. Kalbermatten:

Doc# 22289

I am very pleased to send you a copy of the document entitled "Informes Sobre Colaboración Sobre el Catálogo de Cuentas, Informes Económicos Mensuales, Activos Fijos y Evaluación de las Actividades Desarrolladas en el Area Contable, de Conformidad con las Recomendaciones Formuladas por la OPS - Junio-Julio 1972", prepared by our PAHO Consultant Lic. Hernando Chovil R.

Since Mr. Eric Williams expressed interest in seeing these reports, I would greatly appreciate your bringing this document to his attention.

Very truly yours,

Mario Espinosa

Mario Espinosa, Chief
Institutional Development Program
Department of Engineering and
Environmental Sciences

Encl.

cc: Mr. René Costa
(With doc.)

1902-1972 70 YEARS OF SERVICE TO THE AMERICAS
PAN AMERICAN HEALTH ORGANIZATION

Brasil Loan 757 Ad

October 25, 1972

Eng. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua e
Esgotos da Capital
Rua Riachuelo 115-11° Andar,
01007 Sao Paulo, Brazil

Re: BRAZIL - Loan 757-BR
Sao Paulo Water Supply Project
Procurement

Dear Eng. Lima Pontes:

Thank you for your letter 95/72 of October 9 inquiring whether we would accept financing with the proceeds of the Loan total expenditures for goods produced in Brazil. As you are aware of, those items were included in Category IV of Schedule 1 of the Loan Agreement, and it was mutually agreed that the Bank would finance 20% of expenditures under such Category, but upon your request we would increase this percentage to permit full withdrawal of the Loan amount.

We are studying your proposal to cover such goods under Categories I and II of Schedule 1, and soon we shall inform you of our decision on this matter.

Sincerely,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Division
Projects Department
Latin America and the Caribbean

FRodríguez:mcg

cc: Messrs. Dutt (Area Dept.)
Helne (Controller's Dept.)
Sheehan (LA&C)
Division Files
CONTROL No. BR-2-4

LAC Files
✓ Brazil - Loan 757 Hol
cc Brazil - Loan 758 Hol

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

OFFICE MEMORANDUM

TO: Mr. John M. Kalbermatten DATE: October 19, 1972

FROM: A. Tnys and E. R. Williams

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

1. Action to be taken, see paragraphs 5, 18 and 50; issues deserving attention in paragraphs 4, 5, 10 to 17 and 39.

2. In accordance with terms of reference dated August 15, 1972, we visited Sao Paulo between August 28 and September 6. A brief call was made at Rio de Janeiro to contact Mr. Laugeri (WHO Sector Mission) and to collect the Bahia Feasibility Study, but this was not ready.

Project Data

	Water Supply Loan 757 - BR	Pollution Control Loan 758 - BR
	1/	2/
Borrower	SAEC	SANESP
Amount of Loan	US$22 million	US$15 million
Amount Disbursed (September 20, 1972)	Nil	US$106,945
Date of Loan Agreement	June 21, 1971	June 21, 1971
Effective Date	January 13, 1972	January 13, 1972
Closing Date	June 30, 1975	June 30, 1975
Date of Last Supervision Mission	May/April, 1972	May/April, 1972
Current Exchange Rate	Cr$5.87 = US$1 during Mission (now Cr$5.95 = US$1)	

1/ SAEC = Superintendencia de Agua e Esgotos da Capital

2/ SANESP = Companhia Metropolitana de Saneamento do Sao Paulo

General

3. The mission spent much time trying to ensure that adequate State financing would be forthcoming for these two projects. In April this year, the previous supervision mission found that Sao Paulo State had not fulfilled certain conditions which would permit the local co-lenders - the Federal agency, Banco Nacional da Habitaçao (BNH) and the State agency, Fomento Estadual de Saneamento Básico (FESB) - to enter into firm financing contracts. These two agencies were to share about one-quarter of the cost of the SAEC and SANESP programs 1971-4. The conditions unfulfilled were that Sao Paulo State (besides directly financing part of the cost) would commit sufficient funds to FESB and guarantee the BNH loans. Sao Paulo had in fact decreased (in real terms) not only the 3-year budgetary allocation for sanitation, but also SAEC/SANESP's share of the reduced allocation. There was a mistaken belief that SAEC/SANESP's projects were no longer urgent, as the bulk water authority COMASP had fallen behind with its major expansion project (see paragraph 23). Other reasons were a Federal credit squeeze and increased allocations to more prestigious projects in other sectors. Finally, a compromise agreement restored some of the cuts but slowed down the projects by about a year. (See Supervision Report of June 12, 1972, for fuller details)

4. Since the date of that mission, it came to the Bank's notice that the State appropriations for the project were again coming under fire, and (no doubt, partly because of the fiscal constraints) SANESP was contemplating major reductions in its project. A letter to the State Secretary for Public Works from the State Planning Secretary dated August 28, 1972 spelled out drastic cuts once again in the next 3-year Budget (1973-5). According to this, SANESP's program would be reduced to about US$34 million compared with US$97 million in the plan approved April 1972. The State Government's share would fall from US$47 million to about US$8 million. Paradoxically, loan financing (Bank and local) was assumed to fall by only about half. Cuts were also made in SAEC's financing plan, but these were not severe enough to be critical.

5. The mission twice discussed this with the State Secretary for Public Works, Dr. Meiches, and received assurances that the Planning Department's proposals were not final and did not represent the State's official intentions. Sao Paulo would adhere to its engagements in the Loan Agreements, and the allocations agreed in April 1972 would be substantially maintained. The Secretary undertook to forward confirmation of the detailed approporiations as soon as these were finalized. The Bank should write to request accordingly. (See Annex 8).

6. Loan contracts for both projects have been executed by FESB and BNH.

7. Annexes 1 and 2 show short-term Cash Flow projections for SAEC and SANESP. These are subject to confirmation of the Government's intentions as mentioned above, and to possible major modifications of the SANESP project. SANESP's table was prepared by SANESP, but the SAEC projection was built up in the Bank from a series of partial forecasts made at different times by SAEC. An updated Disbursement Schedule cannot, however, be prepared until the uncertainties referred to above are resolved.

I - SANESP

SANESP Project

8. The project is the first stage of a long range program of bulk sewage disposal and river pollution abatement in the Sao Paulo metropolitan area. The present scheme (Plan IV) would collect most liquid wastes and pump them to a central treatment facility at Billings Reservoir (a man made lake used for hydropower generation), which presently receives all the untreated sewerage of Sao Paulo carried by the rivers Pinheiros, Tamanduatei and Tiete. Liquid wastes from the eastern and southern region would be treated in local treatment plants because distances to the Billings treatment facilities are too great.

9. Before selecting the present scheme (Plan IV), the former State Government and its consultants considered several other alternatives. Of these, only Plan III, which proposed building numerous secondary sewage treatment plants and discharging treated effluent in the river system, had net costs which were similar to Plan IV. The latter was selected because:

(i) It avoided problems related to operations of a large number of treatment plants:

(ii) the degree of treatment required of the Billings treatment facility could be determined upon completion of additional studies and implemented by stages to achieve ultimately the goals of using Billings as an industrial water source and a recreational area.

10. Following the change of state government and the signature of the Loan in June 1971, the Bank became aware that opposition to the original project was developing in state and local government circles of Sao Paulo.

11. The reorientation of the state priorities to develop projects in the transportation sector without Federal or foreign financing, coupled with the 30% increase in real costs of the COMASP bulk water supply project, resulted in a shortage of state funds and compelled the State Government to delay construction of the COMASP project. Lack of funds also prevented until very recently the State Government from providing its agreed contribution to the local financing contract with BNH and FESB, thus delaying implementation of Loan 758-BR.

12. In addition, there has been increasing public concern about pollution of Billings Reservoir. The municipalities surrounding this area are not satisfied with Plan IV because pollution in Billings would not be reduced until the completion of the latter stages of the program. These municipalities in a congress held in Spring 1972, have requested that Plan III be considered instead of Plan IV.

13. The delay in the COMASP project, and to a lesser extent in the SAEC project, have other consequences also.

(i) Projected increases in water consumption and sewage flows will be delayed.

(ii) The river Tamanduatei which is used by the industries located on its margins as a source of water supply is composed practically entirely of sewage during low flow periods. Delays in the supply of water to these industries, by COMASP, compels them to keep using Tamanduatei river water. The construction of the SANESP Project in this area, according to Plan IV, which provides for collection and pumping of all sewage through a force main and tunnel to Billings would reduce the flow in the river and could prevent industries' water needs from being satisfied.

(iii) Because Plan IV requires larger initial investments and lower operational costs than Plan III, it is more sensitive to delays in water consumption growth and Plan III appears now to have the edge as regards the least cost solution.

14. In the SANESP project, the elements which differed in Plan III and IV concerned the construction of the Sao Caetano pumping station and the force main and tunnel to Billings Reservoir. If Plan III had been selected this item would have been replaced by a sewage treatment plant discharging its effluent in the Tamanduatei river.

15. During the mission SANESP proposed a program of works which would consist of (1) building at Sao Caetano (by modulated stages of $1.5 m^3/sec.$ each) an activated sludge treatment plant with incineration of raw sludge (2) construction of two force mains and 17 temporary low lift sewage pumping stations to replace the planned gravity interceptors which would be constructed only in 1980-1985.

16. SANESP also proposes to anticipate construction of two other networks, on in Osasco, the other in Mogi das Cruzes, sewage being routed to the Leopoldina treatment plant for Osasco, and treated in a new plant to be constructed for Mogi das Cruzes. Modified projects costs were estimated by SANESP at US$65 million excluding contingencies. Unfortunately SANESP proposals were not supported by updated flow projections.

17. Following discussions the mission had in Sao Paulo, SANESP agreed to submit for review by an independent and qualified consulting engineering firm, the technical and economical studies it prepared (and is completing) with a view to:

(i) Reformulating the stages of construction of selected interceptors, to obtain the least cost solution, taking into consideration the updating of forecast sewage flows.

(ii) Checking whether the flow in the Tamanduatei is sufficient to supply industry, if sewage is pumped to Billings.

(iii) Studying the alternatives of treatment to be compared with the works planned in the 1st stage. These alternatives should be such that the water quality in the river Tamanduatei, Tiete, Pinheiros and in Billings Reservoir would be equal or superior to the quality which would result from the presently planned works. All treatment works and river aeration should be considered. Raw sewage should not be discharged directly into Billings.

18. A letter was sent on September 21, 1972 requesting SANESP to send the terms of reference for this study and to indicate the consulting engineers they intend to select. SANESP has not yet answered and a cable should be sent to them.

19. As regards on-going works, SANESP has placed a number of contracts without observing the requirements for international competition, submission of bidding documents, etc. The mission made it clear that these could not be financed by the Bank. SANESP's contract supervision and administration is competent and effective, however.

General Organization

20. SANESP is small (180 staff, compared with about 7,000 in SAEC and 3,500 in COMASP). As an autonomous "empresa", it has no difficulty in recruiting qualifed staff. Its systems and accounts appear to be operated efficiently and the mission has no comment thereon. Audit reports disclose no ground for concern.

Finance

21. Because of delays in signing the local loans arranged for the project and also because SAEC did not begin paying its dues to SANESP from the date originally envisaged, SANESP had some liquidity problems during 1971 and had to raise an interim loan of Cr$5 million from FESB, repayable over 5 years. The Bank informed SANESP, SAEC and the State Government, by letter, of its concern that SANESP should be forced to borrow, seemingly becuase of failure by SAEC to pay its originally-agreed contributions on time.

22. Because SANESP is charging a substantial part of its administrative and payroll expenses to capital works - which is justifiable, since it has not yet begun routine sewage treatment to any extent - it easily achieved its required rate of return of 7.5% in 1971 (actual ROR was about 10.8%) and should achieve it again in 1972, despite the increasing rate base and the altered timetable for SAEC's contributions (see paragraph 45). Annexes 3 and 4 show the Income Statements and Balance Sheets of SANESP.

I. SAEC

SAEC Project

23. SAEC's project consists mainly in the supply and laying of the water distribution pipes and valves, together with some additional reservoirs and the purchase of meters and new data-processing equipment. The program is intended to extend the distribution system to all of Sao Paulo Municipality to improve the existing net work and to absorb a large increase in the supply of water furnished by the bulk authority, COMASP, from the first stage of its Cantareira project.

COMASP originally planned to make available an extra $11m^3$/sec in 1971, but of this total, only $3m^3$/sec will now be forthcoming by late 1973 and the remaining $8m^3$/sec not until 1975 - four years late. The delay has been caused by a credit squeeze coupled with a 30% increase in project costs (expressed in constant terms) and by some extravagance in project administration.

24. SAEC too, has been slow getting off the mark with its program, due to uncertainty and delays in provision of funds, and also to a setback in the placing of 19 pipe laying contracts. These had been awarded, not to the lowest bidder, but to the bidder nearest the average; and all awards had been repudiated by the State authorities as being contrary to law. Nevertheless, SAEC still feels that for small works, there is a danger in accepting blindly the cheapest tender. Exclusion of excessively low bids, is being considered by SAEC and would be submitted to the Bank. As regards pipe supply, SAEC has placed contracts to a value of about US$5.5 million.

25. Main contract administration is the responsibility of SAEC assisted by its consultants, SERETE. Supervision of works by SAEC itself is still superficial and should be improved. Such improvements will be difficult to make before SAEC becomes an autonomous entity.

General Organization and Personnel

26. The sheer inertia of an organization of the type and size of SAEC tends to retard organizational improvements. Nevertheless, there has been slow but steady progress in many administrative sectors and operations, and a spirit of motivation and achievement can increasingly be sensed. Much of this is due to the PAHO Management Assistance mission and to a series of "ad hoc" committees, working parties and O & M teams collaborating with that mission under the guidance of Dr. Lima Pontes, SAEC's Director of Special Projects Coordination. A 2-year extension of the PAHO contract, with partial financing out of the Bank Loan, has recently been signed, providing for full-time assistance by the PAHO Coordinator and his EDP Systems expert, with short-term assistance by experts in accountancy, stores administration, operation and maintenance, personnel administration, transport, metering and telemetry, billing, and planning.

27. SAEC's staff still numbers some 7,000 of which about one-quarter are candidly stated to be "passengers" who merely draw their salaries. As

civil servants, they cannot be removed except for misconduct. Civil service regulations also limit SAEC's freedom to pay competitive salaries, and a number of devices, such as "productivity bonuses", are adopted to pay key men a more attractive rate.

28. Because of these and other considerations, there are indications that SAEC will be transformed into an "empresa" (autonomous enterprise) within possibly the next few months. This would permit competitive salary scales, remove some of the irritating administrative controls now existing (including the need to operate the Government accounting system), and permit all public servants to be returned to their parent Ministry; those whom SAEC wanted to keep would then be reengaged on a seconded basis. Loan conditions require SAEC to be granted this kind of autonomy.

29. A personnel administration working-party is codifying all labor regulations and examining staff assignments with a view to a future "statute of personnel", but a proper system of job description and personnel classification is impracticable while most of SAEC's employees are still civil servants. 1,400 workers subject to the general "Lei Trabalhista" (employment law) are however being classified in this manner. Payroll charges have all been allocated to cost centers for the new cost-accounting system.

30. A program of 24 training courses for 1972 is in operation, established by a PAHO consultant with the aid of university personnel and the State Sanitary Training Board (CETESB). A U.S. professor has also developed a scheme of senior management training. Both consultants will return to evaluate progress. Some training fellowships are also available under the PAHO contract.

31. In other sectors, a PAHO consultant has established new systems and methods in the Operations Dept. of SAEC; and an Internal Auditor has been recently recruited.

Accounting System

32. SAEC introduced commercial accounting on Jan.1, 1971, to run initially in parallel with the existing system - or more correctly, the existing four subsystems, which are geared to the State budgetary structure and serve little purpose as a management tool. For example, although pre-1971 consumer arrears are rigidly monitored individually, there is no overall total for control purposes, because several different departments have responsibility, and because the Government system records only cash receipts. To this day, SAEC cannot produce a balanced global total of arrears, all on a uniform basis. Voluminous lists and tabulations are forthcoming for the old debts, but there are gaps and overlaps. Some statements include Consumer Tax, some not; some include fines and monetary correction; some include public authorities, some not (since these are subject to different collection procedures, including set-off of counter-claims); and the tabulations rarely all reflect the same point in time.

Total consumer arrears under the new tariff (from 1971 on) are however competently registered in the new accounting system and when all inconsistencies and queries have been eliminated from the old arrears, these too will be incorporated into the new-style Balance Sheets.

33. The new system still relies largely on accounting vouchers prepared under the old system, and initially it had difficulty in absorbing and correcting some of the peculiarities of that system - e.g., the charging as "expenditure" of forward commitments several months ahead, which inflates "Accounts payable" by the cost of goods and services not yet received. To this extent, the first commercial-system (for 1971) contains some distortion. However, the new system is now producing workmanlike monthly accounts, cost statements and balance sheets, using newly-acquired keyboard accounting machines. Shortly, it is proposed to transfer all accounting work, including stores accounts, to the computer.

34. The system was devised and installed by a full-time PAHO consultant, whom it was hoped to retain under the Bank-financed extension of the PAHO contract, but SAEC objected to the cost and preferred instead to recruit a local expert at their own expense. Such an expert has however not been found, at a price SAEC can pay, and this has slowed somewhat the development of the new system. Nevertheless, SAEC's own staff are showing increasing skill and ingenuity, and this lack may not be too critical. A short-term PAHO consultant is making brief visits.

35. The PAHO mission prepared a feasibility study and proposals for new electronic data-processing equipment (included in the Bank loan) to replace the existing UNIVAC computer, which is obsolete and nearing saturation point. However, this purchase has to be approved by the State data processing agency, whose appraisers have not yet reported. At the earliest, the new computer could not be operational before 1974. Meanwhile, UNIVAC is being requested to provide increased maintenance on the old computer. More skilled programming and work study have improved the use made of the latter; four new systems analysts have been trained. In 1973, it is proposed to transfer financial, cost and stores accounts to the computer (if necessary using rented equipment temporarily); the long-term aim is to establish a complete Management Information System.

36. The conversion to two-monthly billing, with complete regrouping of nearly 700,000 consumer accounts in 40 new cycles, was accomplished smoothly in 1971. At the end of 1972, it is intended to re-code all premises on the basis of a complete cadastral survey of 1969 (which produced over 1 million detailed property records). A PAHO consultant will then assist in re-routing meter-reading rounds; meter-reading manuals have been drawn up, and a new system of meter-condition reporting devised, for electronic processing. For the first

time, bills sent out now include arrears (for the moment, only arrears under the new tariff); cut-off notices are issued for non-payment within 15 days of a bill containing arrears. Collections from customers were:-

(Cr$ million)

	Billings	Collections	% of Billings Collected
1970	143	119	83
1971	175	207	118
1972 (to June 30)	124	131	106

As indicated above, however, (para 32), it is still difficult to establish reliable consumer statistics for this authority.

Fixed Assets

37. SAEC's books still record fixed assets at historical cost which because of severe inflation may represent less than 0.1% of the corresponding value today. For appraisal, these costs were multiplied by officially-established coefficients to produce current values (net asset value of Cr$525 million at Dec.31, 1969). In the loan agreement, however, SAEC accepted a value of Cr$575 million to allow for omissions and accounting time-lags.

38. As part of a tariff study in May 1972, SAEC's consultants updated the original figure of Cr$525 million to reflect additions, further depreciation, and price-level changes, and produced a figure of Cr$902 million, less Cr$399 million of assets transferred to other authorities, or Cr$503 million net fixed assets at Dec.31, 1971.

39. A working party has, however, just completed an inventory and detailed valuation of SAEC's assets, arriving at a net value of Cr$903 million at Dec.31, 1971 - nearly double the value calculated by consultants. SAEC is investigating why this should be so - the discrepancy may be due to soaring land values, erroneous inclusion of assets transferred to other bodies or of non-operational properties and works in progress, inadequate depreciation provision, or otherwise. A significant increase in the final figure, compared with previous estimates, may require a revision of the rate of return required by the loan agreement.

Audit

40. The report of SAEC's external auditors (Arthur Andersen & Co) for 1971 is not yet available. That for 1970 mainly comprised a detailed review of the balances produced by the Government accounting system, many of which could not be reconciled with external evidence. The

auditors also criticised defective classification as between "works in progress" and "fixed assets in operation" and SAEC's failure to record its acquisition of shares in SANESP in return for assets transferred. SAEC is taking steps to clear up discrepancies, and the new accounting system should eliminate some of the practices criticised.

Relations with COMASP and SANESP

41. The purchase of bulk water from COMASP continues to be at a unit price per m^3, as follows:-

From Feb.1, 1970	Cr$0.13104/$m^3$
From July 1, 1971	Cr$0.16478/$m^3$
From July 1, 1972	Cr$0.19770/$m^3$

42. COMASP had during 1971 proposed a two-part bulk tariff, with a substantial fixed-charge element for each participating city. Since at that time SAEC's retail tariff was wholly on m^3 consumed, the Bank criticized this proposal as inflating the average unit-price to the ultimate consumer in the early years when there was excess capacity, and reducing it (with an incentive to consume more) when the sources were fully exploited; and the proposal was abandoned.

43. Supply to SAEC has grown from about 30 million m^3 a month in 1970 to about 36 million m^3 today. The volumes of bulk sale indicate unaccounted-for water, at SAEC's level, of about 30%, though SAEC has at various times disputed the volume billed by COMASP, complaining of overcharges of as much as 15%.

44. Because of alleged lack of relevant budgetary appropriations, SAEC paid COMASP nothing until October 1970 (and in fact the first 8 months' bills of 1970 are still unpaid today). Subsequently payment was made regularly, but over Cr$ 65 million is still outstanding to date. (SAEC has counterclaims for water, personnel and other items, modest in comparison).

45. SANESP at present depends on SAEC for substantially the whole of its revenue. At the Bank's suggestion, the initial arrangement was for SAEC to pay annually 15% of the value of SANESP's net assets in operation and 10% of its work in progress. This rough-and-ready formula gave SANESP some incentive to press on with works, while guaranteeing a revenue which was not dependent on, say, SAEC's consumer billings. Under this, some Cr$15 million would be due for 1971 and about Cr$28 million for 1972. However, as SAEC revises its tariffs in mid-year, it obtained SANESP's agreement to stagger this timetable by half a year, as follows:-

Year	1971		1972		1973	
Halfyear	I	II	I	II	I	II
	Cr$ million					
Original	7.5	7.5	14.0	14.0	?	?
New	7.5	7.5	7.5	14.0	14.0	?
of which SAEC paid or is paying	-	5.0	6.0	15.5	24.0	?

46. The arrears of 1971 (which SANESP had brought into account as 1971 revenue, but which SAEC has not treated as 1971 expenditure) will be cleared by July 1973 by the terms of the supplementary agreement referred to above. The percentage-of-assets basis expires at the end of 1972 and a fresh basis will need to be explored.

Tariffs and Finances

47. Until 30th June 1971, SAEC operated a tariff based on measured consumption; rates were linked to, and varied with, the official minimum salary in force from time to time in Sao Paulo. Sewered premises paid an additional charge of 1-1/2 times the water bill. In implementing the 50% increase called for by the Loan Agreement, as from July 1971, SAEC revised its tariff structure completely. It now charges a five-part tariff comprising (a) a fixed administration charge per bill; (b) fixed "demand" charges based on water-meter size, one for water and one for sewage collection; (c) variable charges per m^3 of water consumed, one for water and one for sewage. The change improved SAEC's revenues by about 56%. Consultants responsible for this study, prepared another a year later, as a result of which a further increase of about 24% took place on July 1, 1972.

48. The new tariff structure, unlike the old, is not related to wage levels and therefore does not compensate automatically for inflation; but the recent increase more than covered the rise in price levels between 1971 and 1972. However, both studies were defective in certain respects:-

(a) The fixed-asset base used for depreciation and rate of return is below that prescribed in the Loan Agreement (and substantially lower than the latest inventory - see para 39), besides being valued at prices of the preceding year.

(b) No allowance is made for additions to fixed assets during the year.

(c) The tariff adjustment dates only from midyear, and not from Jan.1 (as required by the Loan Agreement) so that the adjustment continually lags behind requirements.

49. These objections have been notified to SAEC, both by letter and verbally by the mission. SAEC is however extremely reluctant to implement a tariff increase more frequently than annually, and the first such was made in mid-year at the Bank's request.

50. Since definitive asset values have not yet been established (see para 39), neither depreciation nor rate of return can be calculated; at present, SAEC appears to be debarred from charging depreciation in its accounts, except notionally. Even on the earlier lower asset valuations, however, SAEC's rate of return may have difficulty reaching the prescribed level of 5.5% for 1972. A letter should be sent drawing attention to the requirements of the Loan Agreement, including the timing of tariff reviews.

51. Government contributions of some Cr$47 million to SAEC are budgeted for this year, but as SAEC's capital expenditure has so far been small, only Cr$3 million have been paid to date, plus Cr$11.5 million residue of the 1971 appropriation.

52. In the past SAEC's financial problems have stemmed from three causes - defective information systems, inadequate tariffs and the constraints and red tape of the civil service. In all three respects, SAEC is emerging gradually, but the picture is not yet completely clear.

53. Annexes 5 and 6 set out SAEC's Income Statements for 1970, 1971 and the first half of 1972, and Balance Sheets as at the end of 1970 and 1971, reconstructed from available data. The value of assets transferred to SANESP, or more correctly the shares receivable in exchange, do not yet figure in SAEC's balance sheet, partly because the final transfer has not yet been formally authenticated by SANESP's shareholders and partly because of difficulty in identifying some of the assets in SAEC's records. The total transfer value is Cr$134.7 million.

AThys:EWilliams:oa:ct
IBRD

cc: Messrs. Sheehan
Costa
Domenge
Skillings (Area 4)
Dutt
Rovani (4)
Helne (Controllers)
Clyde (Legal)
Ringskog

ANNEX 1

SAEC

Cash Flow Projections 1972-5
(US$ million)1/

	1972	1973	1974	1975	Total
Sources					
IBRD	0.9	5.5	4.1	11.5	22.0
FESB/BNH (equally)	-	19.9	11.6	8.9	40.4
Total Borrowing	0.9	25.4	15.7	20.4	62.4
Govt. Contribution	4.0	16.0	18.2	24.7	62.9
Internal Cash Generation (less Debt Service)	4.0	3.7	3.6	5.0	16.3
	8.9	45.1	37.5	50.1	141.6
Requirements					
Capital Works-Water	4.1	15.8	11.6	28.0	59.5
Capital Works - Sewers	0.8	26.5	23.7	18.3	69.3
Other Investments	2.0	3.7	4.1	4.7	14.5
Increase (Decrease) in Cash	2.0	(0.9)	(1.9)	(0.9)	(1.7)
	8.9	45.1	37.5	50.1	141.6

1/ Converted from Cruzeiros at US$1 = Cr$5.87

ANNEX 2

SANESP

Cash Flow Projections 1972-5

(US$ million)[1/]

	1972	1973	1974	1975	Total
Sources					
IBRD	0.2	1.6	6.2	7.0	15.0
BNH/FESB(equally)	7.2	6.9	8.3	4.0	26.4
Total Borrowing	7.4	8.5	14.5	11.0	41.4
Govt.Contribution	4.0	7.9	14.7	20.9	47.5
Internal Cash Generation (less Debt Service)	2.5	3.2	4.2	5.8	15.7
	13.9	19.6	33.4	37.7	104.6
Requirements					
Capital Works	11.5	18.5	32.1	35.0	97.1[2/]
Other Investment	1.1	1.1	1.3	1.6	5.1
	12.6	19.6	33.4	36.6	102.2
Net Working Capital - Additions (reductions)	1.4	(1.7)	-	-	(0.3)
Increase (Decrease) in cash	(0.1)	1.7	-	1.1	2.7
	13.9	19.6	33.4	37.7	104.6

1/ Converted from Cruzeiros at rate ruling at time of projection (mid-1972) (US$1 = Cr$5.8)

2/ Includes US$84 million for the IBRD project

ANNEX 3

SANESP

Income Statements
(Cr$ million)

Fiscal Year to Dec.31	1970 [1]	1971	Jan-June 1972
REVENUES			
SAEC Contract	-	15.0 [2]	6.0 [3]
Other revenues	-	1.3	0.1
	-	16.3	6.1
EXPENSES			
Personnel	-	4.7	2.9
Materials	-	0.2	0.1
Other expenses	-	2.7	1.4
Rents	-	0.5	0.3
Depreciation	-	3.6	2.1
	-	11.7	6.8
Less Trans. to Capital	-	5.1	4.0
	-	6.6	2.8
Net Operating Income	-	9.7	3.3
Interest &c	-	-	0.9
Net Income	-	9.7	2.4

1/ All expenses were capitalized in 1970.

2/ See main report Text.

3/ Total receivable for 1972 = Cr$ 21.4 million

ANNEX 4

SANESP

Balance Sheets
(Cr$ million)

As at Dec.31	1970	1971
ASSETS		
Fixed Assets	22.9	150.4
LESS Depreciation	-	3.6
Net Fixed Assets	22.9	146.8
Work in Progress	55.2	57.5
Total Fixed Assets	78.1	204.3
Current Assets		
Stocks	-	0.1
Accts. Receivable (SAEC)	-	11.9
Temp. Investments	15.0	-
Miscellaneous	4.9	3.8
Cash & Bank	2.5	2.8
	100.5	222.9
EQUITY & LIABILITIES		
Share Capital - allocated	100.0	128.5
" " - pending	-	69.7 1/
Reserves & Retained Earnings	-	9.7
	100.0	207.9
Longterm Liabilities:-		
Loan Debt	-	5.0 2/
Current Liabilities	0.5	10.0
	100.5	222.9

NOTES - 1/ Awaiting formal allotment to SAEC in return for transferred fixed assets (included under "Fixed Assets" above).

2/ 5-year financing by State Bank.

ANNEX 5

SAEC

Income Statements
(Cr$ million)

Fiscal Year to Dec.31.....	1970 1/	1971 1/	Jan-June 1972
Water Sales (m^3 million)	298	255	155(est)
REVENUES			
Water Charges	70.4	103.7	84.4
Sewer Charges	72.7	71.3	39.8
New Connections and Misc.	18.4	7.3	3.7
Previous Years' Revenues	-	52.0	9.8
	161.5	234.3	137.7
EXPENSES			
Personnel	65.1	78.4	49.0
Materials	7.9	7.3	3.5
Services	11.4	20.1	9.5
Power & Misc.	13.0	6.5	9.1
Bulk Water - COMASP	42.0	63.7	36.0
Bulk Sewage - SANESP	-	5.0 2/	6.0
Previous Years' Expenses	-	42.0	Incl.above
Less Trans. to Capital	-	(-1.1)	(-3.8)
	139.4	221.9	109.3
Net Operating Surplus	22.1	12.4	28.4
Interest	1.1	1.7	0.6
Net Surplus	21.0	10.7	27.8

NOTE 1/ These two tables are not strictly comparable because:-

(a) 1970 figures were prepared in Bank on basis of SAEC's published accounts (under the government accounting system which is defective); 1971 figures are provided by the new commercial accounting system.

(b) Sales and revenues for 1970 are based on billings for complete yearly cycle and are inflated by a retrieval of meter-reading backlog early in 1970; figures for 1971 are only for bills sent out during the year.

(c) 1971 represents half a year with the new tariff structure.

2/ See main report text.

ANNEX 6

SAEC

Balance Sheets
(Cr$ million)

As at Dec.31.....1970[1]		1971[1]
ASSETS		
Fixed Assets[2]	317.5	369.7
Investments	47.3	287.8
Stocks	31.4	40.8
Current Accounts Receivable :-		
Consumers - to 1970(est)	77.7	Not available
- 1971	-	43.9
Govt. Contribution	-	11.5
Miscellaneous	16.7	30.8
Cash and Bank	18.0	22.7
	508.6	807.2
EQUITY & LIABILITIES		
Equity	421.8	696.3
Long Term Liabilities:-		
Loan Debt (incl.Current Maturities)	15.3	17.9
Current Liabilities:-		
COMASP	29.3	46.2
SANESP	-	10.0
Other	42.2	36.8
	508.6	807.2

NOTE 1/ These balance sheets do not purport to be complete. Apart from meaningless fixed asset values (see Note 2), the 1970 figures were worked up in the Bank using SAEC's published statements and a number of assumptions; the principle drawbacks were that SAEC's statements excluded current accounts receivable, but included estimated forward expenditure commitments several months ahead. On the other hand, liabilities for which no budgetary appropriation existed were ignored (e.g debt to COMASP). The 1971 balance sheet excludes all pre-1971 consumer arrears and may also suffer from other omissions, due to "teething troubles" of the new commercial accounting system.

2/ Historical costs, but not yet fully reflecting properties transferred to other entities.

ANNEX 7

Places Visited and Persons Met

Places Visited:

SAEC offices, Rua Riachuelo 115, Sao Paulo
Secretariat of Public Works and Services - Rua Riachuelo 115, Sao Paulo.
SANESP offices, Av. Angélica, 2223, São Paulo

BNH offices, Av. Wilson, Rio de Janeiro

Principal Officials Met

SAEC: Eng. Joao Moreira Garcez Filho, Superintendent, SAEC
Eng. José Vulf Kochen, Deputy "
Eng. Luiz Augusto de Lima Pontes, Director for Coordination of Special Projects
Econ. Modesto Stama, Commercial Director
Eng. Willian Cecilio, Director of Works
Eng. Walter Jacomo Toniolo, Director of Planning and Control

Eng. Carlos Roberto Minervino Ramos, Project Engineer
Econ. Newton Colombo Martini, Chief of Commercial Accounting
Econ. Messias Palhares, Chief Accountant

Secretariat of Public Works and Services, Sao Paulo State Government:

Professor José Meiches, State Secretary
Dr. Jacobo Leiner, Coordinator

SANESP: Eng. Braz Juliano, Director-President
Eng. Oscar Felomeno Lotito, Director of Works
Econ. Henrique Hirschfeld, Economic-Financial Superintendent
Eng. Armando Fonzari Pera, Special Consultant
Professor Martin (Univ. of Sao Paulo), Adviser
Cont. Mario Mitimiro Suguimoto, Chief Accountant
Econ. José Carlos Noguera Braghetta

Brazil. Loan 757 Sa

ANNEX 8

Excelentissimo Senhor Doutor José Meiches
Secretario dos Serviços e Obras Públicas
Gabinete do Secretário
Rua Riachuelo, 115
Sao Paulo
BRAZIL

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

Dear Dr. Meiches:

We appreciate the courtesies and cooperation which you and the officials of SAEC and SANESP extended to our mission which recently visited Sao Paulo.

As suggested during the discussions which you held with the mission, we should be grateful to receive, as soon as they are decided, details of the budgeted State contributions to the program of works of SAEC and SANESP for the next three years (1973-1975). It would be convenient if we might concurrently also receive a revised financing plan ("Fontes e Aplicaçoes de Recursos") for each of those authorities.

Yours very truly,

cc: Mr. Kalbermatten
Mr. Costa
Mr. Thys
Mr. Dutt
Mr. Williams

File SAO
Paulo Water
Brazil Loan 757 Admin

FORM NO. 26
(4-69)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: NOVEMBER 17, 1972 1810

LOG NO.: 92/18

TO: INTBAFRAD KANCHUGER

FROM: SAO PAULO

ROUTING	
ACTION COPY:	MR. FLOOD MR. KANCHUGER
INFORMATION COPY:	MR. WIESE
DECODED BY:	TREAS:-CASHIER

TEXT:

TRANSCREVO A SEGUIR TELEX ENVIADO 30 OUT 1972 BANCO DO BRASIL S/A NEW YORK ABRASPAS PAY US/ 82.500,00 VALUE OCTOBER 31 1972 TO FEDERAL RESERVE BANK OF NEW YORK 33 LIBERTY ST NEW YORK NY 10045 ATT FOREIGN DEPARTMENT FOR CREDIT INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT RE COMMITMENT CHARGE PERIOD MAY 1972 TO OCTOBER 31 1972 PT REGISTRATION CERTIFICATE 21/16779 BY ORDER SUPERINTENDENCIA DE AGUA E ESGOTADOS DA CAPITAL OUR RE OT 1/6456-72 FECHASPAS PT A SEGUIR TRANSCREVO TELEGRAMA ENVIADO SAEC RESPONDENDO SEU TELEGRAMA NOVEMBRO 8 ABRASPAS ENVIADO TAXA DE COMPROMISSO 27 OUTUBRO PARA BANCO DO BRASIL S/A NEW YORK PAYMENT ORDER NUMBER OP 1-6456-72. SAEC BRASIL FECHAAPAS ABRACOS.

GARCEZ FILHO SEAC

EP.

FOR INFORMATION REGARDING INCOMING CABLES, PLEASE CALL THE COMMUNICATIONS SECTION, EXT. 2021

ORIGINAL

Brazil Loan 757 BR

October 13, 1972

Mr. Jacob Leiner
Secretaria dos Servicos e Obras Publicas
Gabinete do Secretario
Rua Riachuelo 115
Sao Paulo, S.P.
Brazil

Re: BRAZIL - Loan 757-BR
Sao Paulo Water Supply Project
Your letters Sept. 28 and August 9

Dear Mr. Leiner:

Thank you for your letters of September 28 and August 9, 1972.

As you know from Mr. Morse, the responsibility for this project has been transferred to new staff due to the recent reorganization of the Bank. As a consequence, the review of the documents you submitted with those two letters is not yet complete. Nevertheless, it appears that the amount of State bonds indicated are approximately those that earlier missions requested.

We have no further comments at this time, but will contact you again should we have any questions.

Sincerely yours,

John M. Kalbermatten
Chief, Water Supply Section
Public Utilities Division
Projects Department
Latin America and Caribbean

JMKalbermatten:mk

cc: Messrs. Knox
Sheehan
Dutt

Control No. BR-2-2

✓ Brazil Loan 757 Admin
cc Brasil Loan 758 Admin

SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

GABINETE DO SECRETÁRIO

São Paulo, 10 de outubro de 1972.

Sr. Charles Morse:

Conforme lhe prometí na carta de 28 de setembro p.passado, estou anexando o Suplemento do Diário Oficial de 07 de outubro, o qual contem a Mensagem do Senhor Governador encaminhando o projeto de Lei relativo ao Orçamento Plurianual de Investimentos para o triênio 1973/1975.

Vossa Senhoria encontrará neste Suplemento uma explicação sumária sobre os investimentos programados para Saneamento Básico, inclusive para a SAEC e SANESP. As referências específicas estão assinaladas nas páginas: 1; 6; 18; 24; 26; 30; 31; 32; 40 e 41.

Encaminharei a Vossa Senhoria qualquer novo documento que complete as informações aí contidas, em particular se se referirem a SAEC ou a SANESP.

Aproveito o ensejo para renovar meus protestos de elevada consideração e apreço.

JACOB LEINER

Ao Senhor CHARLES MORSE
DD. Chief, Water Supply Division II
Public Utilities Projects Department
International Bank for Reconstruction and Developement
1818 H Street, N.W.
Washington, D.C. 20433 - U.S.A.

JL/gm

3.1.2.9-1-1, 100 8, 100, 11-71

Original to: Mr Shaton
Date: 10-17-72 Communications Section

Brasil Loan 757 BR

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 95/72

São Paulo, 9 de outubro de 1972

Date Rec'd Oct. 18, 1972
Date ack'd Oct 25/72
Date assigned ~~JHK~~/FR

BR-2-4

Ilmo. Sr.
Charles Morse
International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Prezado Senhor:

Tendo em vista os resultados obtidos na Concorrência Internacional nº 016/71, onde saíram vencedoras firmas nacionais, solicitou esta Autarquia, de acordo com a legislação vigente no Brasil (Artigo 1º do Decreto-Lei nº 1.165 de 1.4.71)isenção do Imposto de Produtos Industrializados, que são arrecadados pelo Govêrno Eederal, sobre os bens a serem adquiridos.

O Ministério da Fazenda do Brasil, a quem compete essa autorização, deferiu o pedido de isenção, porém sòmente na parte correspondente à entrada de divisas, ou seja sobre a parte que será financiada pelo Banco.

Acontece porém que o valor desse imposto é significativo e não incide sobre as obras de construção civil.

Isso posto consultamos V. S. sobre a possibilidade de o Banco financiar integralmente ou seja 100% os ítens tubulações e peças especiais, hidrômetros e equipamento de processamento de dados mesmo que localmente produzidos.

9.10.72 -2-

Justifica-se a presente solicitação com a diminuição do custo do projeto, uma vez que poderia a SAEC usufruir do benefício de isenção do Imposto de Produtos Industrializados sobre os bens produzidos no país e constantes da categoria I e II do capítulo 1º do empréstimo 757/BR.

Ficamos na expectativa de sua decisão a respeito do assunto em pauta e aproveitamos êste ensejo para enviar a V. S. nossas cordiais,

Saudações

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

dks

SECTION
COMMUNICATIONS
OCT 17 PM 1:11
RECEIVED

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC
SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

9.10.72

Justifica-se a presente solicitação com a diminuição do custo do projeto, uma vez que poderia a SAEC usufruir do benefício de isenção do Imposto de Produtos Industrializados sobre os bens produzidos no país e constantes da categoria I e II do capítulo 1º do empréstimo 757/BR.

Ficamos na expectativa de sua decisão a respeito do assunto em pauta e aproveitamos êste ensejo para enviar a V. S. nossas cordiais,

Saudações

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

dks

RECEIVED
1972 OCT 17 PM 1:11
COMMUNICATIONS
SECTION

RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

Brazil Loan 757 BR

October 2, 1972

Eng.º Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua
e Esgotos da Capital
Rua Riachuelo 115 - 11º Andar,
01007 Sao Paulo, Brazil

Re: BRAZIL - Loan 757-BR
Sao Paulo Water Supply Project
Bid No. 016/71

Dear Eng.º Lima Pontes:

This will acknowledge your letter 86/72 of September 14 and copies of Contracts Nos. 298/72, 299/72 and 300/72 with "Companhia Ferro Brasileiro," "Bopp & Reuther do Brasil" and "Companhia Metalurgica Barbara, to provide pipes, fittings and valves for expansion of the Sao Paulo water distribution system.

We have found those contracts conforming to the bidding documents and the bid evaluation; consequently we have sent them to our Controller's Department to support your disbursement applications.

Yours truly,

(for) Richard H. Sheehan
Chief, Public Utilities Division
Projects Department
Latin America and Caribbean

FRodriguez:saf
IBRD

cc: Messrs. Dutt (Latin America and Caribbean)
Helne (Controller's) (with att.)
Sheehan

Control No. BRA-2-46

Brazil Loan 757 Ad

September 28, 1972

Dr. Joao Moreira Garcez Filho
Superintendente, SAEC
Rua Riachuelo 115-11° andar
01007 Sao Paulo, S.P.
BRAZIL

BRAZIL - Loan 757-BR
Sao Paulo Water Supply Project

Dear Dr. Garcez Filho:

1. We express our thanks for the courtesy and cooperation afforded to our recent mission by you and your officials. The mission obtained a favorable impression of the advances which SAEC has made and we are confident that this progress will be maintained. We feel, however, that the real "breakthrough" for SAEC will depend on the modification of its organic structure and corporate status. We will appreciate being kept closely informed of developments in this direction.

2. It is unfortunate that certain difficulties have combined to retard the execution of SAEC's Bank-financed program of works. In this context, we feel that the "Sistema de Contrôle e Planejamento das Obras" devised by SAEC and SERETE is an essential instrument for effective management of the program and we should be glad to learn when this will be implemented.

3. While the Bank is conscious of the commendable improvements effected in SAEC's revenues by the two tariff reviews carried out in 1971 and 1972, we feel it necessary to draw attention to certain aspects of this question. Schedule 5 of the Loan Agreement contains specifications for tariff review, and paragraphs 2 to 5 of that Schedule provide for a revision at the beginning of each year and a corrective review at the end of each year; SAEC appears however to be setting a pattern of mid-year reviews, and moreover the rates and payments attributable to SANESP and COMASP also change (by agreement with SAEC) in midyear, at July 1st.

4. This timetable has no doubt evolved because of (a) the initial tariff increase being required in July 1971 by the Bank (b) the practice of revising the Minimum Salary in May each year. Apart from its not complying with the strict requirements of the Loan Agreement, there are two further drawbacks:-

(i) At the end of the "tariff period" (in this case June 30, 1973) it will be difficult to check whether the rate of return has been achieved, because SAEC's accounting year runs from Jan 1 to Dec. 31.

(ii) There appear to be technical errors in the Tariff Review, for example "Despesas de Capital" are based on "Ativo Imobilizado" of 1971, without any adjustment for new assets in service up to June 1973, nor for the monetary correction which would take effect in January 1973; and half of the estimated payments to COMASP are calculated on an obsolete rate of Cr$0.16478/$m^3$ (which ceased to have effect on June 30, 1972 and thus is not valid for the period of the new tariff).

5. The Loan Agreement requires SAEC to earn a rate of return of 7% during the year commencing Jan. 1, 1973, and we cannot see how this will be easily achieved if tariffs are not revised before next July. We should be grateful if you would give this matter your attention and let us have your suggestions or proposals.

6. For the time being, we exclude from our comments on SAEC's tariff another problem which will affect the rate of return, namely the enormous increase in fixed assets as recently revalued (to some Cr$900 million), pending SAEC's review of the work of the Valuation Commission. We are surprised at this high total (which may derive from high land prices) and we wonder whether it might not be better to retain the methods and indices used traditionally for revaluing public utility assets in Brazil for most of SAEC's "Ativo", using other methods only where historical data is lacking. Here again, we shall be glad to receive details of the valuation - gross value as well as net value after depreciation - when SAEC complete its review.

Yours very truly,

for Charles Morse
Chief, Water Supply Division II
Public Utilities Projects Department

EWilliams:oa
IBRD

cc: Mr. Dutt (South America)
Mr. Thys
Mr. Kalbermatten
Mr. Costa

Brazil Loan 757 Hbl

SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

GABINETE DO SECRETÁRIO

São Paulo, 28 de setembro de 1972.

Date Rec'd Oct. 10/72
Date ack'd 6-12-72
Assigned to JHK
Costa
BR 2-2

Mr. Charles Morse:

Conforme ficou combinado com o engº Alain Thys em 06 de setembro p. passado, estou encaminhando em anexo cópia dos seguintes documentos: Mat Attached

- Contrato de financiamento FESB-SANESP;
- Contrato de empréstimo BANESPA-SANESP;
- Contrato de financiamento FESB-SAEC;
- Ofício S-00609 de 08 de setembro p.passado acompanhado da tabela de alocação de recursos do Tesouro Estadual para o triênio 1973/1975;
- Decretos nº 267 e 269 de 27 de setembro de 1972.

Os contratos acima referidos estão devidamente assinados pelas partes contratantes.

O ofício do Senhor Secretário dos Serviços e Obras Públicas repõem aqueles totais para investimentos previstos para a SANESP em abril de 72, conforme minuta que foi entregue ao engº Thys pelo professor Carlos Antonio Rocca, Secretário da Fazenda.

Ao Senhor CHARLES MORSE
DD. Chief, Water Supply Division II
Public Utilities Projects Department
International Bank for Reconstruction and Developement
1818 H Street, N.W.
Washington, D.C. 20433 - U.S.A.

RECEIVED

1972 OCT -4 PM 12:34

COMMUNICATIONS
SECTION

O consequente documento da Secretaria de Economia e Planejamento ainda não foi emitido, mas pelas informações que tenho, posso afirmar que a alocação dos recursos previstos no começo do ano será feita integralmente. Assim que tiver tal documento, enviarei cópia à Vossa Senhoria.

Os decretos referidos abrem Crédito Suplementar para o FESB, permitindo que este atenda em 1972, aos desembolsos previstos nos contratos que a SANESP e a SAEC assinaram com o convênio FESB-BNH-BANESPA.

Sem mais, aproveito a oportunidade para renovar meus protestos de elevada consideração.

JACOB LEINER

JL/gm

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

Brazil-Loan 757 Hd

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 89/72 São Paulo, 19 de setembro de 1972

Loan 757-BR

Date Rec'd. Sept. 26/72
Date Ack'd. No reply -
Assigned to C. Morse/L. Krumbach

BRA-2-44

Ilmo. Sr.
Charles Morse
International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Prezado Senhor:

Estamos remetendo à V. S. as cópias xerográficas das publicações extraídas dos Diário da Noite de 24.8.72 e Diário Oficial de 23.8.72, referentes aos Editais de Concorrência Pública, cuja relação damos abaixo:

Edital de Concorrência Pública nº:-	Referente à:-
DO-004/72	Reservatório e Torre de Pirituba;
DO-005/72	Reservatório de Ermelino Matarazzo e obras complementares;
DO-006/72	Reservatório de Vila Formosa e obras complementares;
DO-007/72	Reservatório do Jardim Popular, obras complementares e colar de manobras.

Nesta oportunidade enviamos à V. S. nossas cordiais

Saudações

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

dks

Brazil Loan 757 BR

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 86/72 São Paulo, 14 de setembro de 1972

Ilmo. Sr.
Charles Morse
International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Date Rec'd. Sept. 28/72
Date Ack'd. 10/2/72
Assigned to C. Morse / Kimtack
~~E. Williams~~
Rodriguez
BRA-2-46
not Attached

Prezado Senhor:

Encaminhamos à V. S., anexados à presente, os contratos nºs.:

√298 e 300 - referentes ao fornecimento de tubulação e peças especiais de ferro fundido, pelas Cias. Ferro Brasileiro e Metalúrgica Barbará.

e

√299 - referente ao fornecimento de válvulas pela firma Masoneilan Válvulas e Equipamentos Ltda.

Informamos que o material acima descrito destina-se à expansão do sistema de Abastecimento de Água da cidade de São Paulo e está vinculado ao financiamento concedido à nós através do empréstimo nº 757/BR.

Permanecemos aguardando suas breves notícias e valemo-nos da oportunidade para enviar nossas atenciosas

Saudações

SECTION COMMUNICATIONS
RECEIVED

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

dks

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

Brasil Loan 757 Hol

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 83/72 São Paulo, 8 de setembro de 1972

Ilmo. Sr.
Charles Morse
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Empréstimo nº 757/BR
Aquisição de equipamentos para processamento de dados

Prezado Senhor:

Anexamos a esta, a minuta do Edital de Concorrência Pública, para a aquisição ou aluguel de novos equipamentos para processamento de dados a serem utilizados por esta Superintendência em diversos setores de nossa organização.

Doc # 102

Esperamos que V. S. apreciem a referida minuta e ficaremos aguardando sua opinião a respeito da mesma.

Neste ensejo enviamos a V. S. nossas atenciosas

Date Rec'd. Sept. 20/72
Date Ack'd. Nov. 28/72
Assigned to C. Morse/I. Kumbach

Saudações

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

BRA-2-47

dks

Brazil - Loan 757 - Adm

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 79/72

São Paulo, 29 de agosto de 1972

Date Rec'd. Sept. 6/72
Date Ack'd. Sept. 14, 72
Assigned to C. Morse / J Krenbach
Thys / Williams

BRA-2-38

Ilmo. Sr.
Charles Morse
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Contrato de Empréstimo
nº 757/BR

Prezado Senhor:

Junto à presente estamos remetendo à V. S., para sua apreciação, o Acôrdo para um Projeto de Melhoramento Institucional para a Superintendência de Água e Esgotos da Capital, SAEC.

O referido Acôrdo está devidamente assinado por representantes do Govêrno brasileiro, do Govêrno do Estado de São Paulo, da SAEC e da Organização Pan Americana da Saúde.

Permanecemos aguardando suas breves notícias e aproveitamos a oportunidade para enviar nossos protestos de elevada estima e distinta consideração.

RECEIVED 1973 FEB -2 PM 1:15

Atenciosamente

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

dks

RECEIVED

1972 SEP -5 PM 1:47

COMMUNICATIONS
SECTION

Brazil-Loan 757-Adm

Eng. Luiz Augusto de Lima Pontes
Diretor de C.P.E.
Superintendencia de Agua e Esgotos da Capital
Rua Riachuelo, 115-11° andar
CEP 01007, Sao Paulo
BRAZIL

September 14, 1972

BRAZIL - Loan 757-BR
Sao Paulo Water Supply Project

Dear Dr. Lima Pontes:

✓Aug. 29/72

Thank you for your letter CPE:79/72 enclosing a copy of the contract for management assistance between SAEC and Pan American Health Organization. The Bank formally approves this contract.

As regards the portion to be financed from the loan, we suggest that the Bank disburse these payments direct to PAHO here in Washington. For this, we would need, as each payment fell due, the following documentation:-

(a) An application for payment to be made, Procedure No.III, Form 2 (as explained to your officials, by Messrs. Perch and Helne of our Controller's Dept. when they visited Sao Paulo last October); together with:-

(b) a bill or account to SAEC from PAHO signed by the Controller of that organization requesting payment of the instalment, and certified correct by the designated official of SAEC.

Sincerely yours,

for Charles Morse
Chief, Water Supply Division II
Public Utilities Projects Department

cc: Dr. Mario Espinosa
PAHO
525 23rd Str. N.W.
Washington, D.C.

Cleared with and cc: Mr. Helne (Controller's)
cc: Mr. Dutt (South America)
Mr. Thys
Mr. Kalbermatten
Mr. Costa

Control No. BRA-2-38

EWilliams:oa

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Brazil - Loan 758-Admn.
" " - Loan 757-Admn.
" " - PU-Terms of Ref.

TO: Messrs. Alain F.Thys and Eric Williams DATE: August 15, 1972

FROM: Charles Morse

SUBJECT: BRAZIL - Loan 757-BR-Sao Paulo Water Supply Project
Loan 758-BR-Sao Paulo Pollution Control Project
Supervision Mission
Terms-of-Reference

1. Mr. Thys should proceed from Asuncion to Sao Paulo on August 28 where he will be joined by Mr. Williams.

2. Loan 757-BR

With SAEC, you should:

(a) ascertain latest information on the status of bidding documents and discuss other procurement-related matters;

(b) obtain and discuss the revised schedule of works and of disbursements;

(c) obtain additional information to analyse SAEC's 1971 accounts and interpret first accounts produced by the new commercial accounting system;

(d) obtain the auditor's report for 1971;

(e) ascertain latest information on:

(i) recovery of arrears

(ii) computer replacement

(iii) technical assistance for accounting system

(iv) revaluation of assets

(v) accounting treatment of assets transferred to other authorities

(vi) settlement of accounts of COMASP and SANESP

(vii) revision of consumer records

(viii) future institutional form of SAEC

(d) Review new tariff and ascertain cash flow and Rate of Return.

3. Loan 758-BR

With SANESP you should;

(a) review the preparation of the detailed engineering aspects of the project, and assess whether any obstacles still prevent these studies from starting;

(b) if the state government, because of its reservation on the global aspects of Hazen and Sawyer Plan IV, still hesitates to implement the first stage of this plan (the Project), then you should request that independent consultants develop the design and costs of the scheme proposed by Secretary of Plan (NIS Scheme) and that they produce a breakdown by stages in order to evaluate this scheme and compare it with Plan IV;

(c) assess the intention of SANESP regarding emergency treatment by river aeration;

(d) review and discuss procurement matters.

4. On your return to Washington you should prepare back-to-office and full reports.

AThys:oa

cc and cleared with Mr. Dutt (South America) (4)

cc: Messrs. Chadenet
Baum
Ripman
Lee
van der Tak
Weiner
Armstrong
Howell
Warford
Jennings
Saeed
Bomani
Helne (Controller's)
Clyde (Legal)

Central Files
Division Files

Brazil - Loan 757 - Admin.

August 14, 1972

Ing. Mario Espinosa, Chief
Institutional Development Program
Pan-American Health Organization
525 23rd Street, N. W.
Washington, D. C. 20037

Re: BRAZIL - Sao Paulo Water Supply Project

Dear Mario:

Thank you for sending us a copy of Jaime Mantilla's Report for the first quarter of 1972.

Yours,

Charles Morse
Chief, Water Supply Division II
Public Utilities Projects Department

EWilliams:saf
IBRD

Control No. BRA-2-23

Brazil- Loan 757- Admin.

August 14, 1972

Eng. Luiz Agosto de Lima Pontes
Diretor da C.P.E.
S.A.E.C.
Rua Riachuelo 115-11° andar
Sao Paulo
BRAZIL

BRAZIL - Sao Paulo Water Supply Project
Loan 757-BR

Dear Eng. Lima Pontes:

Thank you for your letter CPE 71/72 of August 2, enclosing a copy of the Auditors' Report for 1970, which we are studying.

Very truly yours,

Charles Morse
Chief, Water Supply Division II
Public Utilities Projects Department

EWilliams:oa
IBRD

Control No. BRA-29-72

Brazil - Loan 757 - Adm.

PV

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COMMUNICATIONS
SECTION

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August 9,1972

Distribution: P. U. Water Supply HT

INTBAFRAD 1818 H STREET NW

WASHINGTONDC20433

MR CHARLES MORSE SEGUE HOJE VIA AEREA COPIA CONTRATOS SAEC

SANESP FESB BNH PT

WU1 NY MSG1⊕

INTFRAD 64145

Brazil Loan 757 Hd

SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

GABINETE DO SECRETÁRIO

Date Rec'd. 6-12-72
Date Ack'd.
Assigned to Kimmelle
Costa

São Paulo, 09 de agosto de 1972.

not attached

Mr. CHARLES MORSE:

Em atenção a sua carta de 29 de junho p. passado, envio-lhe em anexo os seguintes documentos:

- Contrato de financiamento de 3.350.000 UPC entre a SAEC e o Convênio FESB-BNH-BANESPA;
- Contrato de financiamento de 2.500.000 UPC entre a SANESP e o Convênio FESB-BNH-BANESPA;
- Recorte do Diário Oficial com o Decreto nº 109 de 28/07/72, que dispõe sobre a alteração do Orçamento Vigente da SAEC, suplementando em Cr$11.376.000,00 as dotações do orçamento vigente, em decorrencia do aumento de 20% para 37% o desembolso do BIRD.

Fazem parte dos contratos assinados os cronogramas fisico-financeiros das obras de esgoto a cargo da SAEC e da SANESP.

O cronograma de obras de distribuição de água da SAEC para o período 1972-1975 está sendo reexaminado, e assim que for concluido enviarei cópia ao Banco.

Quanto as quantias anotadas na sua carta (50 milhões de cruzeiros para a SAEC e 23 para a SANESP), correspondem sòmente à dotação orçamentária, ou seja, contribuição da Fazenda Estadual.

Atenciosamente

JACOB LEINER

Ao Senhor CHARLES MORSE
DD. Chief, Water Supply Division II Public Utilities
Projects Department
International Bank for Reconstruction and Developemente
1818 H Street, N.W.
Washington, D.C. 20433 - U.S.A.

JL/gm

RECEIVED
1972 OCT -3 PM 3:50
COMMUNICATIONS
SECTION

Brazil - Loan 758 Adm
Ca " " - Loan 757 - Adm

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: ENG JOAO MOREIRA GARCEZ FILHO
SAEC
RUA RIACHUELLO 115
SAO PAULO

DATE: AUGUST 8, 1972

CLASS OF SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.:

MESSRS THYS WILLIAMS COMMA IF CONVENIENT TO YOU AND SANESP COMMA PLAN ARRIVING SAO PAULO AUGUST 28 TO DISCUSS PROGRESS PROJECTS AND IN PARTICULAR UPDATED CRONOGRAMA FISICO E FINANCEIRO AND CASH FLOW PROJECTIONS SAEC STOP WOULD APPRECIATE IF YOUR STAFF COULD PREPARE THESE DOCUMENTS USING LATEST INFORMATION AND FINANCING ARRANGEMENTS

MORSE

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY: Charles Morse
NAME Chief, Water Supply Division II
Public Utilities Projects Department

DEPT.

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

AThys:oa

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

Dr. Jose Meiches
Secretario dos Serviços e Obras Publicas
Rua Riachuelo 115, Sao Paulo

For Use By Communications Section

Checked for Dispatch: _____

Brazil - Loan 757-Adm
✓ cc: " " - Loan 757-Adm

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: ENG. BRAZ JULIANO
DIRETOR PRESIDENTE
SANESP
AV. ANGELICA NO.2223
SAO PAULO

DATE: AUGUST 8, 1972

CLASS OF SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.:

MESSRS THYS WILLIAMS COMMA IF CONVENIENT TO YOU AND SAEC COMMA PLAN ARRIVING SAO PAULO AUGUST 28 TO DISCUSS PROGRESS PROJECTS AND IN PARTICULAR UPDATED CRONOGRAMA FISICO E FINANCEIRO AND CASH FLOW PROJECTIONS SANESP STOP WOULD APPRECIATE IF YOUR STAFF COULD PREPARE THESE DOCUMENTS USING LATEST INFORMATION AND FINANCING ARRANGEMENTS STOP ALSO PROPOSING DISCUSS ACCELERATION ENGINEERING STUDIES S CAETANO

MORSE

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Charles Morse
Chief, Water Supply Division II
DEPT. Public Utilities Projects Department

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: AThys:oa

ORIGINAL (File Copy)
(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

Dr. Jose Meiches
Secretario dos Serviços e Obras Publicas
Rua Riachuelo 115
Sao Paulo - Brazil

For Use By Communications Section

Checked for Dispatch: CONTROL NO.

REPORTING REQUIREMENTS

loan file
Brazil Co 2

August 3, 1972

Eng. Joao Moreira Garcez Filho
Superintendente SAEC
115 Rue Riachuelo
Sao Paulo S.P.
BRAZIL

BRAZIL - Sao Paulo Water Supply Project
Loan 757-BR
Reporting Requirements

Dear Mr. Joao Moreira Garcez Filho:

1. With reference to sections 3.05(b)(iii) and 5.02 of the Loan Agreement, this letter outlines periodic information and reports required for the Project which were discussed with your staff by Messrs. Thys and Williams.

2. As regards Project reports, the formats prepared by your staff with the assistance of SERETE in their report "Sistema de Controle de Obras, SAEC, Programa Banco Mundial" would provide sufficient information. Such periodic reports, listed below, should be sent quarterly to the Bank.

RP/G - 1 - Esquema - Proj. Agua
RP/G - 2 - Esquema - Proj. Esgoto
RP/L - 1 - Controle de Licitaçoes
RP/M - 1 - Controle de Contratos
RP/O - 1 - Controle Orçamentario - Projeçao de Despesas
RP/O - 2 - Controle Orçamentario - Projeçao de Recursos
RP/O - 3 - Controle da Liberaçao de Recursos
RP/O - 4 - Controle de Saldos e Empenhos
RP/O - 5 - Grafico (Controle de Investimentos)
RP/F - 1 - Controle Financeiro
RP/A - 1 - Desempenho dos Contratistas

3. Financial reports on the lines of Tables 1-5 enclosed, as well as SAEC's financial statements, prepared according to the new accounting system and comprising on:

(i) Income Statements
(ii) Balance Sheet

should also be forwarded quarterly and annually.

4. Periodic Reports concerning the operation of SAEC, (Relatorio das Atividades), now prepared monthly, should be forwarded to us quarterly (3-monthly reports).

5. Annually, the auditors' report.

The above quarterly reports should reach the Bank two months after the close of the reporting period - the auditor's report should be sent within 4 months.

Very truly yours,

Charles Morse
Chief, Water Supply Division II
Public Utilities Projects Department

AThys:oa

cc: Mr. Dutt (South America
Messrs. Helne/Antti (Controller's)
Black Books (2)

Table 1.

SAEC

WATER SUPPLY PROJECT

Estado de Lucros e Perdas - Exercício 19 .....

Cr$ 000

Trimestre .....

RECEITA CORRENTE	Até Trimestre Anterior	+ Este Trimestre	= Total no final do trimestre considerado	Resto do Exercicio (Est.)	Total Previsto Pelo Ano
Faturamento - Volume (m^3)		)			
Faturamento - Valor (Agua)		) Nota 1/			
Faturamento - Valor (Esgotos)		)			
Obras - Agua/Esgotos					
Outras Receitas Operacionais					
Total Receita Corrente					
DESPESA CORRENTE					
Custo Agua fornecida no Período pela COMASP					
Custo contratual dos Serviços SANESP (relativo ao período)					
Despesas da SAEC:-					
Despesa com pessoal					
Materiais e Manutenção					
Energía					
Outras Despesas Operacionais					
MENOS Despesa Capitalizada					
Depreciações					
Juros - BIRD					
- FESB/BNH					
- Outros					
Total Despesa Corrente					
LUCRO OPERACIONAL					

Nota: 1/ Pode incluir resultado parcial do bimestre atual, se não corresponder ao final do trimestre.

NB - Fornecer também "Estado de Receitas e Despesas" na forma já em uso.

Table 2

SAEC

WATER SUPPLY PROJECT

Fluxo de Caixa - Exercício 19 .....

Cr$ 000

Trimestre .....

FONTES DE RECURSOS	Até Trimestre Anterior	+Este Trimestre	=Total no final do Trimestre considerado	--------Resto do Exercício---------- Trimestre... Trimestre... Trimestre...	Ano Próx. (est)
Lucro Operacional (Tab.1) (Após Juros)					
+ Depreciações (Tab.1)					
= Geração Interna de Caixa					
Contribuições do Estado					
Outras Receitas Não Operacionais					
Empréstimos:-					
BIRD					
BNH/FESB					
Incremento de Contas a Pagar					
Redução em Inventários					
Redução em Contas a Receber					
(A) TOTAL DE RECURSOS					
APPLICACAO DOS RECURSOS					
Investimentos - Projeto BIRD					
" - Outros					
Amortização da Dívida:-					
BIRD					
FESB/BNH					
Incremento dos Inventários					
Incremento de Contas a Receber					
Redução em Contas a Pagar					
(B) TOTAL DA APLICAÇÃO					

Continua

Table 2 (Cont'd)

(A) - (B) = INCREMENTO DE CAIXA
Caixa no início do período
Caixa no final do período

Table 3

BALANCE SHEET

(Fornecer "Balanço de Estado Financeiro")

Table 4

ESTADO DAS CONTAS DE CONSUMIDORES

(Inclusive toda dívida anterior, quer "taxas" quer "tarifas")

	Cr$ 000	%
Saldo global no início do trimestre		
+ Faturamento no trimestre (Tab.1)		
(Deduzidas as contas anuladas no trimestre)		
+ Quota de Previdência do trimestre		
		100
- Arrecadaçao do trimestre		
= Saldo global (a ser arrecadado) no final do trimestre (Nota 1)		

Nota 1/ Explicar qualquer diferença entre êste valor e o valor no Balanço (Tab.3).

Brazil - Loan 757 - Admin.

August 3, 1972

Eng. Joao Moreira Garcez Filho
Superintendente SAEC
115 Rue Riachuelo
Sao Paulo S.P.
BRAZIL

BRAZIL - Sao Paulo Water Supply Project
Loan 757-BR
Reporting Requirements

Dear Mr. Joao Moreira Garcez Filho:

1. With reference to sections 3.05(b)(iii) and 5.02 of the Loan Agreement, this letter outlines periodic information and reports required for the Project which were discussed with your staff by Messrs. Thys and Williams.

2. As regards Project reports, the formats prepared by your staff with the assistance of SERETE in their report "Sistema de Controle de Obras, SAEC, Programa Banco Mundial" would provide sufficient information. Such periodic reports, listed below, should be sent quarterly to the Bank.

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RP/M - 1 - Controle de Contratos
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(i) Income Statements
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5. Annually, the auditors' report.

The above quarterly reports should reach the Bank two months after the close of the reporting period - the auditor's report should be sent within 4 months.

Very truly yours,

for Charles Morse
Chief, Water Supply Division II
Public Utilities Projects Department

AThys:oa

cc: Mr. Dutt (South America
Messrs. Helne/Antti (Controller's)
Black Books (2)

Table 1

SAEC

WATER SUPPLY PROJECT

Estado de Lucros e Perdas - Exercício 19 .....

Cr$ 000

Trimestre .....

RECEITA CORRENTE	Até Trimestre Anterior	+ Este Trimestre	= Total no final do trimestre considerado	Resto do Exercicio (Est.)	Total Previsto Pelo Ano
Faturamento - Volume (m^3)	)				
Faturamento - Valor (Agua)	)	) Nota 1/			
Faturamento - Valor (Esgotos)	)				
Obras - Agua/Esgotos					
Outras Receitas Operacionais					
Total Receita Corrente					
DESPESA CORRENTE					
Custo Agua fornecida no Período pela COMASP					
Custo contratual dos Serviços SANESP (relativo ao período)					
Despesas da SAEC:-					
Despesa com pessoal					
Materiais e Manutenção					
Energia					
Outras Despesas Operacionais					
MENOS Despesa Capitalizada					
Depreciações					
Juros - BIRD					
- FESB/BNH					
- Outros					
Total Despesa Corrente					
LUCRO OPERACIONAL					

Nota: 1/ Pode incluir resultado parcial do bimestre atual, se não corresponder ao final do trimestre.

NB - Fornecer também "Estado de Receitas e Despesas" na forma já em uso.

SAEC

WATER SUPPLY PROJECT

Fluxo de Caixa - Exercício 19 .....

Cr$ 000

Trimestre .....

FONTES DE RECURSOS	Até Trimestre Anterior	+Este Trimestre	=Total no final do Trimestre considerado	--------Resto do Exercício---------- Trimestre... Trimestre... Trimestre...	Ano Próx. (est)
Lucro Operacional (Tab.1) (Após Juros)					
+ Depreciações (Tab.1)					
= Geração Interna de Caixa					
Contribuições do Estado					
Outras Receitas Não Operacionais					
Empréstimos:-					
BIRD					
BNH/FESB					
Incremento de Contas a Pagar					
Redução em Inventários					
Redução em Contas a Receber					
(A) TOTAL DE RECURSOS					
APPLICACAO DOS RECURSOS					
Investimentos - Projeto BIRD					
" - Outros					
Amortização da Dívida:-					
BIRD					
FESB/BNH					
Incremento dos Inventários					
Incremento de Contas a Receber					
Redução em Contas a Pagar					
(B) TOTAL DA APLICAÇÃO					

Continua

Table 2 (Cont'd)

(A) - (B) = INCREMENTO DE CAIXA
Caixa no início do período
Caixa no final do período

Table 3

BALANCE SHEET

(Fornecer "Balanço de Estado Financeiro")

Table 4

ESTADO DAS CONTAS DE CONSUMIDORES

(Inclusive toda dívida anterior, quer "taxas" quer "tarifas")

	Cr$ 000	%
Saldo global no início do trimestre		
+ Faturamento no trimestre (Tab.1)		
(Deduzidas as contas anuladas no trimestre)		
+ Quota de Previdência do trimestre		
		100
- Arrecadaçao do trimestre		
= Saldo global (a ser arrecadado) no final do trimestre (Nota 1)		

Nota 1/ Explicar qualquer diferença entre êste valor e o valor no Balanço (Tab.3).

Table 5

SAEC

Estatisticas Gerais - Trimestre....19
(Cr$)

	Este Trimestre	Trimestre Anterior	Este Trimestre do Exercicio Anterior
A. DESPESA COMPESSOAL			
1. Total-Salarios, Ordenados, etc.	(Cr$)	(Cr$)	(Cr$)
2. No. de Empregados.	(No.)	(No.)	(No.)
3. Remuneraçao Media (Alinea 1÷ Al.2)	(Cr$)	(Cr$)	(Cr$)
4. Salario Minimo Oficial no trimestre	(Cr$)	(Cr$)	(Cr$)
5. Remuneracao Media Expressa em Salarios Minimos (3÷4)	(MS)	(MS)	(MS)
B. ALMOXARIFADO			
1. Saldo Estoques Final do Trimestre	(Cr$)	(Cr$)	(Cr$)
2. Valor da UPC " " "	(Cr$)	(Cr$)	(Cr$)
3. Estoques Aos Preços Constantes (1÷ 2)	(UPC)	(UPC)	(UPC)

Brazil - Loan 757 - Adm

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 71/72

São Paulo, 2 de agosto de 1972

Date Rec'd. 8/14/72
Date Ack'd. 8/14/72
Assigned to CM

BRA-29-72

Ilmo. Sr.
Charles Morse
International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Prezado Senhor:

Com a presente enviamos a V. S. um exemplar do Balanço Geral em 31 de dezembro de 1970, acompanhado do relatório dos Auditores, Arthur Andersen & Co..

Permanecemos à sua disposição para quaisquer esclarecimentos ou solicitações futuras.

Valemo-nos do ensêjo para enviar nossos protestos de alta estima e consideração.

Atenciosamente

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

SECTION
COMMUNICATIONS

AUG 21 1972 AM 8:38

dks

RECEIVED

Brazil - Loan 757 - Hdm

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 71/72 São Paulo, 2 de agosto de 1972

Date Rec'd. 8/4/72
Date Ack'd. 8/4/72
Assigned to CM
BPA-29-72

Ilmo. Sr.
Charles Morse
International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

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Atenciosamente

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

RECEIVED
1972 AUG 14 AM 8:39
COMMUNICATIONS SECTION

dks

757/8 - BRA

FORM NO. 26
(4-69)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

Brazil - Loan 758 - Admn.
cc: " " - Loan 757 - Admn.

INCOMING CABLE

DATE AND TIME OF CABLE: AUGUST 2, 1972 1345

LOG NO.: 175 /2

TO: INTBAFRAD

FROM: SAO PAULO

ROUTING
ACTION COPY: P.U. WATER SUPPLY II
INFORMATION COPY:
DECODED BY:

TEXT:

MR. CHARLES MORSE

CONTRATO FINANCIAMENTO SAEC SANESP FESB BNH ASSINADO 28 JULHO. SEGUE CARTA E COPIAS CONTRATO OPORTUNAMENTE.

LIMA PONTES

Date Rec'd. Aug. 2/72

Date Ack'd. no reply

Assigned to C. Morse
FW/A Thys

BRA-2-22

AK

FOR INFORMATION REGARDING INCOMING CABLES, PLEASE CALL THE COMMUNICATIONS SECTION, EXT. 2021

ORIGINAL

Brasil Loan 757 Ad

Country BRAZIL	Loan # 757 Credit # Investment #	Project

Title and Description

Contrato de financiamiento, que entre si fazem o FOMENTO ESTADUAL DE SANEAMENTO BASICO, na qualidade de agente Financiador, Orgao Tecnico e Agente Promotor, a Superintendencia de agua e Esgoto da Capital - SAEC, na qualidade de Mutuario Final, o Banco do Estado de Estado de Sao Paulo S.A.

Form No. 114 (1-73)

Document Date July/26/72	Prepared By FESB
Transmittal Letter No. Date	From No Letter-Copy Card for File ☑

Document # 20655

Brazil - Loan 752 - Admin
✓ " " - Loan 757 - Admin.

Ilmo Dr. Jacob Leiner
Secretaria dos Serviços e Obras Públicas
(Gabinete do Secretário)
Rua Riachuelo 115
Sao Paulo, S.P.
BRAZIL

June 29, 1972

Dear Dr. Leiner:

Loan 757 and 758-BR

Thank you for your letter of June 14, enclosing copies of decrees and a revised timetable of works for SANESP. (Your letter mentioned that a similar timetable was enclosed for SAEC, but this appears to have been omitted.)

We note that the decrees create additional appropriations of Cr$ 3 million for SAEC (making Cr$ 50 million for 1972) and Cr$ 8 million for SANESP (making Cr$ 23 million for 1972).

We look forward to hearing further from you about the BNH contracts at an early date.

Very truly yours,

Charles Morse
Chief, Water Supply Division III
Public Utilities Projects Department

EWilliams:oa
IBRD

Control No. BRA-2-17

cc: Mr. Dutt (South America)
Mr. Thys
Mr. Clyde (Legal)

Brazil- Loan 757-Admin.

Dr. Luiz Augusto de Lima Pontes
Diretor da C.P.E.
Superintendencia de Agua e Esgotos da Capital
Rua Riachuelo 115, CEP 01007
Sao Paulo - BRAZIL

June 28, 1972

Dear Dr. Lima Pontes:

Loan 757 - BR

Thank you for your letter CPE No.61/72 of June 14, enclosing the "Estudo Tarifario", and also for copies of the 1971 accounts, receipt of which we acknowledged some time ago.

Although we have not yet been able to analyze the Tariff Study in detail, we have compared the procedure used with that required at each January 1st by Schedule 5 of the Loan Agreement. (The latter, incidentally, envisages a simple percentage adjustment of tariffs annually, rather than a complete new analysis of the cost structure.) The principal omission appears to be that, in calculating "Custo de Capital", only the "Ativo Imobilizado" in service at Dec.31, 1971 has been taken into account; it includes nothing for the estimated value of new assets to be incorporated during 1972-3.

In addition, by Section 5.01 of the Loan Agreement, SAEC agreed to revalue its "Ativo Imobilizado Liquido" to Cr$ 570 million (Dec.1969). This would result in a somewhat higher figure of "Ativo Imobilizado" in 1971 than that used in Tabela 2 of the Study.

Subject to these comments, we are pleased that SAEC has implemented the recommendations of the study, and trust that the covenanted rate of return for 1972 will be achieved, computed in accordance with Schedule 5 of the Loan Agreement.

With reference to assets transferred to COMASP during 1970, we note that their value was about Cr$ 240 million (at 1970 prices). This is considerably higher than the figure given in October 1970 to our Appraisal Mission (Cr$ 151 million); the increase appears to relate mainly to the Rio Claro System (estimate Cr$ 38 million, actual value Cr$ 104 million, at 1970 prices). Please confirm this.

If this is correct, the Cr$ 240 million transferred to COMASP in 1970, plus the Cr$ 47 million of assets transferred earlier, would make SAEC's investment in COMASP Cr$ 287 million. In addition, there should be over Cr$ 100 million of assets transferred to SANESP. SAEC's Balance Sheet of Dec. 31, 1971 however shows only Cr$ 287.8 million against "Shares"

("Acoes"). Could you inform us how the investment in SANESP has been treated in SAEC's accounts? We understand a portion of the transferred assets have not yet been formally accepted by SANESP, but the initial transfers at least should appear in SAEC's balance sheet.

We have a number of other questions on the 1971 accounts, and in particular would have liked more details of income and expenditure in the "impresarial" accounts. When the next supervision mission visits Sao Paulo, these can be discussed; we shall also be writing to you to formulate a program of regular financial reports (now that the "impresarial" accounting system is operational). Incidentally, we should be glad to receive the Auditor's Report for 1971, as soon as possible.

Very truly yours,

Charles Morse
Chief, Water Supply Division II
Public Utilities Projects Department

EWilliams:oa
IBRD

Control No.BRA-2-16

cc: Mr. Thys
Mr. Dutt (South America)

Brazil - Loan 757 - Admin.

Mr. Thomas M. Clyde

June 21, 1972

Devbrat Dutt

BRAZIL - Sao Paulo Water Supply Project (757 BR)

Attached please find the original of letter of May 18, 1972 relating to amendment of Schedule I of the Loan Agreement.

cc: Central Files (along with xerox copy of the document)

DDutt:pv

Brasil Loan 757 AGL

Country BRAZIL	Loan # 757 Credit # Investment #	Project

Title and Description

Acordo Para un projecto de Melhoramento Institucional para a Superintendencia de agua e esgotos da Capital Sao Paulo, Brazil.

Form No. 114 (1-73)

Document Date Jun/20/72	Prepared By PHO - WHO	
Transmittal Letter No. Date	From No Letter-Copy Card for File ☒	Document # 20656

Brazil - Loan 757 Adl
cc Brazil - Loan 758 Adl

SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

GABINETE DO SECRETÁRIO

757 - 758

Date Rec'd. June 23/72

Date Ack'd. June 29

São Paulo, 14 de junho de 1972.

Assigned to C. Mone

BRA-2-17 Doc# 20660

Prezado Senhor:

Pela presente, tenho o prazer de encaminhar a Vossa Senhoria, cópia dos decretos promulgados pelo Sr. Governador do Estado nos dias 07 e 12 de junho, abrindo créditos - no presente exercício, para o programa de Saneamento Básico, conforme acordado em reunião realizada em abril com Sua Excelência o Senhor Secretário da Fazenda.

Os decretos do dia 07 estipulam um crédito de 3 milhões de cruzeiros para distribuição de água, completando 50 milhões de recursos do Tesouro para a SAEC e um investimento de 79 milhões de cruzeiros, que se destinam ao aumento do capital da COMASP.

Os decretos do dia 12 preveem um investimento de 8 milhões de cruzeiros para aumento do capital da SANESP totalizando 23 milhões de recursos do Tesouro para 1972. Os outros recursos previstos nestes decretos destinam-se à Companhia de Saneamento da Baixada Santista e ao FESB.

Anexo também, cópias dos novos cronogramas elaborados pela SANESP e pela SAEC, tendo em vista estas suplementações de verba.

Os entendimentos para a assinatura dos contratos com o BNH estão bastante adiantados e tenho esperanças que ainda possam ser assinados neste mês de junho. Assim que tenha um fato concreto relativo a estes contratos, comunicarei por escrito.

Atenciosamente

JACOB LEINER

Ilmo. Senhor
Engenheiro ALAIN THYS
International Bank for Reconstruction and Developement
1818 H Street, N.W.
Washington, D.C. 20433 - U.S.A.

Brazil - Loan 757 - Admin.

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 61/72

São Paulo, 14 de junho de 1972

Ilmo. Sr.
Charles Morse
International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Date Rec'd. June 23/72
Date Ack'd. June 28/72
Assigned to C. Morse
W. Dean

BAA-2-14

Prezado Senhor

Encaminhamos, anexo à presente, um exemplar do "Estudo para o Reajustamento das Tarifas da SAEC", editado em maio dêste ano.

Esperando que o "Estudo", referido, seja de utilidade à V. S., colocamo-nos à sua disposição para quaisquer esclarecimentos.

Atenciosamente

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

c.c. Thys Dutt (S.A)

RECEIVED
COMMUNICATIONS
SECTION
1972 JUN 23 AM 11:30

dks

Brazil - Loan 757 - Admin.

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

CPE Nº 61/72 São Paulo, 14 de junho de 1972.

Ilmo. Sr.
Charles Morse
International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, DC 20 433
U. S. A.

Date Rec'd. June 23/72
Date Ack'd. June 28/72
Assigned to L. Morse
on Loan
BRA-2-14

Prezado Senhor

Encaminhamos, anexo á presente, um exemplar do "Estudo para o Reajustamento das Tarifas da SAEC", editado em maio dêste ano.

Esperando que o "Estudo", referido, seja de utilidade á V. S., colocamo-nos á sua disposição para quaisquer esclarecimentos.

Atenciosamente

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

c.c. Dmts (S.A)

RECEIVED
1972 JUN 22 PM 11:30
COMMUNICATIONS SECTION

dks

RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

✓ Brazil - Loan 757 Admin
cc Brazil - Loan 758 Admin

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: MR. JOSE MEICHES
SECRETARIA DOS SERVICOS E OBRAS PUBLICAS
RUA RIACHUELO, 115-3° andar

DATE: JUNE 13, 1972

CLASS OF SERVICE: LT

ITT

COUNTRY: SAO PAULO - BRAZIL

TEXT:
Cable No.:

RE IBRD LOANS 757-BR AND 758-BR STOP IN DISCUSSIONS ON APRIL 12 WITH THE SAO PAOLO FINANCE MINISTRY THE BANK'S SUPERVISION MISSION THYS AND RINGSKOG WERE PROMISED THE FOLLOWING DOCUMENTS:

ALFA A LETTER FROM THE SAO PAOLO FINANCE SECRETARY INDICATING THE STATE'S YEARLY BUDGET CONTRIBUTIONS FOR SAEC AND SANESP

BETA THE REVISED AND DETAILED SCHEDULES OF WORKS AND DISBURSEMENTS FOR SAEC AND SANESP PROJECTS

GAMMA THE SIGNED LOAN CONTRACTS WITH BNH-FESB WITH THE ATTACHED REVISED DISBURSEMENT SCHEDULES STOP WE HAVE NOT YET RECEIVED ANY OF THESE AND WISH TO REMIND YOU OF THE IMPORTANCE THE BANK PUTS ON RECEIVING THE ABOVE AGREEMENTS AS SOON AS POSSIBLE

MORSE

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY: for Charles Morse
NAME: Chief, Water Supply Division II
DEPT.: Public Utilities Projects Department
SIGNATURE: J. Krombach
Deputy Chief
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)
REFERENCE: KRingskog:oa
KR

ORIGINAL (File Copy)
(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION: Mr. Dutt (South America)
cc: Ing. Jacobo Leinert
Ing. Garces Filho, SAEC
Ing. Braz Juliano, SANESP

For Use By Communications Section

Checked for Dispatch:

(IMPORTANT: See Secretaries Guide for preparing form)

ORIGINAL (File Copy)

Checked for Dispatch

For Use By Communications Section

REFERENCE: Kilinskog:os

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

SIGNATURE

DEPT: Chief, Water Supply Division II

NAME: Public Utilities Projects Department

AUTHORIZED BY: Charles Morse

Chief, Water Supply Division II

Charles Morse

Ing. Brae Juliano, SAMES

Ing. Garcea Filho, SAEG

cc: Ing. Jacobo Feinerg

CLEARANCES AND COPY DISTRIBUTION: Mr. Dutt (South America)

NOT TO BE TRANSMITTED

INTERNAL

MORSE

WHOLE AGREEMENTS AS SOON AS POSSIBLE

WISH TO REMIND YOU OF THE IMPORTANCE THE BANK PLAYS ON RECEIVING THE DISBURSEMENT SCHEDULES. SLOP WE HAVE NOT YET RECEIVED ANY OF THESE AND GANNA THE SIGNED FOUR CONTRACTS WITH BAN-LESS WITH THE ATTACHED REVISED SAEG AND SAMES PROJECTS.

RELY THE REVISED AND DELAYED SCHEDULES OF WORKS AND DISBURSEMENTS FOR LEVANT PROPER COMPLICATIONS FOR SAEG AND SAMES.

WITH A FILLER FROM THE SAO PAULO FINANCE SECRETARY INDICATING THE STATE'S BINGSKOG HERE PROMISED THE FOLLOWING DOCUMENTS:

SAO PAULO FINANCE MINISTRY THE BANK'S SUPERVISION MISSION THIS AND

WE FIND FOUNS 151-BK AND 150-BK SLOP IN DISCUSSIONS ON WHAT IS WITH THE

SAO PAULO - DEVELP

RUA RIVERENGO, 115-3º andar

SECRETARIA DOS SERVICOS E OBRAS PUBLICAS

MR. JOSE MEIGNES

SERVICE: FI

CLASS OF

DATE: JUNE 13, 1976

OUTGOING WIRE

ASSOCIATION INTERNATIONAL DEVELOPMENT

RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL BANK FOR

CORPORATION INTERNATIONAL FINANCE

Brazil - Loan 757 Admin

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

(Loan 757-Br)

TO: ENG. JOAO GARCEZ FILHO
SUPERINTENDENTE
RUA RIACHUELO, 115
COUNTRY: SAO PAULO - BRAZIL

DATE: JUNE ~~12,~~ 13 1972

CLASS OF SERVICE: LT

ITT

TEXT:
Cable No.: REYURLET 115/72 CONCERNING PITOMETER ASSOCIATES CONTRACT BANK HAS NO OBJECTIONS TO PROPOSED CONTRACT STOP SERETE REPORTING RECOMMENDATIONS SISTEMA CONTROL DE OBRAS SATISFACTORY LETTER FOLLOWS SHORTLY ON FULL REPORTING REQUIREMENTS

MORSE

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY: Charles Morse
NAME: Chief, Water Supply Division II
DEPT.: Public Utilities Projects Department

SIGNATURE: Charles Morse
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: AThys:oa

Control No. BRA-2-7
BRA-2-6

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: E. Shaw Cole
President
The Pitometer Associates
100 Church St. New York City

cc: Messrs. Williams, Helne

For Use By Communications Section

Checked for Dispatch: JO

REFERENCE: Attys:cc Control No. BRA-2-1 BRA-2-5

SIGNATURE: (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

DEPT.

NAME: Public Utilities Project Department
Chief, Water Supply Division II

AUTHORIZED BY: Charles Morse

RECEIVED CENTRAL FILES JUN 13 4 56 PM 1972

JUN 13 4 06 PM 1972 COMMUNICATIONS

Checked for Dispatch

For Use by Communications Section

cc: Messrs. Williams, Helne

100 Church St. New York City
The Pitometer Associates
President

cc: E. Shaw Cole

CLEARANCES AND COPY DISTRIBUTION

NOT TO BE TRANSMITTED

INTERVENED

MORSE

REPORTING REQUIREMENTS

SISTEMA CONTROL DE OBRAS SATISFACTORIA PETTER BOTTOMS SHORTLY ON LAST

OBJECTIONS TO PROPOSED CONTRACT SLOP SERVICE REPORTING RECOMMENDATIONS

RELEASED 11/5/72 CONCERNING PITOMETER ASSOCIATES CONTRACT BANK HAS NO

Copy No.:

COUNTRY: SAO PAULO - BRAZIL

RAY BIAGNELLO, ILS

SUPERINTENDENTE

TO: ENG. TOVO CARDEZ LIPNO

SERVICE: PI

CLASS OF

DATE: JUNE 13, 1972

(Form 151-BL)

RECEIVED JUN 13 2 55 PM 1972 COMMUNICATIONS

OUTGOING WIRE

ASSOCIATION INTERNATIONAL DEVELOPMENT

RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL BANK FOR

CORPORATION INTERNATIONAL FINANCE

Central Files

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

Brazil - Loan 757 - Adm.

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

Of. GS- 235/72

São Paulo, 12 de junho de 1 972

REGISTERED MAIL NUMBER 52303

Ilmo. Sr.
Gunter K. Wiese
International Bank for Reconstruction and Development
1 818 H Street, N.W.
Washington, D.C. 20 433
U.S.A.

Prezado Senhor:

Em resposta à sua carta de 18 de maio de 1 972, estamos encaminhando a cópia devidamente assinada, com o que confirmamos nossa concordância na elevação do índice de 20% previsto na categoria IV do Anexo 1, para 37% conforme estipula o parágrafo 4. (c), do referido Anexo.

D.D.

Sendo só o que se apresenta na oportunidade, aproveitamos o ensejo para renovar a Vossa Senhoria nossos protestos de estima e alta consideração.

Atenciosamente,

Engº. JOÃO MOREIRA GARCEZ FILHO,
Superintendente

RECEIVED

RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

Central Files

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

Brazil - Loan 757 - Adm.

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

Of. GS - 235/72

São Paulo, 12 de junho de 1 972

REGISTERED MAIL NUMBER 57303

Ilmo. Sr.
Gunter K. Wiese
International Bank for Reconstruction and
Development
1 818 H Street, N.W.
Washington, D.C. 20 433
U.S.A.

Prezado Senhor:

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Sendo só o que se apresenta na oportunidade, aproveitamos o ensejo para renovar a Vossa Senhoria nossos protestos de estima e alta consideração.

Atenciosamente,

Engº. SÉRGIO PEREIRA GARCEZ FILHO,
Superintendente

JUN 27 9 18 AM 1972
CENTRAL FILES COMMUNICATIONS
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1972 JUN 20 AM 9:57
RECEIVED

RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Brazil - Loan 758-Adm.
" " - Loan 757-Adm.

TO: Mr. Charles Morse

DATE: June 12, 1972

FROM: A.Thys & K.Ringskog

SUBJECT: BRAZIL - Loans 757-BR and 758-BR
Sao Paulo Water Supply and
Pollution Control Projects
Supervision Mission
Back-to-Office and Full Report

1. Action to be taken, see para 13, issues deserving attention in paras 4 to 13.

2. In accordance with terms of reference dated March 17, 1972, we visited Sao Paulo on March 22, March 26-29, and on April 12.

Project Data

	Water Supply Loan 757 - BR	Pollution Control Loan 758 - BR
Borrower	SAEC 1/	SANESP 2/
Amount of Loan	US$22 million	US$15 million
Amount Disbursed (May 15, 1972)	Nil	Nil
Date of Loan Agreement	June 21, 1971	June 21, 1971
Effective Date	January 13, 1972	January 13, 1972
Closing Date	June 30, 1975	June 30, 1975
Date of Last Supervision Mission	November 3, 1971	November 3, 1971
Current Exchange Rate	Cr$5.80 = US$1	

General

3. One of the conditions of effectiveness of the two loans was that Banco Nacional da Habitacao (BNH) and Fomento Estadual de Saneamento Básico (FESB) should commit themselves to financing each some 12% of the costs of the SAEC and SANESP schemes. On the basis of such commitments from BNH and FESB, received by the Bank in December, the two loans were declared effective on January 13, 1972.

1/ SAEC = Superintendencia de Agua e Esgotos da Capital

2/ SANESP = Companhia Metropolitana de Saneamento de Sao Paulo

4. However, for the commitments to be translated into contract with SAEC and SANESP, the State Government of Sao Paulo had to commit funds of their own to FESB and agree to guarantee the BNH loans. At the mission's arrival the State Government had failed to do either thing, which had left both SAEC and SANESP without adequate financing for the project works. The failure was particularly serious for SANESP as the contracts for detailed engineering of the project works were held up.

Financing Plan and Investment Needs

5. The investment needs of SAEC and SANESP and the financing estimated in the Appraisal Report are shown in Annexes 1 and 2. No disbursements had been made at the time of the supervision mission for the reasons given in paragraph 4, and as long as the State Government contribution would not be forthcoming they would be further delayed.

6. This failure to provide sufficient matching funds constituted a breach of the loan agreement. The mission, together with Mr. Dutt of the South America Department, in a number of meetings with State Government officials, notably with the Secretary of Finance, Mr. Rocca, his assistant, Mr. Masato, and with the Secretary of Public Works, Mr. Meiches, pointed out the grave consequences the delay could have for the Bank's continued lending for projects in the state of Sao Paulo.

7. The mission referred specifically to Section 6 in the Project Agreement, according to which "the State shall, promptly as needed by SAEC or by SANESP to enable them to carry out their respective Projects with due diligence and efficiency, pay to them, in accordance with the laws of the State, all such other funds as shall be required by them for that purpose."

8. The mission also made reference to Section 2 of the Project Agreement in which the State agreed "that the Projects shall have the highest priority in the allocation of the development funds of the State as provided in the laws of the State". To its surprise the mission found when analysing the State's triannual capital budgets, approved in September 1970 and September 1971 respectively, that appropriations to the sanitation sector for 1972 had been decreased even in nominal terms, whereas funds for transportation and power had greatly increased (see Annex 5). Also the share of sanitation funds obtained by COMASP, the Sao Paulo bulk-water authority, was larger than it was originally intended, while that of SAEC and particularly SANESP were decreased.

9. The State officials explained that the Federal Government had imposed a tight squeeze on State borrowings which had made it difficult for them to finance both the ongoing projects inherited from the previous regime and the new ones that the present Government assigns higher priority to.

10. They were furthermore under the false impression that reduced commital of funds to SAEC and SANESP this year would not affect the integrated bulk/retail water supply/sewerage programs for the metropolitan area. They had arrived at this conclusion by assuming, without substantial analysis, that the SAEC and SANESP projects would have to await the completion of COMASP's project providing additional bulk water. The mission corrected this misconceived idea.

11. During discussions, the State officials proposed a major revision of the appraisal report's financing plans (see Annexes 1 and 2), suggesting a substitution of State Government contribution by larger BNH loans. According to their proposal, BNH and FESB would each finance 37.5% of the project cost with the Bank contribution and net internal cash generation making up the remaining 25%. The mission pointed out that this proposal would not be acceptable since it would amount to very heavy debt financing of project works. Further large tariff increases would then be necessary, and the objective of creating self-financing and viable water supply and sewerage institutions would be much more difficult to achieve.

12. The State officials, as a result of the discussions, finally revised the appropriations and the new investment needs and the financing thereof are shown in Annexes 3 and 4 for SAEC and SANESP respectively. The projects would be delayed by one year as compared to the appraisal report estimate, and the disbursement profiles differ from those in the appraisal report. BNH and FESB are assumed to disburse relatively faster than the State contributions. The BNH management in subsequent discussions agreed in principle to this. The estimated project costs of the SAEC and SANESP schemes have not changed appreciably since the last Bank mission.

13. State officials have agreed to forward shortly to the Bank the following documents:

(i) a letter from the Sao Paulo Finance Secretary indicating the state's budget contribution for SAEC and SANESP;

(ii) the revised and detailed schedules of works and disbursements for SAEC and SANESP projects;

(iii) the signed loan contracts with BNH-FESB with the attached revised disbursement schedules.

A cable should be sent to the Sao Paulo State officials with copies to our borrowers to remind them of the above agreements.

SANESP Loan 758 - BR

14. SANESP has completed the complementary studies required by the Bank's last supervision mission to coordinate all elements of the Project and has studied alternate designs for the interceptors of the Sao Caetano system. As a result of these studies, more economic alternatives were designed. The total savings on the cost of the 1st and 2nd phases of SANESP's program of works would amount to about US$10 million.

15. Five contracts for the detailed engineering and the preparation of bidding documents were signed with the following firms:

(i) Planidro (Brazil) for general supervision and project coordination.

(ii) Camp-Dresser McKee (U.S.A.) for detailed engineering of the Sao Caetano pump station pipeline and tunnel and general technical assistance in association with Planidro.

(iii) Promon (Brazil) for interception in Sao Caetano system.

(iv) Etep (Brazil) for a low lift pump station and related interception in the Sao Caetano system.

(v) SERETE (Brazil) for the pump station and interception of the Taturpe Pequena system.

SANESP will activate these contracts as soon as State budgetary funds are committed (see paragraph 13).

SAEC Loan 757 - BR

16. SAEC has already made significant progress in its reorganization of its institutional structures and the improvement of its operations. The following facts give an indication of progress achieved since late 1970.

(a) Billings: 17,000 bills are now sent daily instead of 9,000 as in 1970.

(b) Collections: In the last two months of 1971, accounts receivable from consumers have decreased by some Cr.$17 million (US$3 million). Accounts receivable at Dec.31, 1971, amounted to Cr.$44 million, equivalent to about 2 1/2 months billings.

(c) Accounting System: A commercial accounting system has been introduced, but is still in a trial period.

(d) Meters: 100,000 obsolete or damaged domestic water meters were replaced (out of a total of 650,000), and 37,000 meters were repaired. The number of obsolete meters at the end of 1971 has been reduced to 60,000.

Organization of Project Planning and Supervision

17. SAEC has now prepared, with the assistance of SERETE, a Brazilian consulting firm, the organization, methods and procedures to plan and supervise design, procurement and construction. The system will provide for coordination between the activities of SAEC's various departments; Planning and Supervision, New works and Finance, as well as provide the data and information required to prepare reports to SAEC's management, to the Bank and the other financing agencies.

AThys:KRingskog:oa

cc: Messrs. Chadenet
Baum
Ripman
Rovani
J.King
Engelmann
Lee
Lithgow
van der Tak
Weiner
Armstrong
Howell
Warford
Jennings
Saeed
Bomani
Lind
Elliott, J.D.
Dutt (South America 4)
Helne (Controller's)
Clyde (Legal)

ANNEX 1

SAEC - Financing Plan as Estimated in Appraisal Report
(In US$ Million)

Sources	1971	1972	1973	1974	Total	%
IBRD	0.8	10.2	8.7	2.3	22.0	17
BNH & FESB Equally	7.9	7.2	5.5	10.2	30.8	23
Total Borrowing	8.7	17.4	14.2	12.5	52.8	40
Government Contribution	17.2	12.6	5.8	5.8	41.4	31
Capital Receipts	0.5	0.7	1.1	1.1	3.4	3
Internal Cash Generation Less Debt Service	(3.7)	9.3	13.6	14.7	33.9	26
Total Capitalized	14.0	22.6	20.5	21.6	78.7	60
Total Sources	22.7	40.0	34.7	34.1	131.5	100
Requirements						
Capital Works Project	4.0	27.0	22.8	6.0	59.8	45
Capital Works Other	14.8	13.5	10.4	28.3	67.0	51
Total Program	18.8	40.5	33.2	34.3	126.8	96
Addition to Net Working Capital	3.9	(0.5)	1.5	(.2)	4.7	4
Total Requirements	22.7	40.0	34.7	34.1	131.5	100

ANNEX 2

SANESP - Revised Financing Plan as Estimated in Appraisal Report
(In US$ Million)

Capital Sources	1971	1972	1973	1974	Total	%
IBRD	1.0	3.2	6.8	4.0	15.0	16
BNH/FESB Equally	1.8	6.4	8.5	6.3	23.0	24
Total Borrowing	2.8	9.6	15.3	10.3	38.0	40
Government Contribution	15.1[1/]	12.6	12.6	8.0	48.3	50
Internal Cash Generation Less Debt Service, Taxes	0.8	1.4	2.3	3.5	9.9	10
Total Capitalized	15.9	13.7	14.9	12.8	58.2	60
Total Sources	19.9	23.3	29.9	23.1	96.2	100
Applications						
Capital Works Project	7.2	22.7	30.0	21.6	81.5	
Capital Works Other	11.5[2/]	.9	.2	.2	12.8	
Total Program	18.7	23.6	30.2	21.8	94.3	
Addition to Net Working Capital	1.2	(.3)	(.3)	(1.3)	1.9	

1/ Including 8.2 in 1970.
2/ Including 7.5 in 1970.

ANNEX 3

SAEC - Revised Financing Plan as Discussed with State Government in April 1972
(In US$ Million)

Sources	1972	1973	1974	1975	Total	%
IBRD	1.5	6.3	6.3	7.9	22.0	17
BNH/FESB Equally	8.4	11.7	8.6	6.9	35.6	28
Total Borrowing	9.9	18.0	14.9	14.8	57.6	45
Government Contribution	8.6	11.5	15.0	21.6	56.7	44
Internal Cash Generation						
Less Debt Service	(2.1)	3.3	3.6	4.5	13.5	11
Total Capitalized	10.7	14.8	18.6	26.1	70.2	55
Total Sources	20.6	32.8	33.5	40.9	127.8	100
Requirements						
Capital Works 1/ 2/	18.0	28.8	29.4	36.1	112.3 1/	
Other (Renewals, etc.)	2.6	4.0	4.1	4.8	15.5	
Total Requirements	20.6	32.8	33.5	40.9	127.8	

1/ Of which US$59.8 million for Project Works and US$52.5 million for other Works.
2/ US$9.1 million was invested in 1971.

ANNEX 4

SANESP - Financing Plan as Proposed by State Government

In April 1972

(In US$ Million)

Sources	1972	1973	1974	1975	Total	%
IBRD	0.2	1.6	6.1	7.1	15.0	16
BNH/FESB Equally	7.2	6.9	8.3	4.0	26.4	27
Total Borrowing	7.4	8.5	14.4	11.1	41.4	43
Government Contribution	4.0	7.9	14.7	20.9	47.4	49
Internal Cash Generation						
Less Debt Service	(0.4)	2.1	2.9	3.0	7.6	8
	3.5	10.0	17.6	23.9	55.0	57
Total Sources	10.9	18.5	32.0	35.0	96.4	100
Requirements						
Capital Works Project	7.0	10.0	32.0	35.0	84.0	
" " Other	4.6	8.5	-	-	13.1	
Total Investment 1/	11.6	18.5	32.0	35.0	97.1	
Addition to Net Working Capital	(0.7)	-	-	-	(0.7)	
Total Requirements	10.9	18.5	32.0	35.0	96.4	

1/ SANESP has invested US$10.1 million in 1971

ANNEX 5

Sao Paolo State Capital Budget Appropriations

(Millions of Cr$)

	As approved September 1970				As approved September 1971			
	1971	1972	1973	Total	1972	1973	1974	Total
Human Resources	445	288	235	968	514	201	143	858
Natural Resources	75	76	66	217	154	168	155	477
Sanitation	674	758	652	2,084	673	884	889	2,446
Transportation	744	285	199	1,228	1,349	983	905	3,237
Power	925	1,197	929	3,051	1,429	1,409	1,309	4,147
Sub-total infrast-ructure	2,343	2,240	1,780	6,363	3,451	3,276	3,103	9,830
Production Investments	45	36	39	120	78	20	16	114
Financial Services	1,041	1,120	1,250	3,411	1,820	-	-	1,820
General Services	102	12	4	118	77	30	24	131
Total	4,051	3,772	3,374	11,197	6,094	3,695	3,441	13,230

Brazil- Loan 757- Admin.

May 26, 1972

Eng. Joao Moreira Garcez Filho
Superintendente
Superintendencia de Agua e Esgotos da Capital
Rua Riachuelo, 115-5º andar
Sao Paulo, Brazil

re: Loan 757-BR
Sao Paulo Water Supply Project

Dear Eng. Moreira Garcez:

This is to acknowledge your letter Cf-OS-181/72 of May 11 transmitting a draft Contract with "The Pitometer Associates" for carrying out a research program on the operating conditions of the water distribution system.

We have no comments on this document and you may proceed with the Contract.

Sincerely yours,

Charles Morse
Chief, Water Supply Division II
Public Utilities Projects Department

FRodrigues:mjp

Cleared with & cc: Mr. Thys
cc: Mr. Dutt

BRA-2-11

Brazil - Loan 757 - Admin.

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: ENG JOAO GARCEZ FILHO
SUPERINTENDENTEC
SAEC, RUA RIACHUELO 115
SAO PAULO

DATE: MAY 19, 1972

CLASS OF SERVICE: LT

ITT

COUNTRY: BRAZIL

TEXT:
Cable No.: REFERENCE YOUR LETTER GC111-72 AND CABLE OF MAY 5 STOP BANK AGREES TO INCREASE PERCENTAGE APPLICABLE TO CATEGORY IV OF SCHEDULE I OF LOAN AGREEMENT TO 37% FORMAL LETTER FOLLOWS REGARDS

MORSE

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY: Charles Morse
NAME Chief, Water Supply Division II
DEPT. Public Utilities Project Department

SIGNATURE C. Morse
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: CM CMorse:oa

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Mr. Dutt

For Use By Communications Section

Checked for Dispatch: fo

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MAY 19 7 07 PM 1972
COMMUNICATIONS

Brazil - Loan 757 - Admn.

Mr. Gunter K. Wiese (through Mr. Skillings) May 19, 1972

Devbrat Dutt

BRAZIL - Sao Paulo Water Supply Loan (757 BR) - Withdrawal of Proceeds of the Loan

1. The table below sets forth the proceeds of the Loan:

	Category	Amount of the Loan Allocated (Expressed in million Dollar Equivalent)	% of Expenditures to be Financed
I.	Imported pipes, fittings and related equipment	10.90	100% of foreign expenditures
II.	Imported water meters and billing equipment	1.15	100% of foreign expenditures
III.	Consultants' services	0.45	100% of foreign expenditures
IV.	Civil works and locally produced or procured machinery and equipment listed under categories I and II of this Schedule	5.50	20% of total expenditures, representing the estimated foreign expenditures component
V.	Unallocated	4.00	
	TOTAL	22.00	

The Loan Agreement provides for changes in the above percentage with a view to permit full withdrawal of the loan amount. (4(c) of Sch. 1 of Loan Agrmt.)

2. The Borrower (SAEC) has requested and the Public Utilities Projects Department have supported the request for raising the percentage under Category IV from 20 percent to 37 percent. Brazilian suppliers have succeeded in several international competitive bids and the disbursements under Categories I and II would be substantially less than the original forecast.

3. You are requested to sign the attached letter, prepared in the Legal Department, for giving effect to the above change. Concerned departments concur.

Cleared in substance with and cc: Messrs. Morse
Clyde
Helne

DDutt:pv

Attachment

Brazil - Loan 757 - Adm.

RECEIVED
MAY 22 9 53 AM 1972

May 19, 1972

Mr. Gunter K. Wiese (through Mr. Skillings)

Devprat Dutt

BRAZIL - Sao Paulo Water Supply Loan (757 BR) - Withdrawal of Proceeds of the Loan

1. The table below sets forth the proceeds of the loan:

Category	Amount of the Loan Allocated (Expressed in million Dollar Equivalent)	% of Expenditures to be Financed
I. Imported pipes, fittings and related equipment	10.90	100% of foreign expenditures
II. Imported water meters and billing equipment	1.15	100% of foreign expenditures
III. Consultants' services	0.15	100% of foreign expenditures
IV. Civil works and locally produced or procured machinery and equipment listed under categories I and II of this Schedule	5.50	20% of total expenditures, representing the estimated foreign expenditures component
V. Unallocated	4.00	
TOTAL	22.00	

The Loan Agreement provides for changes in the above percentage with a view to permit full withdrawal of the loan amount. (Ltr(c) of Sch. 1 of Loan Agrmt.)

2. The Borrower (SAEC) has requested and the Public Utilities Projects Department have supported the request for raising the percentage under Category IV from 20 percent to 37 percent. Brazilian suppliers have succeeded in several international competitive bids and the disbursements under Categories I and II would be substantially less than the original forecast.

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Cleared in substance with and cc: Messrs. McRae
Clyde
Helme

DDutt:pv

Attachment

Brazil - Loan 757 - Admin.

Mr. Gunter K. Wiese

May 19, 1972

Robert F. Skillings RFS

BRAZIL - Sao Paulo Water Supply Loan (757 BR):
Withdrawal of Proceeds of the Loan

1. Mr. Dutt has prepared the attached recommendation for amending Schedule 1 of the Sao Paulo Water Supply loan, in a way which apparently would open the door to local expenditure financing. I am at a loss to reconcile this proposal with the statement made to the Executive Directors in the President's Report that "the Bank loans would cover the foreign exchange expenditures, including the estimated foreign exchange component of local procurement." Mr. Dutt's memo does not argue that the estimated foreign exchange cost of local procurement has increased from 20 percent to 37 percent. Rather it argues that an increase from 20 percent is "necessary" in order to allow the full loan to be disbursed, taking its text from a paragraph in Schedule 1 of the Loan Agreement. I would have thought that that paragraph could become operative only if there were a genuine reason to suppose that the estimated foreign exchange component had increased.

2. I would appreciate guidance.

Attachment

cc: Messrs. Dutt
Thys
Clyde

RFSkillings:gc

Brazil - Loan 757 - Admin.

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Gunter K. Wiese

DATE: May 19, 1972

FROM: Robert F. Skillings

SUBJECT: BRAZIL - Sao Paulo Water Supply Loan (757 BR): Withdrawal of Proceeds of the Loan

1. Mr. Dutt has prepared the attached recommendation for amending Schedule 1 of the Sao Paulo Water Supply loan, in a way which apparently would open the door to local expenditure financing. I am at a loss to reconcile this proposal with the statement made to the Executive Directors in the President's Report that "the Bank loans would cover the foreign exchange expenditures, including the estimated foreign exchange component of local procurement." Mr. Dutt's memo does not argue that the estimated foreign exchange cost of local procurement has increased from 20 percent to 37 percent. Rather it argues that an increase from 20 percent is "necessary" in order to allow the full loan to be disbursed, taking its text from a paragraph in Schedule 1 of the Loan Agreement. I would have thought that that paragraph could become operative only if there were a genuine reason to suppose that the estimated foreign exchange component had increased.

2. I would appreciate guidance.

Attachment

cc: Messrs. Dutt
Thys
Clyde

As per our conversation - I do agree with Mr Dutt on basis of new Bank policy.

of Issues	2203-AL
ALGERIA - Technical Assistance Project	P-2613-AL
NIGERIA - Lagos Power Distribution Project	P-2633-UNI, 2502-UNI
NIGERIA - Urban Development Project	P-2634-UNI, 2412-UNI
PAKISTAN - Fourth Agricultural Development Bank	

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Gunter K. Wiese (through Mr. Skillings) DATE: May 19, 1972

FROM: Devbrat Dutt

SUBJECT: BRAZIL - Sao Paulo Water Supply Loan (757 BR) - Withdrawal of Proceeds of the Loan

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II.	Imported water meters and billing equipment	1.15	100% of foreign expenditures
III.	Consultants' services	0.45	100% of foreign expenditures
IV.	Civil works and locally produced or procured machinery and equipment listed under categories I and II of this Schedule	5.50	20% of total expenditures, representing the estimated foreign expenditures component
V.	Unallocated	4.00	
	TOTAL	22.00	

The Loan Agreement provides for changes in the above percentage with a view to permit full withdrawal of the loan amount. (4(c) of Sch.1 of Loan Agrmt.)

2. The Borrower (SAEC) has requested and the Public Utilities Projects Department have supported the request for raising the percentage under Category IV from 20 percent to 37 percent. Brazilian suppliers have succeeded in several international competitive bids and the disbursements under Categories I and II would be substantially less than the original forecast.

We are apparently not disbursing against the Braz. contracts

3. You are requested to sign the attached letter, prepared in the Legal Department, for giving effect to the above change. Concerned departments concur.

Cleared in substance with and cc: Messrs. Morse
Clyde
Helne

Attachment.

Brazil - Loan 757 - Admin.

May 18, 1972

Superintendencia de Agua
e Esgotos de Capital
Rua Riachuelo, 115-5° andar
Sao Paulo, Brazil

Re: Loan No. 757 BR
(Sao Paulo Water Supply Project)

Gentlemen:

Please refer to Schedule 1 of the Loan Agreement (Sao Paulo Water Supply Project) between us, dated June 21, 1971.

Pursuant to paragraph 4(c) of such Schedule 1, and in accordance with your request, the Bank agrees to increase the percentage set forth in the third column of the table in paragraph 1 of such Schedule 1 and applicable to Category IV from 20% to 37%.

Please confirm your agreement to the foregoing by signing the enclosed copy of this letter and returning it to us.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By_____
Gunter K. Wiese
Deputy Director
South America Department

CONFIRMED:

SUPERINTENDENCIA DE AGUA E ESGOTOS DE CAPITAL

By_____
Authorized Representative

TMClyde/jh

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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

Area Code 202 · Telephone EXecutive 3-0300 · Cable Address - INTBAFRAD

Brazil Loan 757-BR-Admin.
Revising Category IV of Schedule I
to Loan Agreement

May 18, 1972

Superintendencia de Agua
e Esgotos de Capital
Rua Riachuelo, 115-5° andar
Sao Paulo, Brazil

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(Sao Paulo Water Supply Project)

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By G. K. Wiese

Gunter K. Wiese
Deputy Director
South America Department

CONFIRMED:

SUPERINTENDENCIA DE AGUA E ESGOTOS DE CAPITAL

By

Authorized Representative

Brazil Co 757

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. D. Dutt

DATE: May 12, 1972

FROM: Charles Morse

SUBJECT: Loan 757-BR, Sao Paulo Water Supply Project
Withdrawal of Proceeds of Loan

Our Borrower SAEC has requested that the percentage applicable to financing expenditures for items under Category IV of Schedule I of the Loan Agreement (civil works and locally produced equipment) be raised from 20% to 37%.

This is in accordance with Section 4(c) of Schedule 1 of the Loan Agreement.

We agree with SAEC's request, since the results of international competitive bidding have now shown that most goods will be procured in Brazil and that the new percentage would ensure that withdrawals of the Loan amount would be in line with SAEC's total disbursements for the project. We propose to send the attached cable to SAEC.

May I have your concurrence please.

AThys:oa

cc: (Controller's) Helne

(Legal) Clyde

Annex: Draft cable to SAEC

DRAFT
AThys:oa
May 12, 1972

ENG JOAO GARCEZ FILHO
SUPERINTENDENTEC
SAEC, RUA RIACHUELO 115
SAO PAULO
BRAZIL

REFERENCE YOUR LETTER GC111-72 AND CABLE OF MAY 5 STOP BANK AGREES TO INCREASE PERCENTAGE APPLICABLE TO CATEGORY IV OF SCHEDULE I OF LOAN AGREEMENT TO 37% REGARDS

Formal letter follows

MORSE
INTBAFRAD

~~7606~~
5394

Brazil - Loan 757 - Admin.

Mr. D. Dutt

May 12, 1972

Charles Morse

Loan 757-BR, Sao Paulo Water Supply Project
Withdrawal of Proceeds of Loan

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(Legal) Clyde

Annex: Draft cable to SAEC

DRAFT
AThys:oa
May 12, 1972

ENG JOAO GARCEZ FILHO
SUPERINTENDENTEC
SAEC, RUA RIACHUELO 115
SAO PAULO
BRAZIL

REFERENCE YOUR LETTER GC111-72 AND CABLE OF MAY 5 STOP BANK AGREES TO INCREASE PERCENTAGE APPLICABLE TO CATEGORY IV OF SCHEDULE I OF LOAN AGREEMENT TO 37% REGARDS

MORSE
INTBAFRAD

RECEIVED
MAR 15 10 37 AM 1972

Brazil - Loan 757 - Adm

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

São Paulo, 11 de maio de 1 972

Of-GS-181/72

Ilmo. Sr.
CHARLES MORSE
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20 433
United States of America

Date Rec'd. May 24/72
Date Ack'd. May 26/72
Assigned to C. Morse
They
Rodriguez
BRA-2-11

Prezado Senhor:

Tendo em vista o que estipula o Ítem (b) da Secção 3.02. do Contrato 757-BR BIRD, estamos encaminhando para a preciação de Vossa Senhoria minuta de contrato que pretendemos assinar com a firma norte-americana "The Pitometer Associates".

O custo dessa assessoria está orçado em US$ 165,200.00.

Aguardando o pronunciamento de Vossa Senhoria, aproveitamos a oportunidade para renovar nossos protestos de estima e alta consideração.

Engº JOÃO MOREIRA GARCEZ FILHO
Superintendente

RECEIVED
COMMUNICATIONS
SECTION
MAY 26 3:52

Brazil - Loan 757 - Admin

GOVERNO DO ESTADO DE SÃO PAULO
SECRETARIA DOS SERVIÇOS E OBRAS PÚBLICAS

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

São Paulo, 11 de maio de 1 972

Of-GS-181/72

Ilmo. Sr.
CHARLES MORSE
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20 433
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Engº JOÃO MOREIRA GARCEZ FILHO
Superintendente

SECTION
COMMUNICATIONS
1972 MAY 23 PM 3:25
RECEIVED

RUA RIACHUELO, 115 - CEP 01007 - SÃO PAULO - BRASIL

Brazil- Loan 757- Admn.

May 10, 1972

Mr. Moreira Garcez Filho
Director
Superintendencia de Agua
e Esgotos da Capital
Rua Riachuelo, 115-5° Andar
Sao Paulo, Brazil

Dear Mr. Garcez Filho:

I enclose for your information two copies of the revised Guidelines for Procurement under Bank Loans and IDA Credits, dated April 1972. The principal revisions concern Expenditures under Contracts (Clause 3.7), Pricing of Bids (Clause 3.8), and Currency of Payment (Clause 3.9).

The revised Guidelines will be incorporated by reference as appropriate in future loan and credit agreements. However, borrowers or beneficiaries under existing loan and credit agreements which refer to earlier editions of the Guidelines may, at their option, apply the procedures set out in the revised guidelines in respect of those bid invitations which have still to be issued or have been issued so recently that an amendment to them would not disrupt the orderly preparation of bids.

With best wishes.

Yours sincerely,

Robert F. Skillings
South America Department

Encs.

RDFletcher:gc

cc: Messrs. Thys, Prudence/Helne

Brazil - Loan 757 - Adm.

May 10, 1972

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Superintendencia de Agua
e Esgotos da Capital
Rua Riachuelo, 115-5º Andar
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Robert F. Skillings
South America Department

Encs.

RDFletcher:gc

cc: Messrs. Thys, Prudence/Helne

MAY 11 12 43 PM 1972

Log 84

Brazil - Loan 757 Admin

757-BR

RECEIVED

WU1007

UNL740 SAOPAULO 26/24 5 1832 May 5, 1972

MAY 6 9 31 AM 1972

COMMUNICATIONS SECTION

LT INTBAFRAD MORSE WASHDC

Distribution

PU Water Supply II

REITERAMOS SOLICITADO NO OF-GS-111/72

ELEVACAO INDICE 20-0/0 PREVISTO CATEGORIA IV ANEXO 1

PARA 37-0/0 CONFORME ESTIPULA ITEM 4C

SAEC LIMAPONZES

COL 111/72 20-0/0 1 37-0/0 4C

AST

Date Rec'd. May 8/72

Date Ack'd. no reply

Assigned to C. Morse

BRA-2-9

Brazil- Loan 757- Admin.

Eng. Luiz Augusto de Lima Pontes
Diretor da CPE
SAEC
Rua Riachuelo 115 - 11° Andar
01007 Sao Paulo, S.P.
BRAZIL

April 24, 1972

Dear Dr. Lima Pontes:

BRAZIL - Loan 757-BR-Sao Paulo Water Supply

Thank you for your letter CPE 35/72 enclosing accounts and balance sheet of SAEC for 1971, which are being studied in this office.

We are pleased to see that the commercial accounting system is taking shape satisfactorily, and hope that it is now in full operation as from January 1, 1972, in substitution for the old system.

Very truly yours,

Charles A. Morse
Chief, Water Supply Division II
Public Utilities Projects Department

cc: Mr. Dutt (South America)
Mr. Thys

Control No. BRA-2-5
EWilliams:oa
IBRD

Brazil - Loan 757 - Adm

Eng. Luiz Augusto de Lima Pontes
Diretor da CPE
SAEC
Rua Riachuelo 115 - 11° Andar
01007 Sao Paulo, S.P.
BRAZIL

April 24, 1972

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Charles A. Morse
Chief, Water Supply Division II
Public Utilities Projects Department

cc: Mr. Dutt (South America)
Mr. Thys

Control No. BRA-2-5
EWilliams:oa
IBRD

APR 25 11 46 AM 1972
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Brazil - Loan 757 - Admin

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: DR BRAS JULIANO
PRESIDENTE SANESP
AV ANGELICA 2223
SAO PAULO
BRAZIL

DATE: April 20, 1972

CLASS OF SERVICE: LT

COUNTRY:

~~LOAN 758-BR~~

TEXT:
Cable No.:

REFERENCE CONTRATOS DE PRESTACAO DE SERVICOS DE ENGENHARIA COM PRIMO 035-71 PLANIDRO SEGUNDO 009-72 CAMP DRESSER AND MCKEE TERTIO 049-71 ETEP QUARTO 048-71 SERETE QUINTO 050-71 PROMON STOP BANK HAS NO OBJECTION AND WOULD LIKE SANESP TO ISSUE PROMPTLY ORDERS OF SERVICE TO CONSULTING FIRMS IN ORDER TO AVOID FURTHER DELAYS IN PROJECT REGARDS

MORSE
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY: Charles Morse

NAME: Chief, Water Supply Division II

DEPT.: Public Utilities Projects Department

SIGNATURE: C. Morse
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: AThys:oa

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

Checked for Dispatch:

(IMPORTANT: See Secretaries Guide for preparing form)

ORIGINAL (File Copy)

REFERENCE: ATNYS:os

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

SIGNATURE

DEPT.

NAME: Public Utilities Projects Department
Chief, Water Supply Division II

AUTHORIZED BY: Charles Morse

Checked for Dispatch:

For use of Communications Section

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CENTRAL FILES
APR 24 11 10 AM 1972

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COMMUNICATIONS

DISPATCHED
APR 20 7 29 PM 1972
COMMUNICATIONS

INTRAVRAD
MORSE

TO CONSULTING FIRMS IN ORDER TO AVOID FURTHER DELAYS IN PROJECT RECORDS
NO OBJECTION AND WOULD LIKE BANKS TO ISSUE PROMPTLY ORDERS OF SERVICE
PRIMO 095-71 PLANIDEO SEGUNDO 005-72 CAMP DRESSER AND MCKEE TERTIO
095-71 ETEP CUARTO 095-71 SERIE CUINTO 050-71 PROMOM SICP BANK HAS

Cable No.:

TEXT: REFERENCE CONTRATOS DE PRESTACAO DE SERVICOS DE ENGENHARIA COM

COUNTRY:

~~[illegible]~~

SERVICE:

CLASS OF: TL

DATE: April 20, 1972

TO: DR BRAS JULIANO
PRESIDENTE BANKS
VA ANGELICA 2233
SAO PAULO
BRAZIL

OUTGOING WIRE

ASSOCIATION
INTERNATIONAL DEVELOPMENT

RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL BANK FOR

CORPORATION
INTERNATIONAL FINANCE

Appointments

Name	Nationality	Position & Department	Date	Ext.
Mr. Ahmed M. Jehani	Libyan	Assistant Counsel-LEG	11/5	60170

Brazil - Loan 757 - Admin.

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files DATE: April 7, 1972

FROM: Devbrat Dutt

SUBJECT: BRAZIL - Sao Paulo Water Supply and Pollution Control Project

1. On March 23, I received an urgent message in Rio from the Bank's supervision mission that the State of Sao Paulo is heading for default on Loans 757-BR and 758-BR for failure to extend adequate financial support to the project. Accordingly, I joined the supervision mission in reviewing the position with the State Secretaries of Finance and Public Works and have, subsequently, apprised Mr. Jayme Alipio de Barros of the situation. This memo records the main points of these discussions.

The Problem

2. The SAEC (authority for water distribution and collection of sewerage) and SANESP (authority for pollution control) projects were to be financed as follows:

	1972 - 1974			
	SAEC		SANESP	
	Million $	%	Million $	%
IBRD Loan	22.0	17	15.0	16
Other Loans (equally shared by BNH & FESB 1/)	30.8	23	23.0	24
Total Borrowing	52.8	40	38.0	40
State Govt. Contribution	41.4	31	48.3	50
Capital Receipts	3.4	3		
Internal Cash Generation less Debt Service	33.9	26	9.9	10
	131.5	100	96.2	100

1/ Fomento Estadual de Saneamento Basico

3. It will be recalled that the present State Government assigned the highest priority to this project and, under the Project Agreement, committed "... promptly as needed by SAEC and SANESP to enable them to carry out their respective Projects with due diligence and efficiency, pay to them, in accordance with the laws of the State, all such other funds as shall be required by them for that purpose."

4. Since contracting these two loans in June 1971, the State Government took most of their commitments seriously and took the unpopular step of reviewing tariffs substantially (my memo of November 24) to ensure adequate returns on the SAEC and SANESP assets. These revisions increased water and sewerage service rates by over 50 percent in July 1971. The State Government also started implementing several suggestions of the Bank for improving financial adminstration of these institutions and technical aspects of the works. They forwarded to the Bank firm commitments for loans from the BNH and FESB in the amounts referred to in Table of paragraph 2. On the basis of their performance these two loans were declared effective in December 1971.

5. Subsequently, the State Government have not enabled the SAEC and SANESP to formally contract the BNH and FESB loans,nor have they provided adequate governmental funds for starting the major works. (The SAEC and SANESP cannot contract the loans unless the State Government make their contribution to FESB and agree to guarantee the BNH loans.)

Discussions with the State Government

6. The State officials explained that the Federal Government have imposed a tight squeeze on State borrowings -- both from internal and external sources -- as a result of which they were finding it difficult to fulfill the requirements of ongoing projects inherited from the previous regime and start the others to which the present administration assigns very high priority. Our analysis indicated that the new administration has diverted substantial funds to transport projects (about 100 percent increase in nominal cruzeiro, or 80 percent in real terms) and cut on the basic sanitation program. We were also informed that a group within the new administration, particularly in the Planning Secretariat, do not like the SANESP project. The COMASP project (bulk supplier of water) has also been delayed and without sufficient analysis (as subsequently accepted by the Government officials in discussions with the supervision mission) the State Government presumed that reduced commital of funds to SAEC and SANESP this year would not affect the integrated bulk/retail water supply/ sewerage programs for the metropolitan area.

7. During discussions the State officials proposed a major revision of the financing arrangement (para. 2) suggesting substitution of State Government contribution by larger BNH loans. Their proposal implied increasing "other loans" by about twice the amount indicated in the appraisal

report. We explained that such a revision will place a heavy debt service burden on the two institutions and will call for another large tariff increase for saving SAEC and SANESP from financial bankruptcy. The State realizes that the main objective ininvolving the Bank in these projects was building of viable water sanitation institutions in Sao Paulo.

8. In our final discussions we urged the State Government on the following points:

(a) The SAEC and SANESP should be enabled to contract the BNH and FESB loans on the basis of commitments made in documents seeking effectiveness of the loans. That means that the State Government should make the necessary contributions to FESB and guarantee the BNH loans.

(b) If the State Government thought it necessary to increase the BNH and FESB loans the revised financing plan should be presented to the Bank. The consequential tariff increases will need to be examined in particular. Also it is important that the contracting for major works is not delayed and for that step (a) should be taken immediately without waiting for all the clearances required for (b).

(c) In consultation with the supervision mission the Governmental funds absolutely necessary for starting the important works should be immediately allocated to SAEC and SANESP. We requested for a decision on these points by April 12, when the supervision mission will finally meet the State officials before returning to Washington.

9. On my return to Washington I had an opportunity to meet Mr. Jayme Alipio de Barros and have acquainted him with the problem. He agreed that the Sao Paulo State should avoid a default and has discussed the problem with the State Secretary for finance (Mr. Rocca) on the telephone. He informs me that Mr. Rocca has now agreed to make the necessary allocations and will inform Mr. Thys of their revised decision on April 12.

cc: Messrs. Morse
Thys (o/r)
Eric Williams
Clyde
Helne
Fletcher

Brazil - Loan 757 - Admin.

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: ALAIN THYS
WORLD BANK
FURNASRIO, RIO DE JANEIRO

DATE: APRIL 6, 1972

CLASS OF SERVICE: ~~LT~~ Telex

COUNTRY: BRAZIL

TEXT:
Cable No.: 3

RECEIVED REQUEST FROM SAEC INCREASE PERCENTAGE DISBURSEMENT CATEGORY FOUR FROM TWENTY TO THIRTYSEVEN PERCENT PRESUMABLY BECAUSE FIRST SUPPLY CONTRACTS ALL AWARDED LOCAL FIRMS STOP WE FEEL REQUEST PREMATURE BECAUSE THESE CONTRACTS ONLY FIRST INSTALMENT TOTAL PROCUREMENT BUT PLEASE DISCUSS

MORSE
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY: Charles Morse
NAME: Chief, Water Supply Division II
DEPT.: Public Utilities Projects

SIGNATURE: C. Morse
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: EWilliams:oa

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

Control No. BRA-2-4

For Use By Communications Section

Checked for Dispatch: _____

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APR 6 5 08 PM 1972

COMMUNICATIONS SECTION

DISPATCHED

5 08 PM 1972

COMMUNICATIONS SECTION

Brazil- LOAN 757-
Admin.

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

Rua Riachuelo, 115 - 11º andar 01007 São Paulo, Brasil

CPE Nº 35/72

São Paulo, 05 de abril de 1 972

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

Date Rec'd. April 14
Date Ack'd. 4 24
Assigned to C. Morse
Wellington
BRA-2-5

Prezado Senhor:

Em resposta à sua carta de 23 de março de 1 972, estamos encaminhando cópia do balanço da SAEC correspondente ao exercício de 1 971 (Contabilidade Pública).

Segue junto também, o balanço resultado da Contabilidade Empresarial que estamos implantando e que devido ainda a problemas existentes, apresenta algumas ressalvas que estão anotadas no rodapé do referido balanço.

Sendo só o que se apresenta na oportunidade, aproveitamos o ensejo para renovar a Vossa Senhoria, nossos protestos de estima e alta consideração.

Atenciosamente

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

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Brazil - Loan 757 - Admin

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

Rua Riachuelo, 115 - 5º andar 01007 São Paulo, Brasil

OF.-GS/S-Nº-115|72

São Paulo, 05 de abril de 1 972

Ilmo. Sr.
CHARLES MORSE
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, DC 20433
U.S.A.

Date Rec'd. April 14/72
Date Ack'd. 6/12
Assigned to C. Morse
Chys
BRA-2-7

Prezado Senhor:

Como é de conhecimento de Vossa Senhoria, a SAEC contratou, em maio de 1 969, a firma "The Pitometer Associates" com a finalidade de preparar o pessoal na operação do sistema de distribuição de água, principalmente na pesquisa de vazamentos. Esse contrato foi encerrado em janeiro do presente exercício.

Os resultados desse contrato foram bastante satisfatórios na parte relativa a treinamento de pessoal, em medição de vazão em adutoras, rendimento de estações elevatórias e localização de vazamentos.

Na parte relativa a perdas na rede de distribuição, os resultados não se apresentaram de todo satisfatório, uma vez que dificuldades existentes em nosso sistema, principalmente registros cobertos por novos pavimentos, sistemas interligados sem cadastro e outros, impediram o total desenvolvimento dos trabalhos.

Tendo em vista a necessidade de dar continuidade aos trabalhos iniciados, negociou a SAEC com a "The Pitometer Associates", um novo contrato que preve duas etapas: uma de

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preparação e outra de execução, que se encontram descritas na minuta de contrato que segue anexo.

Essa minuta já recebeu aprovação por parte da "The Pitometer Associates".

Isto posto, solicito autorização do Banco para contratar a firma "The Pitometer Associates", utilizando os fundos do empréstimo, no valor de US$ 165,200.00, conforme previsto no contrato de empréstimo Nº 757-BR Secção 3.02. Ítem (b).

No aguardo do pronunciamento de Vossa Senhoria, aproveito a oportunidade para renovar os protestos de estima e alta consideração.

Atenciosamente

Engº JOÃO MOREIRA GARCEZ FILHO
Superintendente

O/8

Sao Paulo, Brasil Dec. 1, 1971

SAEC

Terms of contract entered into between SAEC, Sao Paulo, located at 115 Rua Riachuelo - 5th. Floor, Sao Paulo, Brasil, and the company "The Pitometer Associates", with its central office at 100 Church Street, New York, N.Y. 10007, USA, for the purpose of consulting, assisting and training engineers of SAEC, on matters relating to the water distribution system.

On the day of the month of of the year , in the Capital City of the State of Sao Paulo, on one hand, the SAEC of Sao Paulo, hereinafter referred to as "SAEC", represented in this act through its Superintendente, Eng. Joao Moreira Garcez Filho, and on the other hand, the company The Pitometer Associates, represented in this act through its President, Mr. E. Shaw Cole, hereinafter referred to as the Contracted Party, the following was agreed and covenanted, before the undersigned witnesses:

- I -

The purpose of this contract is the carrying out of a research and consulting program of the operating condibions of the water network, specifications and designs of SAEC.

- II -

The survey object of Clause I shall be made by teams of technicians of SAEC, advised and supervised by experts of the Contracted Party, who shall maintain a constant supervision and training of the personnel appointed by SAEC, assisting them in the interpretation of the results of the researches to be made, instructing them on the results of the calculations, helping them to develop the necessary skill and qualification to assure the carrying out of a program consistent with the requirements of SAEC, and make suggestions and recommendations on existing standards and specifications as outlined in Clause III.

- III -

The main items of the training to be provided by the Contracted Party are the following:

1. Continue the training and supervision of the SPP staff in:
   a.) The location and elimination of underground leakage and unauthorized use of unmetered water.
   b.) The field measurements of flows and pressures in the trunk main grid, and the determination of pipe carrying capacity.
   c.) Hydraulic calculations required in analysing distribution system capacity and design of necessary improvements and reinforcements.
2. Study of SAEC's existing standards and specifications with the object of offering suggestions and recommendations covering the following:
   a.) Reinforcements of the distribution grid.
   b.) Design and construction of large diameter pipe including steel cylinder pipe.
   c.) Construction and operation of booster pumping stations.
   d.) Design and construction of water storage facilities.
   e.) Hydraulic acceptance tests covering the performance of pumps, master meters, and large diameter pipe lines.

- IV -

A skilled engineer of the Contracted Party's staff, experienced in the matter, shall be in charge of the aforementioned training. The said engineer shall be appointed for such services as are mentioned in the preceding clauses for a maximum period of five years, as follows:

a.) During 1972, 2 visits will be made to Sao Paulo by one of the Contracted Party's Principal Engineers, each visit to include 10 full working days in Sao Paulo. The purpose of the visits will be to

maintain the interest and activity of the Pitometer Section during the interim period between January 1972 and the start of the 2 year residency period described in Paragraph "b" below. This interim period will allow SAEC to complete the organization of the Pitometer Section, build suitable quarters for its staff and equipment, and obtain necessary data listed in the "Interim Program" annexed to this contract.

In each of the two visits, the quality and quantity of the work done in following the "Interim Program" will be evaluated, and modification of the Program will be prepared for work to be carried out until the next visit or the start of the second period of residency in Sao Paulo.

During the second of the 1972 visits, a definite date will be set for the start of the full time residency in 1973, such date depending on the stage of preparation of the Pitometer Section as regards its ability to undertake further training effectively. The starting date of the second period of residency, in 1973, shall be mutually agreed upon by SAEC and the Contracted Party.

The dates of the two visits in 1972 shall also be mutually agreed upon by SAEC and the Contracted Party.

b.) Starting in 1973, a second period of residency in Sao Paulo by one of the Contracted Party's fully qualified engineers backed by the cooperation of their home office and their Director of Overseas Operations.

During the course of the training their Director Overseas, or one of their Principal Engineers, will make 3 visits during each 12 month period, each visit covering at least 5 full working days in Sao Paulo.

c.) At the end of the 2 year residency period, at the option of SAEC, one of the Contracted Party's Principal Engineers will make 4 semi-annual visits to Sao Paulo. Each of these visits will be for a period of 15 full working days in Sao Paulo, the objective being to review the work done and progress during the preceding 6 months, and help plan the work to be carried out in the next 6 months. These visits would help insure the continuing development of the Pitometer Section and allow introduction of the latest technical advances in the field as they develop.

d.) At SAEC's option, the Contracted Party will cooperate in the further training of one or more of the SAEC engineers in water distribution and control in the United States of North America. Those chosen for such further training will spend 3 months doing field work in various cities designated by the Contracted Party. Visits will be made to study latest methods of control and equipment in actual use, and to manufacturers of such equipment.

- V -

The Contracted Party shall send to SAEC monthly reports on the development of its activities and a final report of services rendered, with the conclusions arrived at and the pertinent recommendations. Copies of said reports shall be sent by SAEC to the International Bank for Reconstruction and Development.

The Contracted Party shall provide the International Bank for Reconstruction and Development with all information, regarding the carrying out of the Program, that may be requested by said Bank.

- VI -

In addition to the normal staff of the Pitometer Section, SAEC shall provide, for the use of the resident engineer, a suitable automobile, motorist, office space and secretary.

- VII -

U.S. Dollar Compensation:

a.) For 2 visits during 1972 - EIGHT THOUSAND DOLLARS (US$8,000.00). This sum covers: the services of one of the Contracted Party's Principal Engineers during the 2 visits to Sao Paulo, each visit covering 10 full working days; his living and traveling expenses.

b.) For services during 2 years - ONE HUNDRED AND FIFTY-SEVEN THOUSAND TWO HUNDRED DOLLARS (US$157,200.00). This sum covers: the services of one of the Contracted Party's experienced engineers resident in Sao Paulo during 2 years; his living and traveling expenses, and all fringe benefits; the full cooperation of their home office; three visits to Sao Paulo every 12 months by their Director Overseas, or other of their Principal Engineers, each visit to cover at least 5 full working days in Sao Paulo.

c.) For semi-annual visits for 2 years - TWENTY-ONE THOUSAND SIX HUNDRED DOLLARS (US$21,600.00). This sum covers four visits to Sao Paulo, at approximately 6 months intervals, by one of the Principal Engineers of the Contracted Party, each visit to include 15 full working days in Sao Paulo.

d.) For further training in the United States, no charge, it being presumed that SAEC would undertake to cover their engineer's salary and expenses (travel and living) during the proposed three month training periods.

SAEC may request, in writing, extra visits by one of the Principal Engineers of the Contracted Party on the following basis:

A day - TWO HUNDRED TWENTY DOLLARS (US$220.00) - a whole working day in Sao Paulo, and an extra day in order to cover the time spent in traveling, each time he comes to Sao Paulo.

Trip - ONE THOUSAND DOLLARS (US$1,000.00) - each trip.

Daily Allowance - THIRTY-FIVE DOLLARS (US$35.00) - for each day in Sao Paulo.

- VIII -

At the option of SAEC and upon a previous understanding between the parties hereto, a second skilled engineer of the Contracted Party shall be made available, rendering his services in Sao Paulo for an extra annual cost of FIFTY-EIGHT THOUSAND EIGHT HUNDRED DOLLARS (US$58,800.00).

- IX -

The prices set forth in this contract include no tax due outside the United States, therefore, if any, they shall be paid by SAEC, provided they are required in Brasil.

- X -

The Contracted Party undertakes to render technical assistance, in other cities where similar work to that dealt with herein are being carried out, to any of SAEC's personnel appointed to visit them, all of the corresponding expenses incurred being for the account of SAEC.

- XI -

Payment:

Training:

The Contracted Party shall receive from SAEC payments as follows:

1. For 2 visits to Sao Paulo in 1972 - US$4,000.00 each, payable at the end of each visit.
2. For one resident engineer in Sao Paulo commencing 1973, monthly payments of US$6,550.000 each, payable at the end of each month's residence.

   In the event SAEC elects to use the services of two resident engineers, SAEC shall pay, for both, ELEVEN THOUSAND FOUR HUNDRED FIFTY DOLLARS (US$11,450.00).
3. For 4 semi-annual visits, if elected by SAEC, commencing 1975, US$5,400.00 each, payable at the end of each visit.

All such payments, described above, shall be made in US Dollars, directly to the Contracted Party, in New York, U.S.A., or to its order, in a bank of that City to be appointed by the recipient.

- XII-

The value of this contract may not be over the amount of US$165,200.00 and shall be fully paid with resources from the loan contracts n. 757-BR BIRD/SAEC, signed between the Government of the State of Sao Paulo and the International Bank for Reconstruction and Development on 21.6.71.

- XIII -

Any difference or controversy arising during the execution of this contract, which shall not be decided by common consent between the parties, shall be settled by judicial arbitration according to the Brasilian law.

For such purpose, the Venue of the Jurisdiction of the Capital City of Sao Paulo, Brasil is elected, waiving any other however priviledged it may be. This waiver is herein expressly manifested by the Contracted Party, whose domicile is in New York, U.S.A.

- XIV -

SAEC undertakes to register this contract with the Central Bank of Brasil, for the purpose of guaranteeing the right to remit the payments due to the Contracted Party under this contract.

And, thus being covenanted, this text was drawn up, which, after being read and found in order, is signed by all.

I, of SAEC, drew it up;

we, and ,

checked it, and I of SAEC,

checked and subscribed it.

WITNESSES:

Eng. Joao Moreira Garcez Filho
Superintendente, SAEC

Mr. E. Shaw Cole
President, The Pitometer Associates

E.L.Puckner-Secretary

Sao Paulo, Brasil Dec. 1, 1971

ANNEX I

"INTERIM PROGRAM"

Suggested list of work to be carried out by the Pitometer Section of SAEC in 1972 and prior to the start of the 2 year residency period in 1973, as referred to in Clause IV, Part "a" of the attached contract.

1. Obtain accurate elevations and profiles of all trunk mains, reservoirs (bottom of overflow pipe, top of filling pipe, bottom of reservoir), pumping stations (floor elevation and center line of pumps), and elevated towers (bottom of overflow pipe and bottom of usable storage).
2. As the accurate elevations become available, measure and plot the hydraulic gradients of the major trunk lines and determine the W-H coefficients.
3. Continue planned program of testing and calibration of all master meters and in-plant meters, thus establishing a control on the quantity of water delivered daily by COMASP.
4. Prepare and use 100 meter test sections on all trunk mains close to and distant from Treatment Plants, thus establishing a control on quality of water delivered by COMASP.
5. Continue research program on "Materia Amorfa".
6. Obtain accurate detailed drawings of all inlet and outlet chambers of reservoirs and pumping stations, AS CONSTRUCTED, not as originally designed.
7. Obtain complete data on all pumps, equipment and piping at pumping stations as CONSTRUCTED and PRESENTLY operating. Suggested forms on file at SPP.
8. Continue and complete pump tests including determination of "wire-to-water" efficiency by measurement of electrical energy input.
9. Work closely with the various regional offices to prepare districts for measurement. Plan proper installation of valves and connection of dead ends.

10. As districts are prepared, make district measurements, sub-divide if possible. Determine net per capita consumption, ratio of maximum hour to average rate, ratio of minimum hour to average, consumption per kilometer, allowable leakage per kilometer, consumption per apartment unit, student per capita consumption in schools, etc.
11. Employ and train sufficient technicians to utilize fully all field equipment.
12. Obtain definite schedule and plan of when, how much and where new supplies of water will be delivered to SAEC, by COMASP.
13. Determine what, and when, modifications or improvements will be made by COMASP regarding present sources of supply.
14. Assist the regional offices in organizing and implementing a planned program of valve location and maintenance.
15. Assist the regional offices, particularly the Center Region, in a planned program of location and installation of fire hydrants. Include instruction and use of Smith Tapping machine.
16. Assist and instruct personnel of regional offices in use of Mueller Tapping machine for 2" taps.
17. Continue detailed planning of pipe cleaning and cement mortar lining.
18. Obtain and list date of installation and material of all trunk mains.

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SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

Rua Riachuelo, 115 - 11º andar 01007 São Paulo, Brasil

CPE Nº 36/72

São Paulo, 05 de abril de 1 972

Ilmo. Sr.
CHARLES MORSE
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, DC 20433
U.S.A.

Date Rec'd. April 14/72
Date Ack'd. June 12, 1972
Assigned to C. Morse
Thys
CO
~~BRD 2-6~~

Prezado Senhor:

Estamos anexando à presente, o relatório sobre sistema de controle de obras preparado pela firma SERETE S/A-Engenharia, resultado do contrato nº 691/71 firmado em 17 de dezembro de 1 971.

Esclarecemos que o referido relatório já foi apreciado preliminarmente pelo Engº Alan Thys, quando de sua missão, em março próximo passado.

No aguardo do pronunciamento de Vossa Senhoria, subscrevemo-nos,

atenciosamente

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

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SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL
Rua Riachuelo, 115 - 11º andar 01007 São Paulo, Brasil

CPE Nº 35/72

São Paulo, 05 de abril de 1 972

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

Prezado Senhor:

Em resposta à sua carta de 23 de março de 1 972, estamos encaminhando cópia do balanço da SAEC correspondente ao exercício de 1 971 (Contabilidade Pública).

Segue junto também, o balanço resultado da Contabilidade Empresarial que estamos implantando e que devido ainda a problemas existentes, apresenta algumas ressalvas que estão anotadas no rodapé do referido balanço.

Sendo só o que se apresenta na oportunidade, aproveitamos o ensejo para renovar a Vossa Senhoria, nossos protestos de estima e alta consideração.

Atenciosamente

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

Original to:
Date: 4-13-72 Communications Section

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Brazil _ Loan 757 Admin

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SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

Rua Riachuelo, 115 - 5º andar - 01007 São Paulo, Brasil

São Paulo, 29 de março de 1 972

Of.GS-111/72

Ilmo. Sr.
CHARLES MORSE
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, DC 20433
U.S.A.

Cabled to AT ← to discuss 6/Apl.

Date Rec'd. April 6/72
Date Ack'd. ----------
Assigned to C. Morse
Williams

BRA-2-4

Prezado Senhor:

Considerando os resultados obtidos na concorrência internacional nº 16/71 e tendo em vista as perspectivas futuras, bem como permitir o total e constante desembolso do empréstimo, solicito a elevação do índice de 20% previsto na categoria IV do Anexo 1, para 37% conforme estipula o ítem 4.(c), do referido Anexo.

No aguardo do pronunciamento de Vossa Senhoria, aproveito a oportunidade para renovar os protestos de estima e alta consideração.

Atenciosamente

Engº JOÃO MOREIRA GARCEZ FILHO
Superintendente

?
Requesting increase in distbt %age for one category (20%) to the average for the whole loan (37%)

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(4-69)

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INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

Brazil - Loan 757 Schwin

INCOMING CABLE ✓ Brazil - Loan 758 Schwin

DATE AND TIME OF CABLE: MARCH 29, 1972 0954

LOG NO.: ITT 14 / 29

TO: INTBAFRAD

FROM: SAO PAULO

Date Rec'd. March 29/72

Date Ack'd. ----------

Assigned to C. Morse

ROUTING

Brazil - Water Supply

ACTION COPY: P U WATER SUPPLY II

INFORMATION COPY:

DECODED BY:

TEXT:

BRA-2-2

TWO FOR MORSE

ALPHA REF LOANS 757 AND 758 STATE HAS DIVERTED FUNDS TO NEW PROJECTS OTHER SECTORS AND HAS NOT COMMITTED MATCHING FUNDS TO ACTIVATE BNH-FESB LOANS PROJECTS IMPLEMENTATION WOULD BE SERIOUSLY DELAYED. DUTT AND MISSION HAVE DISCUSSED SITUATION AND REQUESTED STATE AUTHORITIES TO INCREASE FUNDS ALLOCATED TO PROJECTS DUTT ON RETURN TO WASHINGTON WILL BRIEF YOU LATEST DEVELOPMENTS. PLEASE INFORM SKILLINGS.

BETA IDENTIFICATION MISSION PROCEEDING TO NORTHEAST WITH BNH FROM MARCH 31 TO APRIL 11. PLEASE SEND ALL COMMUNICATIONS TO BANK OFFICE AT RIO.

THYS

FAMILY NOTIFICATIONS BEING MADE FOR MESSRS. THYS AND RINGSKOG

JAO

FOR INFORMATION REGARDING INCOMING CABLES, PLEASE CALL THE COMMUNICATIONS SECTION, EXT. 2021

ORIGINAL

FORM NO. 26
(4-69)

(757 & 758 BR

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

✓Brazil - Loan 757 Admin
Brazil - Loan 758 Admin

INCOMING CABLE

Brazil - Water Supply

DATE AND TIME OF CABLE: MARCH 29, 1972 0954

LOG NO.: ITT 14 / 29

TO: INTBAFRAD

FROM: SAO PAULO

Date Rec'd. March 29/72

Date Ack'd. ----------

Assigned to C. Morse

ROUTING

ACTION COPY: P U WATER SUPPLY II

INFORMATION COPY:

DECODED BY:

TEXT:

BRA-2-2

TWO FOR MORSE

ALPHA REF LOANS 757 AND 758 STATE HAS DIVERTED FUNDS TO NEW PROJECTS OTHER SECTORS AND HAS NOT COMMITTED MATCHING FUNDS TO ACTIVATE BNH-FESB LOANS PROJECTS IMPLEMENTATION WOULD BE SERIOUSLY DELAYED. DUTT AND MISSION HAVE DISCUSSED SITUATION AND REQUESTED STATE AUTHORITIES TO INCREASE FUNDS ALLOCATED TO PROJECTS DUTT ON RETURN TO WASHINGTON WILL BRIEF YOU LATEST DEVELOPMENTS. PLEASE INFORM SKILLINGS.

BETA IDENTIFICATION MISSION PROCEEDING TO NORTHEAST WITH BNH FROM MARCH 31 TO APRIL 11. PLEASE SEND ALL COMMUNICATIONS TO BANK OFFICE AT RIO.

THYS

FAMILY NOTIFICATIONS BEING MADE FOR MESSRS. THYS AND RINGSKOG

JAO

FOR INFORMATION REGARDING INCOMING CABLES, PLEASE CALL THE COMMUNICATIONS SECTION, EXT. 2021

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Brazil - Loan 757 Admin

March 23, 1972

Eng. Luiz Augusto de Lima Pontes,
Director, C.P.E.,
Superintendencia de Agua e Esgotos da Capital,
Rua Riachuelo, 115 - 11° andar,
01007 Sao Paulo - Brazil.

Dear Dr. Lima Pontes:

Loan 757-BR-Sao Paulo Water Supply

Thank you for your letter CPE-27/72 of March 15, 1972, enclosing a copy of the contract between SAEC and Arthur Andersen & Co., for the audit of the 1971 accounts. This firm is acceptable to the Bank for purposes of Section 5.02 of the Loan Agreement, and we look forward to receiving a copy of their report as soon as available.

We would appreciate receiving a copy of SAEC's 1971 accounts now, in advance of the audit - both in the form "Contabilidade Pública" (as published in the "Diario Oficial") and in the new form ("Contabilidade Empresarial"), if available.

Very truly yours

Charles Morse
Chief, Water Supply Division II
Public Utilities Projects Department

EWilliams:oa

IBRD

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cc: Mr. Dutt(Area)
Mr. Clyde (Legal)

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Brazil - Loan 757 Admin

March 23, 1972

Eng. Luiz Augusto de Lima Pontes,
Director, C.P.E.,
Superintendencia de Agua e Esgotos da Capital,
Rua Riachuelo, 115 - 11º andar,
01007 São Paulo - Brazil.

Dear Dr. Lima Pontes:

Loan 757-BR-Sao Paulo Water Supply

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Very truly yours

Charles Morse
Chief, Water Supply Division II
Public Utilities Projects Department

EWilliams:oa

IBRD

Control BRA-2-1

cc: Mr. Dutt(Area)
Mr. Clyde (Legal)

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cc: Brazil - Loan 758 Adm.

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Family notifications being made.

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✓ Brazil Loan 757 Adm
c c Brazil Loan 758 Adm
c c Brazil Water Supply + Sew
cc Terms of Reference

OFFICE MEMORANDUM

TO: Messrs. Thys and Ringskog

DATE: March 17, 1972

FROM: Charles Morse CM

SUBJECT: BRAZIL - Project Identification Mission
Supervision of Loans 757/758-BR
Terms-of-Reference

1. You should leave Washington to arrive in Rio de Janeiro on March 19. Your mission in Brazil should last about three to four weeks.

2. In Rio, you should coordinate your program with Mr. Dutt's of the South America Department, and have initial discussions with the National Housing Bank, to prepare the ensuing project identification mission in the states of Bahia, Sergipe, Alagoas, Piaui, Ceara and possibly Santa Catarina and Parana. You should consider various alternatives of financing projects with BNH, but keep options open until the matter can be reviewed in the Bank.

3. From Rio you should proceed to Belo Horizonte for discussion with the State Water Supply and Sewerage Company (COMAG) on possible projects in Minas Gerais.

4. From Belo Horizonte you should visit the states mentioned in paragraph 2 and then the city of Santos to try to identify water supply and sewerage projects suitable to Bank lending. At this early stage, you should try to identify projects of a sufficient size to warrant Bank involvement, with manageable institutional problems, and in which the IADB is not involved.

5. You should then proceed to Sao Paulo to review the progress made in the implementation of the projects financed by Loans 757-BR and 758-BR and in particular, discuss with our borrowers (i) the preparation of the final engineering designs and (ii) schedules for bidding and construction.

6. On your return to Washington, on or about April 10, you should prepare a Back-to-Office and Full Reports on your identification mission and your supervision mission.

AThys:oa

Cleared with and cc: Mr. Skillings

cc: Messrs. Chadenet, Baum, Ripman, Lee, van der Tak, Weiner, Armstrong, Warford, Howell, Jennings, White, Saeed, Bomani, Dutt (4), Helne, Clyde.

cc: Division File, Central Files (2)

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Central/F
Brazil - Loan 757 Admin

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

Rua Riachuelo, 115 - 11º andar - 01007 São Paulo, Brasil

CPE Nº 27/72 São Paulo, 15 de março de 1 972

Ilmo. Sr.
CHARLES MORSE
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, DC 20 433
U.S.A.

Date Rec'd. March 22/72
Date Ack'd. March 23/72
Assigned to C. Morse
Williams
BRA-2-1
Retained in WS II

Prezado Senhor:

Estamos encaminhando uma cópia do contrato assinado dia 03 de março de 1 972, entre a Superintendência de Água e Esgotos da Capital-SAEC e a firma Arthur Andersen & CO., para a prestação de serviços de Auditoria Financeira, relativa ao exercício de 1 971.

Sendo só o que se apresenta na oportunidade, aproveitamos o ensejo para reiterar a Vossa Senhoria nossos protestos de estima e alta consideração.

Atenciosamente

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

RECEIVED
GENERAL COUNSEL
MAR 21 12 56 PM 1972

FORM. NO. 75
(2-60)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

ROUTING SLIP

Date: March 10, 1972

NAME	ROOM NO.
Mr. A.F.D. Thys	N-530

x	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On

REMARKS

I think this document belongs to you.

From A. Helne Ext. 2667

Brazil - Loan 757 - Admin.

(2)

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

COORDENAÇÃO DE PROJETOS ESPECIAIS

Rua Riachuelo, 115 - 11º andar - 01007 São Paulo, Brasil

CPE Nº 20/72

São Paulo, 03 de March de 1 972

Loan 757-Br
Doc 100(6)
Letts

Ilmo. Sr.
CHARLES MORSE
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20 433
United States of America

Date Ack'd: Mar. 17/72 (Cable).

Prezado Senhor:

Estamos encaminhando para conhecimento e aprovação do Banco, o relatório preparado pela firma Serete S/A - Engenharia sôbre a Concorrência Internacional nº 16/71.

No aguardo do pronunciamento de Vossa Senhoria , subscrevemo-nos,

atenciosamente

Engº Luiz Augusto de Lima Pontes
Diretor da C.P.E.

Brazil Loan 757 Ad
Brazil Loan 758 Ad

Country BRAZIL	Loan # 757/758 Credit # Investment #	Project

Title and Description

Sistema de Controle de Obras.

Form No. 114 (1-73)

Document Date March/72	Prepared By SAEC

Transmittal Letter No. Date	From No Letter-Copy Card for File ☐	Document # 20766

Brasil Loan 757 Ad
Brasil Loan 758 Ad

Country BRAZIL	Loan # 757/758 Credit # Investment #	Project

Title and Description

Programa de Obras.

Form No. 114 (1-73)

Document Date Feb/72	Prepared By SAEC
Transmittal Letter No. Date	From No Letter-Copy Card for File ☐

Document # 20765

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

✓ Brazil - Loan 757 Adm-
cc: Brazil - Loan 758 Adm
Brazil - Water Supply & Sewerage

OUTGOING WIRE

TO: JOSE MEICHES
SECRETARY
SECRETARIA DOS SERVICOS E OBRAS PUBLICAS
RUA RIACHUELO, 115-3° ANDAR
SAO PAULO

DATE: FEBRUARY 25, 1972

CLASS OF SERVICE: LT

14

COUNTRY: BRAZIL

TEXT:
Cable No.:

MESSRS. THYS AND WILLIAMS PROPOSE VISITING SAO PAULO FOR TEN DAYS BEGINNING MARCH 27 STOP THEY WILL REVIEW WITH SAEC AND SANESP PROGRESS UNDER PROJECTS FINANCED BY LOANS 757 BR AND 758 BR STOP ALSO THEY WILL BE AVAILABLE TO REVIEW PROPOSALS FOR INTEGRATED WATER SUPPLY AND SEWAGE DISPOSAL PROJECTS FOR SANTOS BASIN THAT YOU PRESENTED TO HIPSKIND IN OCTOBER STOP HOPE THESE DATES WILL BE CONVENIENT TO YOU AND YOUR COLLEAGUES STOP REGARDS

SKILLINGS

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert F. Skillings

DEPT. South America

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

REFERENCE: DDutt:pv

17

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

Cleared in substance with & cc: Mr. Thys

For Use By Communications Section

Checked for Dispatch: R

RECEIVED
FEB 25 2 47 PM 1972
COMMUNICATIONS
SECTION

Brazil - Loan 757 Adm.
cc: Brazil - Loan 758 Adm.
cc: Brazil - Water Supply & Sewerage

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: RUBENS VAZ DA COSTA
PRESIDENTE
BANCO NACIONAL DA HABITACAO
AVENIDA PRESIDENTE WILSON 164, 7°ANDAR
RIO DE JANEIRO, GB

DATE: FEBRUARY 24, 1972

CLASS OF SERVICE: LT

COUNTRY: BRAZIL

TEXT:
Cable No.:

THANKS YOUR LETTER 11TH STOP MESSRS THYS COMMA WILLIAMS AND RINGSKOG OF WORLD BANK WILL CALL ON YOU ON MONDAY MARCH 20 AND BE AVAILABLE FOR DISCUSSIONS WITH BNH TILL MARCH 22 STOP THEREAFTER THEY WILL VISIT BELO HORIZONTE AND SAO PAULO AND RETURN TO RIO IN APRIL FOR FIELD VISITS AS SETTLED WITH BNH STOP REGARDS

DUTT

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Devbrat Dutt

DEPT. South America

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: DDutt:pv

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Mr. Thys
cc: Messrs. Williams
Ringskog

For Use By Communications Section

Checked for Dispatch: _____

ORIGINAL (File Copy)
(IMPORTANT: See Secretaries Guide for preparing form)

RECEIVED
CENTRAL FILES
FEB 28 4 28 PM 1972

DISPATCHED
FEB 24 7 24 PM 1972
COMMUNICATIONS
SECTION

Brazil Loan 757 Adm.

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE (Brazil Water Supply)

TO: ENG JOAO GARCEZ FILHO

SUPERINTENDENTE

SAEC, RUA RIACHUELO 115
SÃO PAULO
COUNTRY: BRASIL

DATE: February 18, 1972

CLASS OF SERVICE: LT ITT

TEXT:
Cable No.:

AGRADECEMOS CARTA GS-51/72 DEZ FEVEREIRO REF CONSULTOR CONTÁBIL STOP SENTIMOS EQUÍVOCO INFORMAÇÃO RECEBIDA ERRÔNEA STOP ACEITAMOS SEU PONTO DE VISTA E NÃO POMOS OBJEÇÕES AO RECRUTAMENTO CONSULTOR LOCAL QUALIFICADO STOP

MORSE

INTBAFRAD

NOT FOR TRANSMISSION - English translation:

Thank you for your letter GS-51/72 dated February 10 concerning an accounting consultant. We regret that the information we received was erroneous, and accept your point of view . We have no objection to your recruiting a qualified local accountant.

NOT TO BE TRANSMITTED

AUTHORIZED BY: Charles Morse for CM: I. Thomas

NAME: Chief, Water Supply II

DEPT.: Public Utilities

SIGNATURE: EWilliams ywb
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: Control No.: BR-2-51

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:
cc: Messrs. Helne (Controllers) and Dutt (Area) with copy SAEC's letter.
cc: Mr. Thys

For Use By Communications Section

Checked for Dispatch: F

(IMPORTANT: See Secretaries Guide for preparing form)

ORIGINAL (File Copy)

Checked for Dispatch

For use by Communications Section

REFERENCE: Control No.: BR-5-51

SIGNATURE: Williams Vp

DEPT: Public Utilities

NAME: Chief, Water Supply II

AUTHORIZED BY: Charles Morse

FEB 18 6 53 PM 1972

COMMUNICATIONS

cc: Mr. Thys

Butt (Area) with copy SAEC's letter.

cc: Messrs. Heine (Controllers) and

CLEARANCES AND COPY DISTRIBUTION

NOT TO BE TRANSMITTED

Thank you for your letter GS-51/72 dated February 10 concerning an accounting consultant. We regret that the information we received was erroneous, and accept your point of view. We have no objection to your recruiting a qualified local accountant.

NOT FOR TRANSMISSION - English translation:

INTRAPRAD

MORSE

NÃO POMOS OBJEÇÕES AO RECRUTAMENTO CONSULTOR LOCAL QUALIFICADO STOP EQUIVOCO INFORMAÇÃO RECEBIDA ERRÔNEA STOP ACEITAMOS SEU PONTO DE VISTA E AGRADECEMOS CARTA GS-51/72 DEZ FEVEREIRO REF CONSULTOR CONTABIL STOP SENTIMOS

Cable No.:

TEXT:

COUNTRY: BRASIL
SÃO PAULO
SAEC, RUA RIACHUELO 115

SUPERINTENDENTE

TO: ENG JOAO GARCEZ FILHO

SERVICE: LT

CLASS OF:

DATE: February 18, 1972

OUTGOING WIRE (Brazil Water Supply)

ASSOCIATION
INTERNATIONAL DEVELOPMENT

RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL BANK FOR

CORPORATION
INTERNATIONAL FINANCE

Form No. 21

Brazil - Loan 757
Adv

February 17, 1972

Your Reference: Of.-GS/S-no. 40/72

Ilmo. Sr.
João Moreira Garcez Filho
Superintendente
Superintendência de Água e Esgotos
da Capital
Rua Riachuelo, 115 - 5º andar
São Paulo, Estado de São Paulo
BRASIL

Ref: BRAZIL: Computer Purchase
Loan No. 757-BR

Dear Dr. Garcez Filho:

In reply to your letter of February 2, 1972, the Bank has no objection to your proposal to replace the present data processing equipment at an estimated cost of US$700,000 equivalent, of which the foreign exchange component would be eligible for reimbursement under the loan.

Such a purchase would be subject to international bidding in accordance with the Bank's procurement guidelines. However, to enable SAEC to prepare adequate specifications, preliminary discussions with potential suppliers of equipment would be necessary in order to define the equipment's precise capabilities and the possibilities for modification to suit SAEC's needs. We presume from Annex 4 1/ of your letter that this is how you are approaching the matter.

During these preliminary discussions, the role (if any) of the successful equipment supplier in the conversion of your present data processing programs and systems to the new equipment should be thoroughly explored. SAEC should also ensure that it can arrange for its personnel to be trained in use of the new equipment, since the supplier may not be willing to undertake this as part of the sale price.

The tender documents should make clear the basis for evaluating bids and clearly identify aspects of evaluation which cannot be quantified. In general, however, we suggest that it be specifically stated that the evaluation will be on the basis of the equipment which meets SAEC's needs

1/ "Programa de Atividades a Serem Desenvolvidas".

at the lowest price, without regard to any additional capabilities which the suppliers may claim for their product.

Because of the importance of after-sales service, we recommend that you make clear that the suppliers' ability to provide this service will be a major factor in bid evaluation.

We look forward to receiving the draft bidding documents for approval at an early date.

Very truly yours,

Charles A. Morse
Chief, Water Supply Division II
Public Utilities Project Department

cleared with and cc: Mr. Jennings

cc: Messrs. Helne (Controllers)
Dutt South America Dept.
Berrie (PUD)
Thys

E.Williams/J.H. Jennings:vb

Control No. BR-2-48

Brazil – loan 757 add'l

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE (Brazil Water Supply)

TO: ENG JOAO GARCEZ FILHO
SUPERINTENDENTE
SAEC, RUA RIACHUELO 115
COUNTRY: SAO PAULO, BRASIL

DATE: February 16, 1972

CLASS OF SERVICE: LT

ITT

TEXT:
Cable No.:

APROVAMOS EM PRINCIPIO PROPOSTA AQUISICAO EQUIPAMENTOS PROCESSAMENTO DE DADOS SUJEITO CONCORRENCIA INTERNACIONAL STOP CARTA SEGUE COM SUGESTOES PARA CLAUSULAS DOCUMENTOS DE LICITACAO STOP

MORSE

INTBAFRAD

NOT FOR TRANSMISSION - English translation:

We approve in principle your request for obtaining data-processing equipment subject to international bidding. Letter follows with suggested clauses for bid documents.

NOT TO BE TRANSMITTED

AUTHORIZED BY: Charles Morse
NAME: Chief, Water Supply II
DEPT.: Public Utilities
SIGNATURE: EWilliams:vb
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:
Control No.: BR-2-48

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:
Cleared with and cc to:
Mr. Armstrong
Mr. Jennings

For Use By Communications Section

Checked for Dispatch:

IMPORTANT: See Secretaries Guide for preparing form)

ORIGINAL (File Copy)

REFERENCE: Control No.: BR-5-78

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

SIGNATURE: EMilliams:vp

DEPT: Public Utilities

NAME: Chief, Water Supply II

AUTHORIZED BY: Charles Morse

Checked for Dispatch

For Use By Communications Section

Mr. Jennings
Mr. Armstrong

Cleared with and cc to:

CLEARANCES AND COPY DISTRIBUTION

NOT TO BE TRANSMITTED

suggested clauses for bid documents.
equipment subject to international bidding. Letter follows with
We approve in principle your request for obtaining data-processing

NOT FOR TRANSMISSION - English translation:

INTRAFRAD

MORSE

SUGESTOES PARA CLAUSULAS DOCUMENTOS DE LICITACAO STOP

DE DADOS SUJEITO CONCORRENCIA INTERNACIONAL STOP CARTA SEGUE COM

APROVAMOS EM PRINCIPIO PROPOSTA AQUISICAO EQUIPAMENTOS PROCESSAMENTO

Cable No.:
TEXT:

COUNTRY: SAO PAULO, BRASIL

SAEC, RUA RIACHUELO 115

SUPERINTENDENTE

TO: ENG JOAO GARCEZ FILHO

SERVICE: LT
CLASS OF

DATE: February 19, 1972

OUTGOING WIRE (Brazil Water Supply)

ASSOCIATION INTERNATIONAL DEVELOPMENT	RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL BANK FOR	CORPORATION INTERNATIONAL FINANCE

Brazil - Loan 757 Adm.

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL
GABINETE DO SUPERINTENDENTE

São Paulo, 10 de fevereiro de 1972

Of.GS/nº 51/72

Date Rec'd. Feb. 17/72
Date Ack'd.
Assigned to Morse/JK
Williams/Thys
BR-2-51

Ilmo.Sr.
CHARLES MORSE
DD. Chefe da Divisão de Suprimento de Águas do
Departamento de Projetos de Utilidades Públicas
B I R D
1818 H Street, N.W.
Washington D.C. 20 433
U.S.A.

Prezado Senhor Morse:

Agradecemos sua carta de 1 de fevereiro pp., enviada em resposta à nossa GS-S nº 18/72.

É com satisfação que tomamos conhecimento da concordância dêsse Banco em permitir a utilização dos fundos previstos no ítem 3 do Anexo I do Contrato de Financiamento 757-BR / para fins de custear o Convênio, em prorrogação, que esta Autarquia pretende assinar com a Organização Pan Americana da Saúde - OPS, com a finalidade de melhoramento administrativo de seus serviços.

Estamos de acôrdo em excluir a parte relativa / às Bolsas (Becas viajeras) e os cursos de treinamento.

Prosseguiremos os contatos com a O.P.S. a respeito do assunto, a fim de serem acertados detalhes finais e enviaremos, conforme solicitado, uma cópia do novo Convênio quando o mesmo houver sido assinado.

Verificamos que, em sua carta, V.Sa. referiu-se à questão da contratação de um consultor para a área de administração financeira (Contabilidade) pela SAEC.

Como êsse assunto não foi tratado em nossa / carta GS/S nº 18/72 porque trata-se de matéria da exclusiva competência desta Autarquia, de certa forma estranhamos que o mesmo fosse abordado, e com tanta ênfase em sua carta de 1 de fevereiro.

./.

O/27

Brazil - loan 759 Add

REGISTERED MAIL NUMBER 8623314

BANCO NACIONAL DA HABITAÇÃO

RIO DE JANEIRO, 11 DE FEVEREIRO DE 1972

ILMO. SR.
DR. ROBERT F.SKILLINGS
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
1818 H STREET - N.W.
WASHINGTON

PREZADO SENHOR,

ACUSO O RECEBIMENTO DE SUA CARTA DE 2 DO CORRENTE, JUNTO A QUE ME ENVIOU O DOCUMENTO DE TRABALHO SOBRE ÁGUA POTÁVEL E ESGOTOS.

COM OS MEUS SINCEROS AGRADECIMENTOS PELO ENVIO, APRESENTO-LHE AS MINHAS

CORDIAIS SAUDAÇÕES

RUBENS VAZ DA COSTA
PRESIDENTE

Mod. 15

Brazil-Loan 757 adm

REGISTERED MAIL NUMBER 862331A

BANCO NACIONAL DA HABITAÇÃO

RIO DE JANEIRO, 11 DE FEVEREIRO DE 1972

ILMO. SR.
DR. ROBERT F.SKILLINGS
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
1818 H STREET - N.W.
WASHINGTON

PREZADO SENHOR,

ACUSO O RECEBIMENTO DE SUA CARTA DE 2 DO CORRENTE, JUNTO A QUE ME ENVIOU O DOCUMENTO DE TRABALHO SOBRE ÁGUA POTÁVEL E ESGOTOS.

COM OS MEUS SINCEROS AGRADECIMENTOS PELO ENVIO, APRESENTO-LHE AS MINHAS

CORDIAIS SAUDAÇÕES

RUBENS VAZ DA COSTA
PRESIDENTE

Mod. 15

RECEIVED

FEB 23 9 49 AM 1972

COMMUNICATIONS
SECTION

Supomos que êsse fato decorreu dos entendimentos havidos com o pessoal da O.P.S. ai em Washington.

Assim sendo, e, ùnicamente em atenção ao BIRD e a V.Sa., desejamos esclarecer o nosso ponto de vista a respeito.

Preliminarmente devemos dizer que nunca / foi nossa intenção admitir como consultor, na área de contabilidade, qualquer elemento do Ministério da Fazenda, tal como, equivocadamente V.Sa. foi, ao que parece, informado.

O que fizemos sentir várias vezes ao Dr. J. Hilbourg e ao Lic. Jayme Mantilla, da O.P.S. foi que, achamos possível encontrar em São Paulo um profissional local, altamente qualificado, com experiência em contabilidade empresarial e que poderia / atender às necessidades da SAEC, nessa área, mediante uma remuneração inferior àquela que a O.P.S. pretende que se pague por um / consultor permanente por ela indicado.

Êste profissional local, o qual, repito, não seria proveniente do Ministério da Fazenda e de preferência nem mesmo vinculado a qualquer Órgão Público, já que não nos interessa um elemento com experiência em contabilidade pública, teria o seu trabalho assistido por um consultor temporário da O.P.S. , na área, mediante programa a ser estabelecido.

Quanto à citação nominal em sua carta, do / Lic. Enrique Alba, devemos esclarecer que, pelo Convênio ainda vigente, que deverá expirar em abril p.f., o Lic. Alba deveria estar / em São Paulo desde os primeiros dias de janeiro para prosseguir o seu trabalho.

O referido consultor não veio a São Paulo e, por seu turno, a O.P.S. não providenciou até agora, a vinda de nenhum substituto seu, bem como esta Superintendência não recebeu /

./.

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL
GABINETE DO SUPERINTENDENTE

Of.GS/nº 51/72

qualquer comunicação oficial da O.P.S. a respeito da ausência do consultor Enrique Alba.

Como é natural, o não cumprimento do / programa previsto para janeiro está causando atraso no desenvolvimento do mesmo.

Assim, não é conveniente, sob forma nenhuma, a esta Autarquia a contratação do Sr. Enrique Alba, sugerida em sua carta. Mantemos o nosso ponto de vista a respeito do assunto e que é aquele que foi transmitido aos representantes da O.P.S. e está acima explicado.

Sem mais, subscrevemo-nos

Atenciosamente

ENGº JOÃO MOREIRA GARCEZ FILHO
Superintendente.

JMGF/maap.

Brazil-loan 757 adm

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

GABINETE DA SUPERINTENDÊNCIA

R. RIACHUELO, 115 5° ANDAR, S.P.

Of.-GS/S-nº 40|72

São Paulo, 2 de fevereiro de 1 972

Date Rec'd. Feb 14/72
Date Ack'd. Feb. 17, 1972
Assigned to Morse
Williams
FR-2-48

Ilmo. Sr.
CHARLES MORSE
International Bank for Reconstruction
and Development
1818 H Street, N.W.
WASHINGTON, DC 20 433
U.S.A.

Ref: Equipamentos de Processamento de Dados

Prezado Senhor:

Em 17 de fevereiro de 1 971 recebeu esta Superintendência carta dessa prestigiosa organização com relação ao assunto em epígrafe, onde o Banco sugeria a instalação de 10 máquinas UNIVAC 1701 perfuradoras de cartão e uma impressora adicional, onde se estimava um custo de US$ 150.000.

De posse dessa colaboração, e tendo em vista os trabalhos de reforma administrativa que estavam se desenvolvendo na SAEC, contando para tal com a assessoria da Organização Panamericana de Saúde - OPS -, se considerou mais conveniente esperar os resultados dêsses trabalhos, a fim de se poder dimensionar com maior segurança os equipamentos de processamento de dados necessários.

Com os resultados dos trabalhos supra mencionados elaborou a SAEC, através do consultor da OPS Lic. Carlos Escobar, um estudo preliminar de viabilidade para aquisição de novos equipamentos, cuja cópia segue anexo à presente.

Retained by Projects Dept

O/8

SAEC

SUPERINTENDÊNCIA DE ÁGUA E ESGOTOS DA CAPITAL

GABINETE DA SUPERINTENDÊNCIA

Of.-GS/S-nº 40|72 R. RIACHUELO, 115 5° ANDAR, S.P.

Êste estudo concluiu ser necessário adquirir novos equipamentos com a finalidade de garantir a operação e processamento do sistema de arrecadação e faturamento, absorver o crescimento de consumidores devido ao programa de ampliação do sistema distribuidor de água e coletor de esgotos, e atender outras áreas da SAEC, cujos programas se encontram em andamento.

O custo previsto para êsses equipamentos está orçado em aproximadamente US$ 700.000.

O contrato de empréstimo BIRD LOAN 757-BR preve recursos para a compra dêsses equipamentos na categoria II do capítulo I, ítem 1.

Considerando o acima exposto, consultamos V.Sª. sôbre a possibilidade de se adquirir êsses equipamentos com os recursos supra citados.

Na expectativa de uma breve resposta, aproveitamos a oportunidade para reiterar a V.Sª. nossos protestos de elevada estima e consideração.

Atenciosamente,

Engº. JOÃO MOREIRA GARCEZ FILHO
Superintendente

Original hand carried.

Brazil - Loan 757 Admin

February 1, 1972

Ilmo. Eng. Joao Moreira Garcez Filho
Superintendente
Superintendência de Agua e Esgotos da Capital
Rua Riachuelo 115 - 5° Andar
01007 Sao Paulo, Brazil

Subject: Sao Paulo Water Project-Loan 757-BR

Dear Dr. Garcez Filho,

Thank you for your letter of January 12 reference GS/S-No. 18;72. We have discussed your proposal with Pan American Health Organization (PAHO) headquarters officials, who explained to us that you favor a local consultant, possibly from the Ministry of Finance, as your full-time adviser in financial administration.

Naturally, we welcome any reinforcement of SAEC's accounting personnel by qualified local officials, but it is possible that a consultant from a Ministry would be experienced predominantly in "Contabilidade Pública" and we are not certain that this would be any more advantageous than using SAEC's existing staff. We believe that supervision of the introduction of a commercial accounting system can best be done by the consultant who devised it, namely Lic. Enrique Alba. We understand that you are proposing to utilize his services for about three months in 1972 and it will be useful if you could consider extending this period to five months, so as to enable him to complete his task.

The provision for fellowships ("Becas viajeras") and training courses may not be legally eligible for inclusion in the loan since these are not strictly "Consultants' Services". Accordingly, we suggest that they be excluded from the estimate of US$ 173,000, and replaced instead by a proportion of the salary, etc. of the Permanent Coordinator from April to December 1972. (At present his salary for 1972 is charged wholly to the "Convênio Existente".) No doubt you will wish to

Ilmo. Eng. Garces Filho February 1, 1972

discuss this with PAHO.

Subject to the foregoing, we confirm that it will be in order to claim reimbursement of foreign exchange payments to PAHO, or alternatively to request direct payment by the Bank to PAHO. It will be necessary to send us a copy of your contract with PAHO.

Very truly yours,

Charles A. Morse
Chief, Water Supply Division II
Public Utilities Projects Department

cc: PAHO
ER Williams:yk
IBRD

cleared with and cc: South America Dept. (Mr. Dutt)
Controllers (Mr. Helne)

cc: Thys/Williams

Control BR - 2 - 19

Brazil - Loan 757 Admin

WU1005

NYD795 SAOPAULO 16 26 1730 January 26, 1972

LT CHARLES MORSE INTBAFRAD WASHDC

Distribution

P U Water Supply II
Public Utilities Proj.

SOLICITO INFORMAR DATA CHEGADA PROXIMA MISSAO SAEC PT

ABRACOS

LIMA PONTES

cc: Loan Documents
CDavis/enh

Brazil-loan 757 addenda

AIR MAIL

January 19, 1972

Superintendencia de Agua e Esgotos da Capital
Rua Riachuelo, 115-5o andar
Sao Paulo, Brazil

Re: Loan No. 757 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 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 or Pound sterling equivalent. Upon receipt of the dollars 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 or sterling required to purchase the currencies due to the Bank. Therefore, the amount of dollars 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 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 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.

Re: Loan No. 757 BR

January 19, 1972

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 or sterling for that purpose.

Sincerely yours,

K. Georg Gabriel
Controller

Enclosure

We wish to accept the above arrangement and will in the future furnish U. S. dollars/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 currency not chosen is 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.

DO NOT REMOVE FROM FILES

January 19, 1972

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Controller

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Date _____ By _____
Authorized Representative*

* Please ensure that the currency not chosen is 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.

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CENTRAL FILES

Genl Files
Brazil — Loan 757
admin

Mr. Georg Gabriel

January 14, 1972

Leopoldo Cancio

BRAZIL: Loan No. 757-BR (Sao Paulo Water Supply Project)

The Loan and Guarantee Agreements for the above loan became effective January 13, 1972.

Cancio

bmc

cc: Mr. Skillings
Mr. Dutt
Mr. Morse
Mr. Helne

WUI 02 LNL200

SPAULO 20 14 NFT

Brazil-loan 757 Admin

January 14, 1972

LT

GUNTER K WIESE INTBAFRAD WASHNDC

Distribution

Mr. Wiese
Mr. Alter

ACUSAMOS RECBIMENTO TELEGRAMA ONDE BANCO PARTICIPA

EFETIVACAO CONTRATO DESTA SUPERINTENDENCIA

SAUDACOES

MOREIA GARDEZ SAEC

√Brazil-Loan 757 admin
"Brazil - Loan 758 admin

Mr. Gunter K. Wiese

January 13, 1972

Devbrat Dutt

BRAZIL - Effectiveness of Sao Paulo Water Supply and Pollution Control Loans (757 BR and 758 BR)

In late December 1971 we postponed the last date for effectiveness of Loans 757 BR and 758 BR to January 28, 1972. Eventhough we were satisfied that the substantive conditions for effectiveness of these two loans have been met, we did not receive the formal documents by the end of December. Since then the papers have been received and examined in Legal Department. The Legal, Controller's, Projects Departments and we are satisfied with the papers and recommend that these two loans be declared effective. Attached cables are for your signature.

DDutt:pv

CENTRAL FILES
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JAN 14 8 52 AM 1972

RECEIVED
CENTRAL FILES
JAN 14 8 25 AM 1972

DDuff:vq

Brazil - Loan 757 Adm.

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

Brazil Loan 757-BR
Effective Date

TO: SUPERINTENDENCIA DE AGUA E ESGOTOS DA CAPITAL

RUA RIACHUELO 115-5° ANDAR

SAO PAULO

COUNTRY: BRAZIL

TEXT:

Cable No.:

DATE: JANUARY 13, 1972

CLASS OF SERVICE: * ~~IBL GOVT~~ FR

INT

AM PLEASED TO NOTIFY YOU BANK ACCEPTS EVIDENCE SUBMITTED IN FULFILLMENT CONDITIONS PRECEDENT TO EFFECTIVENESS OF LOAN AGREEMENT SAO PAULO WATER SUPPLY PROJECT DATED JUNE TWENTYONE 1971 BETWEEN BANK AND SUPERINTENDENCIA DE AGUA E ESGOTOS DA CAPITAL AND GUARANTEE AGREEMENT OF SAME DATE BETWEEN FEDERATIVE REPUBLIC OF BRAZIL AND BANK STOP CONSEQUENTLY LOAN AND GUARANTEE AGREEMENTS BECOME EFFECTIVE TODAY JANUARY THIRTEEN 1972 STOP PLEASE CABLE CONFIRMATION RECEIPT THIS CABLE REGARDS

GUNTER K WIESE
DEPUTY DIRECTOR
SOUTH AMERICA DEPARTMENT
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

NOT TO BE TRANSMITTED

AUTHORIZED BY: Gunter K. Wiese

NAME: Leopoldo Cancio

DEPT.: Legal Department

SIGNATURE: _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RJAW

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cleared with Projects Mr. Morse
cleared with Controllers Mr. Helne

re: 757-BR

For Use By Communications Section

Checked for Dispatch: _____

Brazil - Loan 757 Adm.

Form No. 27
(3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

Brazil Loan 757-BR
Effective Date

TO: MINIFAZ
RIO DE JANEIRO
BRAZIL

DATE: JANUARY 13, 1972

CLASS OF SERVICE: ~~IBF GOVT~~ FR

COUNTRY:

TEXT: Cable No.:

AM PLEASED TO NOTIFY YOU BANK ACCEPTS EVIDENCE SUBMITTED IN FULFILLMENT CONDITIONS PRECEDENT TO EFFECTIVENESS OF LOAN AGREEMENT SAO PAULO WATER SUPPLY PROJECT DATED JUNE TWENTYONE 1971 BETWEEN BANK AND SUPERINTENDENCIA DE AGUA E ESGOTOS DA CAPITAL AND GUARANTEE AGREEMENT OF SAME DATE BETWEEN FEDERATIVE REPUBLIC OF BRAZIL AND BANK STOP CONSEQUENTLY LOAN AND GUARANTEE AGREEMENTS BECOME EFFECTIVE TODAY JANUARY THIRTEEN 1972 STOP PLEASE CABLE CONFIRMATION RECEIPT THIS CABLE REGARDS

GUNTER K. WIESE
DEPUTY DIRECTOR
SOUTH AMERICA DEPARTMENT
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

NOT TO BE TRANSMITTED

AUTHORIZED BY: Gunter K. Wiese

NAME Leopoldo Cancio

DEPT. Legal Department

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RJMW

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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cleared with Controllers Mr. Helne

re: 757-BR
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File Title	Barcode No.
Sao Paulo Water Supply and Pollution Control Projects - Brazil - Loan 0757, Loan 0758 - P006246 - Correspondence - Volume 1	1384211

Document Date	Document Type	
1/7/1972	Facsimile	

Correspondents / Participants
To: Jaime Alipio De Barros
From: Leopoldo Cancio, Legal Department

Subject / Title
Effectiveness of Loans 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.

Withdrawn by	Date
Bertha F. Wilson	June 5, 2017