

DATE: 17-Mar-2023

Mr. José Renato Casagrande, Governor
Governador do Estado do Espírito Santo
Praça João Clímaco, s/n – Palácio Anchieta
29015-110 Vitória, Espírito Santo – Brazil
governador@es.gov.br

Mr. Fernando Haddad, Minister
Ministério da Fazenda
Procuradoria Geral da Fazenda Nacional
Esplanada dos Ministérios, Bloco "P" - 8º andar
70048-900 Brasília, DF – Brazil
gabinete.ministro@economia.gov.br

Re: Loan Number No 8353 - BR
Espírito Santo Integrated Sustainable Water Management Project
(*Programa de Gestão Integrada das Águas e da Paisagem do Espírito Santo*)
Second Amendment to the Loan Agreement

Excellencies,

We refer to the Loan Agreement (the “Loan Agreement”) entered into between the State of Espírito Santo (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”), dated September 28, 2015, for the above-captioned Project (the “Project”), as amended on April 27, 2021. Please note that capitalized terms used in this letter (the “Amendment Letter”) not defined herein have the meaning ascribed to them in the Loan Agreement.

We also refer to: (i) your letters *Ofício* EME No. 012/22 dated September 14, 2022 and *Ofício* SEG No. 076/22 dated November 10, 2022 requesting the amendment of the Loan Agreement to extend the closing date, reallocate resources among disbursement categories, include new disbursement categories, adjust percentage of financing, and revise Project description set forth in Schedule 1 to the Loan Agreement; (ii) the Technical Group of the Committee for External Financing’s (GTEC/COFIEX) Recommendation No. 0037, dated December 6, 2022; (iii) the National Treasury Secretariat’s (STN) *Parecer* SEI No. 526/2023/ME, dated January 20, 2023; and (iv) PGFN’s approval through *Parecer* SEI No. 801/2023/ME, dated January 29, 2023.

We are pleased to inform you that the Bank agrees with the proposed modifications as per this Amendment Letter. Consequently, the Bank hereby agrees to amend the Loan Agreement as follows:

1. The Project Description set forth in Schedule 1 to the Loan Agreement is hereby amended to read in its entirety as per Annex 1 to this Amendment Letter.
2. The disbursement table set forth in Section IV.A.2 of Schedule 2 to the Loan Agreement is hereby amended to read as per Annex 2 to this Amendment Letter.

3. The Closing Date is extended to June 30, 2024 and, as a result, Section IV.B.2 in Schedule 2 to the Loan Agreement is amended to read as follows:


“2. The Closing Date is June 30, 2024. The Bank will only grant an extension of the Closing Date after the Guarantor's Ministry of Finance has informed the Bank that it agrees with such extension.”

Please confirm your agreement with the foregoing amendment by signing and dating the two originals of this Amendment Letter in the spaces provided below and returning them to us.

The provisions set forth in this Amendment Letter shall become effective as of its signature date. Please also note that the attached Restructuring Paper will be disclosed on the Bank's external website in accordance with the Bank's policy on Access to Information.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: 

Johannes Zutt
Director for Brazil
Latin America and the Caribbean Region

AGREED:

STATE OF ESPÍRITO SANTO

By: JOSE RENATO CASAGRANDE GOVERNADOR DO ESTADO DO ESPÍRITO SANTO 70515182753 2023

Authorized Representative
Name: José Renato Casagrande
Title: GOVERNADOR DO ESTADO DO ESPÍRITO SANTO
Date: 22-Mar-2023

AGREED:

FEDERATIVE REPUBLIC OF BRAZIL (GUARANTOR)

By: *Ana Rachel Freitas da Silva*

Authorized Representative
Name: Ana Rachel Freitas da Silva
Title: Procuradora da Fazenda Nacional
Date: 23-mar-2023

Attachments: Restructuring Paper

Annex 1
Annex 2

cc: Mr. Gabriel Galipolo, Executive Secretary, Ministry of Economy,
secretariaexecutiva@economia.gov.br

Mr. Laio Correia Morais, Chief of Staff, Ministry of Economy,
gabinete.ministro@economia.gov.br
Secretariat of Foreign Trade, Ministry of Economy, agenda.secint@economia.gov.br
Deputy Secretariat of Foreign Trade and External Affairs, SECINT, Ministry of
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Ms. Tatiana Rosito, Secretary of International Affairs, SAIN/ME,
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Ms. Vanessa Santos, SEAID /MPO, vanessa.santos@economia.gov.br
Mr. Paulo Henrique Mendes Leandro Beserra, COGEX/SEAID/MPO,
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Mr. Rogério Ceron, Secretary of National Treasury, gabinete@tesouro.gov.br
Ms. Anelize Lenzi Ruas de Almeida, Attorney General, PGFN/ME,
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Mr. Alvaro Duboc, State Secretary of Planning and Economy, gabinete@sep.es.gov.br
Mr. Munir Abud de Oliveira, President, CESAN, karla.ponzo@cesan.com.br
Mr. Felipe Rigoni, State Secretary for the Environment and Water Resources, SEAMA,
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Cel BM Aureo Buzatto, State Coordinator, Civil Defense and Protection, CEPDEC,
defesacivil@bombeiros.es.gov.br
Mr. Luiz Cesar Maretto Coura, President, DER-ES, luiz.coura@der.es.gov.br;
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Mr. Lazaro Samir Abrantes Raslan, President, INCAPER, diretoria@incaper.es.gov.br
Ms. Lilian Siqueira, State Undersecretary for Fundraising, Secretary of Planning and
Economy, SUBCAP/SEP, lilian.siqueira@sep.es.gov.br
Ms. Sandra Sily, General Coordinator of the Aguas e Paisagem Program, CESAN,
sandra.sily@cesan.com.br
Mr. Erivaldo Alfredo Gomes, Executive Director for Brazil, The World Bank
Ms. Camila Maia Carneiro Costa, Sr. Advisor to the Executive Director, The World Bank

Schedule 1

Project Description

The objectives of the Project are to: (a) improve sustainable water resources management, and (b) increase access to sanitation, in the Borrower's territory.

The Project consists of the following parts:

Part 1: Integrated Water Management and Disaster Risk Management

Improve water resource management and metropolitan coordination and planning mechanisms for the management of urban water, and develop adequate planning and monitoring instruments for risk reduction as well as preparedness and response to adverse natural events in the Borrower's territory, by:

- (a) Developing a State Water Resources Management Plan.
- (b) Developing and/or revising River Basin Management Plans for the River Basins.
- (c) Strengthening the Borrower's hydrological and water quality monitoring network and institutional capacity by, *inter alia*, (i) expanding and upgrading the Borrower's hydrological monitoring network, and (ii) expanding the Borrower's capacity to monitor its water resources for planning and strengthening environmental and water resources management.
- (d) Strengthening SEAMA by (i) developing an environmental management information system integrated to Geobases, and (ii) acquiring equipment for SEAMA's environmental management information system.
- (e) Strengthening the Borrower's capacity in formulating state and municipal public policies in integrated urban water management in the GVMR.
- (f) Strengthening the Borrower's disaster risk management capacity by, *inter alia*: (i) developing methodologies and guidelines for assessing hazard, vulnerability and risk; (ii) developing guidelines for incorporating risk into territorial planning and public investments, including the carrying out of workshops; (iii) designing and implementing an integrated information system to identify and monitor risks; (iv) strengthening the State Disaster and Risk Management System and the State Monitoring and Alert Center; and (v) establishing an integrated operations center.
- (g) Strengthening the Borrower's capacity to manage water resources through, *inter alia*: (i) the preparation of studies for the organizational structure of AGERH; and, (ii) the preparation of studies and designs, data collection, carrying out technical visits, providing technical and operational support for the management and planning of actions to support the structuring and implementation of a state program for integrated management of water resources and the revitalization of watersheds.

Part 2: Efficient Water Supply Services and Increased Access to Sanitation

Increase the efficiency of water supply services and the coverage of sewage collection and treatment services in the Borrower's territory by, *inter alia*:

- (a) Developing an operational efficiency strategic plan for CESAN.
- (b) Carrying out: (i) sewerage investments for wastewater collection and treatment in Selected Urban Areas, and (ii) its Household Sewerage Connection Program, including supervision thereof.

Part 3: Watershed Management and Restoration of Forest Cover

Improve the quality of surface and coastal waters through coordinated interventions in selected watersheds in the Borrower's territory by, *inter alia*:

- (a) Inducing land use change in selected watersheds by supporting and extending implementation of, and strengthening the Borrower's capacity in implementing, *Reflorestar*.
- (b) Implementing the Mangaraí River Pilot aimed at reducing sediment load originating in the Mangaraí River Sub-watershed, by combining reforestation and improved land management (through *Reflorestar*) with interventions that include improvements to roads' construction, operation and management in the Mangaraí River Sub-watershed, including impact evaluations of selected interventions.

Part 4: Project Management, Supervision and Institutional Strengthening

- (a) Strengthening the Borrower's capacity in Project management and implementation, including the provision of training and technical assistance for the carrying out of activities associated with Project execution, monitoring and evaluation of the Project and the provision of administrative and financial management support for Project supervision, as well as the supervision of sewerage works to be implemented in the GVMR.
- (b) Strengthening ARSP's capacity by developing an economic and financial regulatory model for water supply and sewerage services.
- (c) Supporting the structuring of a new investment program, including the revitalization of Itapemirim river basin, providing technical support for the development of preliminary surveys and studies, environmental and social assessment following the World Bank Environmental and Social Policy for Investment Project Financing, and carrying out preparatory studies for the Itapemirim hydrographic river basin hydrological monitoring and warning System.

Section IV. A.2 Withdrawal of Loan Proceeds

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) (a) Goods, works, consulting services, non-consulting services and Training under Part 1 of the Project, except the ones under Part 1(g) of the Project	21,394,265	75%
(b) Goods, consulting services, non-consulting services and Training under Part 1(g) of the Project	3,727,366	100%
(2) (a) Works under Part 2 of the Project	53,951,622	65%
(b) Works under Part 2 of the Project	66,219,984	70%
(3) Goods, consulting services, non-consulting services and Training under Part 2 of the Project	3,638,296	80%
(4) Goods, works, non-consulting, consulting services and Training under Part 3 of the Project	6,074,196	75%
(5) (a) Environmental Services Payments under Part 3 (a) of the Project	2,699,831	50%
(b) Environmental Services Payments under Part 3 (a) of the Project	5,126,389	75%
(6) Goods, consulting services, non-consulting services and Training under Part 4 of the Project	9,005,551	100%

(7) Front-end Fee	562,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(8) Interest Rate Cap or Interest Rate Collar premium		Amount due pursuant to Section 2.07(c) of this Agreement
Amount cancelled as of March 10, 2021	52,600,000	
TOTAL AMOUNT	225,000,000	