

**AEGEA CORPORATE LOAN
PROJECT ABSTRACT
November 2014**

Country:	Brazil
Sector:	Water and Sanitation
Project Name:	Aegea Corporate Loan
Project Number:	BR-L1425
Borrower:	AEGEA Saneamento e Participações S.A.
Proposed A Loan:	Up to US\$75 million

PROJECT DESCRIPTION

AEGEA Saneamento e Participações S.A., enrolled in the National Register of Legal Entities (CNPJ/MF) of the Brazilian Ministry of Finance under No. 08.827.501/0001-58, with head office in the City of São Paulo, State of São Paulo, at Avenida Faria Lima, No. 1,744, 8th floor, room 1 (“Aegea”, the “Company”, or the “Borrower”) is a private holding company created in 2010 whose objectives include, but are not limited to, the management of water and sanitation concessions. As of December 2013, the Company had concessions in twenty-nine (29) municipalities in the Brazilian states of Mato Grosso do Sul, Mato Grosso, Sao Paulo, Rio de Janeiro, Santa Catarina and Pará, accounting for sixteen percent (16%) of the private sector’s participation in the water and sanitation sector in Brazil. The Company is required to continuously undertake works associated with the improvement and expansion of its water and sanitation services as part of its concessions, and has requested an IDB loan to support its investment needs for the next three (03) years (the “Investment Program”). The IDB loan will be of up to US\$75 million and will have a tenor of ten (10) years (the “Loan”).

In 2013, the National Environmental Sanitation Office of the Ministry of Cities released the National Plan for Basic Sanitation (Plansab) which sets forth an investment schedule to achieve ninety-nine (99%) of water coverage, ninety-three percent (93%) treatment of collected sewage and thirty-one (31 %) of losses by 2033. The Company’s Investment Program is aligned with the goals set forth in Plansab and includes network improvements, expansion of water and sanitation services, and improved performance of the Company’s existing concessions.

DEVELOPMENT IMPACT AND ADDITIONALITY

Through its Investment Program, the Company will increase access to water and sanitation services and will improve service quality. Investments towards loss reduction and increase sewerage investments to be supported by the Bank will have strong environmental and health benefits. In addition, the Company’s investments include support to continue efforts in water reuse which further contributes to positive environmental impact considering that less than (one

tenth percent) 0.1% of the water produced in Brazil is reused. The Investment Program will also contribute to technology transfers, market and infrastructure expansion.

The long term nature of AEGEA's investments in its operating concessions typically requires long term financing. As a result, the Borrower has sought a 10-year IDB Loan which would provide longer maturity than what could be offered by local commercial banks in Brazil, thus contributing to the financial flexibility of the Company to undertake the required investments in its operating subsidiaries.

PROJECT CONTRIBUTION TO IDB OBJECTIVES

The financing to AEGEA addresses the strategic priority outlined by the Board of Governors in the context of the Ninth General Increase of the Resources of the Bank (GCI-9) of prioritizing environmental sustainability through sustainable practices and fostering development through the private sector. It is also consistent with the IDB Country Strategy for Brazil 2012-2014 (GN-2662-1), which identifies improving the condition of the country's infrastructure and promoting development through the private sector as two (02) of the six (06) strategic objectives for the country, specifically regarding the water and sanitation sector, the document affirms that the Bank will support private firms to expand the coverage of sanitary sewerage services and raise treatment levels for sewage collected in large cities. The Loan will support the implementation of the Company's investments in the water and sanitation sector in Brazil, thus contributing to the SCF strategy objectives to impact 15 million people in the Region by 2015.