

Administration Arrangement between the Government of the United Kingdom of Great Britain and Northern Ireland, acting through the Foreign and Commonwealth Office and the International Bank for Reconstruction and Development and the International Development Association concerning the Smart Mobility and Water Program - United Kingdom Prosperity Fund Single-Donor Trust Fund (Trust Fund No. 073460)

1. The International Bank for Reconstruction and Development and the International Development Association (collectively, the "Bank") acknowledge that the Government of the United Kingdom of Great Britain and Northern Ireland, acting through the Foreign and Commonwealth Office (the "Donor", and together with the Bank, the "Participants" and each a "Participant") has decided to provide the sum of nine million two hundred five thousand Pounds Sterling (GBP 9,205,000) (the "Contribution") for the Smart Mobility and Water Program - United Kingdom Prosperity Fund Single-Donor Trust Fund, (Trust Fund No. 073460) (the "Trust Fund") in accordance with the provisions of this Administration Arrangement.

2. The Contribution will be used to finance the activities set forth in the "Smart Mobility and Water Program - United Kingdom Prosperity Single-Donor Trust Fund Description" attached hereto as Annex 1, and will be administered by the Bank on behalf of the Donor in accordance with the provisions of this Administration Arrangement, including the "Standard Provisions" attached hereto as Annex 2 and the provisions on "Governance" attached hereto as Annex 3.

3. The Donor will deposit the Contribution in accordance with the following schedule and in the currency specified in paragraph 1 above ("Contribution Currency") into such bank account designated by the Bank (each amount deposited hereinafter referred to as an "Installment") upon submission of a payment request by the Bank:

(A) Promptly following countersignature - GBP 1,159,800;

(B) By April 01, 2020 - GBP 1,012,000;

(C) By May 01, 2020 - GBP 1,650,000;

(D) By June 01, 2020 - GBP 1,997,500;

(E) By April 01, 2021 - GBP 1,299,000;

(F) By July 01, 2021 - GBP 1,495,600;

(G) By April 01, 2022 - GBP 385,000; and

(H) By July 01, 2022 - GBP 206,100.

4. The Contribution is being provided in Installments on the basis of financial needs of the Trust Fund. If the Bank determines, on the basis of the speed of the implementation of the activities and availability of funds in the Trust Fund, that it is necessary to either bring Installments forward or delay them, the Bank and the Donor will mutually decide to revise the Installment schedule, as confirmed by the Bank to the Donor in writing.

5. When making any deposit, the Donor will instruct its bank to include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Donor for Trust Fund No. 073460 (the Smart Mobility and Water Program - United Kingdom Prosperity Single-Donor Trust Fund), and the date of the deposit (the "Deposit Instructions"). In addition, the Donor will provide a copy of the Deposit Instructions to the Bank's Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to +1 (202) 614-1315.

6. Except with respect to the Deposit Instructions, any notice, request or other communication to be given or made under this Administration Arrangement will be in writing and delivered by mail, fax or e-mail to the respective Participant's address specified below or at such other address as such Participant notifies in writing to the other Participant from time to time:

For the Bank (the "Bank Contact"):

Renato Nardello
Program Leader
SLCDR
The World Bank
SCN Quadra 2 Lote A, Ed. Corporate Financial Center
Brasília, DF, 70712-900
Brazil
Tel: +55 61 3329-8618
Fax: +55 61 3329-1010
E-mail: rnardello@worldbank.org

For the Donor (the "Donor Contact"):

João Rampini
Head of the Future Cities Program
SES Qd 801, Conjunto K – Lote 08
Brasília, DF, 70408-900
Brazil
Tel: +55 61 3329-2529
E-mail: joao.rampini@fco.gov.uk

7. In the event any amounts are to be returned to the Donor under this Administration Arrangement, the Bank will transfer such amounts to the Donor, unless otherwise mutually decided with the Bank. When making any deposit, the Bank will include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Bank in relation to Trust Fund No. 073460 (the Smart Mobility and Water Program - United Kingdom Prosperity Single-Donor Trust Fund), and the date of the deposit. The Bank will provide a copy of such information to the Donor.

8. At the date of Bank's signature of this Administration Arrangement, the Indirect Rate (as defined in Annex 1 to this Administration Arrangement) is 17%.

9. All annexes hereto constitute an integral part of this Administration Arrangement, whose terms taken together will constitute the entire arrangement between the Donor and the Bank. Unless otherwise specified in an annex hereto, this Administration Arrangement may be amended only by written amendment between the Bank and the Donor.


10. It is understood that this Administration Arrangement, including any annexes, is not an international treaty and is not eligible for registration as a treaty under Article 102 of the United Nations Charter. It is an administrative arrangement between the Bank and the Donor.

11. All references made in the Administration Arrangement to "shall", "Administration Agreement" and "Parties" will have the same meaning as the term "will", "Administration Arrangement" and

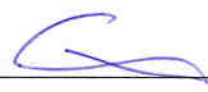
"Participants" herein. In addition, references in the Administration Arrangement to "agreements" or to tenses of the verb "to agree" will be deemed to constitute references to "decisions" or to tenses of the verb "to decide", and references to "comply", "non-compliance" and "obligations" will be deemed to constitute references to "adhere", "non-adherence" and "terms".

12. Each of the Participants represents, by confirming its acceptance below, that it is authorized to enter into this Administration Arrangement and act in accordance with its provisions. The Bank and the Donor are each requested to sign and date this Administration Arrangement, and upon possession by the Bank of this fully signed Administration Arrangement, this Administration Arrangement will come into effect as of the date of the last signature.

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION**

By:  Date: March 3, 2020
Name: Paloma Amés Corro
Title: Country Director

**GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN
IRELAND, ACTING THROUGH THE FOREIGN AND COMMONWEALTH OFFICE**

By:  Date: March 3, 2020
Name: Liz Davidson
Title: Deputy Head of Mission

Smart Mobility and Water Program - United Kingdom Prosperity Single-Donor Trust Fund
Description

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor.

1. **Objectives**

To pilot innovative smart mobility and water technologies and approaches: (i) to improve the planning and management processes and the regulatory and policy framework governing the transport sector in the São Paulo Metropolitan Region; and (ii) to improve the non-revenue water management program and support the modernization of water supply and sanitation service delivery in the Recife Metropolitan Region.

2. **Activities**

The activities to be financed by the Trust Fund are:

2.1. Bank-executed activities, for which the Bank has implementation responsibility:

I. **Water**

- (a) **Capacity Building in NRW and Performance-Based Contracts.** (i) Provide capacity building to Compesa's directors and staff in new methodologies and practices in water loss reduction, monitoring and control, as well as performance-based contracts, including knowledge exchange with the water and sanitation utility of Sao Paulo and their experience in NRW reduction, and preparation of the Compesa team for effective NRW reduction while ensuring that all staff participating will start with the same technical basis and understanding.
- (b) **Technical assistance for the Development of Non-Revenue Water (NRW) Reduction and Control Plan in the Recife Metropolitan Region (RMR).** Support the development of a 30-year NRW reduction and control plan, including hydraulic modelling, behavioral inputs to tackle apparent losses, results from the financial assessment undertaken under the recent Externally Financed Output, and adaptation to the new upcoming regulatory environment.
- (c) **Diagnostic and Recommendations on the Organizational Structure for Water Loss Reduction and control.** Support the development of a diagnostic of all of the business units of Compesa (*Companhia Pernambucana de Saneamento e Agua*) in terms of their capacity and readiness to tackle water loss reduction and control while providing recommendations on the organizational structure and identifying their needs.
- (d) **Knowledge Exchange and Sharing on NRW.** Train Compesa's technical teams and managers in innovative technologies and methodologies in water loss reduction and control, through their participation in workshops, conferences and knowledge exchanges, as well as dissemination of results obtained under the Project.
- (e) **Technical Assistance in the Design, Testing and Implementation of Behavioral Interventions to Improve Water Customers' Behaviors.** Design, test, evaluate and implement behavioral interventions (based on the behavioral study carried out under the recent

Externally Financed Output) to reduce illegal connections and increase water bill payments in the Recife Metropolitan Region in order to improve client-service provider relationships as well as customers' experience.

- (f) **Recommendations on the Integration of Behavioral Science and Design Thinking into Compesa's operations.** Provide capacity building to Compesa's staff in the application of behavioral insights and user-centered design thinking to improve internal processes, procedures, communication practices, as well as resolution of problems related to organizational management.
- (g) **Recommendations on the Application of Behavioral Science to Sanitation Service Delivery.** (i) Carry out research and analytical work on waste water management to be conducted and explore potential solutions to change behaviors (customers, utility companies, and local government) in consultation with key stakeholders; and (ii) Support awareness-raising initiatives with the population on the importance of sewage collection and treatment.
- (h) **Knowledge Sharing and Mainstreaming Behavior Science in the WSS Sector in Brazil.** Support the organization of workshops, trainings and other learning activities on behavioral science with other utilities operating in Brazil or in the region, to help further disseminate the approaches used under the Externally Financed Output, as well as the results of behavioral interventions implemented under the Project.
- (i) **Diagnostic and Recommendations to Enhance Compesa's Utility Management Model.** Support the National Quality Foundation (FNQ - Fundação Nacional da Qualidade), to carry out an assisted self-assessment and organizational maturity diagnostic, covering all functional and regional units of Compesa, aiming at identifying key factors which encourage or prevent the promotion of a culture of continuous improvement, innovation and excellence.
- (j) **Recommendations on Institutionalizing Innovation in Compesa Operations.** Develop an innovation management model to support Compesa in incorporating innovative solutions to help overcome current sector challenges.
- (k) **Technical Assistance in Adapting to the New Regulatory Environment and Market Configuration.** Provide technical assistance and capacity building activities to support Compesa in adapting to the new legal framework (under Bill No. 4.162 of 2019) and seeking wider private sector participation in its operations and financing models.

II. Mobility

- (a) **Smart Traffic Lights Simulations and Impact Evaluation of the Pilot in the Sao Paulo Metropolitan Region.** (i) Carry out a partnership with universities to incorporate Big Data into planning of tools, such as smart traffic lights simulations for the 9 de Julho Avenue with balance, epics, and the implementation of a split cycle offset optimization technique model) and the Aricanduva Avenue (bus priority on local controllers); (ii) Carry out a city-wide model for simulation with traffic light with adaptative new technology design; (iii) Carry out a baseline study and measurement of results of the installed pilot system; (iv) Use Big Data to analyze public transport patterns along key corridors (beginning with the 9 de Julho Avenue as treatment and comparing with Rebouças Avenue and Consolação Avenue as control corridor); (v) Carry out a performance analysis of the public transport system along a pilot corridor, that will provide measurable results that will feed other activities and will support the city of Sao Paulo's policies and management decisions on public transport, non-motorized transport, and

road traffic management along other corridors; and (vi) Carry out a road safety analysis of the pilot corridor before and after the system is implemented.

- (b) **Technical, Financial, Legal, Economic and Social Study for an Expansion and Modernization of Smart Traffic Lights for the city of Sao Paulo.** (i) Carry out technical, economic, social, financial and legal analysis for the implementation of a city-wide smart traffic light project with new technologies, with estimated returns calculated against the simulations done and the baseline data; (ii) Carry out a contractual analysis of private deployment model (through concessions, public-private partnerships, subcontracting arrangements, etc.) that would allow capex and opex investments to be allocated to potential private partners, while ensuring that the public sector retains decision-making power over the system; (iii) Carry out a study of potential sources of external revenue for private partners for exploiting the traffic lights network; (iv) Carry out an in depth analysis of the technologies recommended in a recent feasibility study and a cost-benefit analysis of the potential smart traffic lights project; and (v) Complete an investment case for the smart traffic light and a performance-based technical specifications for implementing a city-wide smart traffic lights project.
- (c) **Technical Feasibility Study for Bus Corridors Upgrade to Full Bus Rapid Transit (BRT) Situation.** (i) Carry out a technical feasibility study for upgrading bus corridors into full BRT corridors by expanding the analysis to a selection of candidate macro level corridors; (ii) Carry out a cost-benefit and contractual analysis of the concession and an analysis on potential capex investments on infrastructure and urban equipment along the corridors that can be allocated to a private partner; (iii) Carry out an inventory of the current status of bus corridors/bus lanes in the city of Sao Paulo, including infrastructure and quality of services, and basic needs; (iv) Carry out an analysis of the current and past performance of bus operations along the main corridors, including current and past of operating costs per km, per passenger and how they compare to other cities; (v) Carry out an analysis of current concessions and definition of contractual obligations to increase women's participation in the operation of the buses; and (vi) Prioritize a strategy for deployment of bus corridors programs based on an economic and technical analysis taking into account the improvement in time savings and quality of service using new technologies, including smart traffic lights with public transport prioritization, pre-boarding payment and other technological improvements, including aspects of transport efficiency, low emissions and road safety.
- (d) **Support for the Preparation of the Technical Specifications for Upgrading the Operations Control Center (OCC).** (i) Prepare Technical specifications for the implementation of the transport and mobility systems of the OCC, including the protocols, conceptual design and detailed architecture for database and procedures of the entire system in a phased approach, including the timeline for implementation, the building requirements for the system in the medium and long-term, and the needs for the first phase development of the system in infrastructure , technology, equipment and IT systems, taking into account the necessary flexibility to incorporate other transport modes in the future, advancing towards the “mobility as a service” concept, the initial coordination with the existing traffic and emergency control centers, and the further integration in a later phase, detailed in financial needs and the actual roadmap; and (ii) Develop a strategy to upgrade the system architecture in a later phase into an integrated smart mobility system with predictive and analytical capability (artificial intelligence and machine learning).
- (e) **Institutional Reorganization Study in the Transportation Management of the Sao Paulo Metropolitan Region.** (i) Carry out governance and organizational structure analysis,

decision-making processes, delegation of responsibility, interface aspects with agencies of the Sao Paulo Metropolitan Region.; (ii) Develop management modernization proposals, including costing, legal and implementation schedule aspects, proposals for reforms promoting the integration of agendas with a focus on sustainability, safety and efficiency; (iii) Implement a mobility as a service operationalization plan (including physical integration and integration of monitoring, planning and operational systems for transport, in coordination with the details developed for the OCC); (iv) Carry out an action and communication plan, including a timeline for reforms proposed, with detailed roadmap; (v) Prepare a real estate investment opportunities plan (focusing on transit-oriented development and use of brownfield areas) established; and (vi) Provide training plan for staff for repurposing of functions and job-design.

- (f) **Mobility and Gender.** (i) Carry out an unified reporting mechanism and response protocol for complaints related to sexual harassment, violence and abuse across public entities, together with an awareness campaign; (ii) Include gender perspective on planning, operations and management of transport companies and agencies by promoting behavioral change of key stakeholders; (iii) Carry out an analysis of public transport designs and infrastructure planning considering gender differences in mobility and perception of safety; (iv) Improve designs and infrastructure planning addressing women's perceptions of safety through environmental planning and design; (v) Carry out workshops with the project designers to incorporate key issues for women (public lighting, pedestrian crossings, location of cameras, etc) early in the design; and (vi) Support gender-responsive recruitment, retention and promotion activities in leading transportation companies.
- (g) **Study of Policies and Regulations of the Shared Street/Road Space for Mobility, Focused on Promoting Mobility for Everyone, Universal Access and Use.** (i) Prepare a policy report on benchmarks for changing policies and regulations promoting the pedestrian, non-motorized transport and public transport over private car use; (ii) Carry out a benchmarking study on improving the shared use of road space that should be more efficient and sustainable, including all aspects of new mobility for persons and goods and urban logistics; (iii) Carry out a micro-accessibility hotspot analysis around stations focusing on providing universal access for everyone (elderly, children, people with disabilities); (iv) Promote the integration of sidewalk quality and flow counting crowdsourcing data for development of both sidewalk and pedestrian areas quality monitoring and prioritization systems; (v) Develop a new framework and design of potential pilots in the following areas; (vi) Carry out an analysis of the regulatory framework for promoting non-motorized transport, create a low-emissions area and restrict the use of private cars (car rotation analysis and recommendations for change), including parking policies with on-demand tariffs developed and updating the policies for ride-hailing and car-sharing companies; (v) Promote change in prioritization of the use of road space with focus on pedestrians and cyclists, design of corridors of pedestrian streets and cycleways in collaboration with the private sector; (vi) Promote a new mobility integration with intermodal hubs (scooters, e-bikes, self-driving cars); (vii) Analyze urban cargo logistics (last mile delivery solutions); and (viii) Carry out pilot designs and regulatory framework to support the establishment of the OCC and the new operational and management system of the public transport.
- (h) **Analysis on Inclusive Public Transport Focusing on Socially Vulnerable Groups and Impact Evaluation Baseline Survey for Aricanduva Corridor.** (i) Carry out an analysis of the main barriers on public transport for low-income and socially vulnerable people disaggregated by sex in the area of influence of the Aricanduva corridor and the other selected priority BRT corridors if feasible; and (ii) Carry out an impact evaluation baseline survey for Aricanduva corridor that allows to collect sex disaggregated data for different income groups

and measures socio-economic benefits of the BRT development on the population in the influence area.

- (i) **Communications Strategy, Logistics for Workshops.** (i) Facilitate a communications campaign to promote the sustainable and smart mobility behavioral changes in the citizens, enhancing the feeling of city belonging and promoting the debate to implement radical reforms in institutions and the city's priorities; and (ii) Organize workshops to present the activities done under the program along the implementation.
- (j) Management and Administration Activities for the Trust Fund, including but not limited to, supporting Trust Fund related meetings; planning and executing work plans and budgets; managing communications; supporting the implementation of the Recipient-executed activities and conducting outreach; disseminating lessons learned; reporting on progress; and monitoring and evaluation activities.

2.2. Recipient-executed activities, for which one or more Recipients (as defined in Annex 2) have implementation responsibility:

- (a) **Recipient Executed Smart Pilot corridor in 9 de Julho Avenue by Traffic Engineering Company (CET).** (i) Acquire equipment and provide technical assistance for the deployment of an intelligent traffic lights pilot corridor at 9 de Julho Avenue; (ii) Acquire software and provide technical assistance to support CET (*Companhia de Engenharia de Trafego*) in developing smart traffic light simulation models along key corridors and potential city-wide models; (iii) Develop a maintenance strategy for the pilot and design of a city-wide maintenance strategy with annual commitments on the municipal budget until a deal with the private sector can be reached.
- (b) **Upgrade and Expansion of Compesa's Operational Management System for Water Supply in the Recife Metropolitan Region (RMR).** (i) Support the further development and implementation of an integrated supervision and process management system for water supply in the RMR based on data and information collected and stored in the Compesa operational management system, providing timely process knowledge for decision-making in terms of where, when and how to intervene to reduce water losses.
- (c) **Acquisition of Equipment for the Smart Management and Monitoring of Water Losses in the RMR.** (i) Acquire innovative equipment, informational technologies and techniques to monitor and manage water supply in a smart way, including testing and piloting of innovative equipment such as presented to Compesa under the Externally Financed Output.
- (d) **Assessment and Modernization of Compesa's Existing Customer Relationship Management (CRM) System.** (i) Evaluate and restructure Compesa's existing CRM system, including through the potential use of machine learning and integration with external data platforms such as from the Brazilian Geography and Statistics Institute (IBGE) and the Department of Federal Revenue (Receita Federal); and (ii) Provide associated training to Compesa's staff.
- (e) **Design, Testing, Evaluation and Implementation of the Use of Self-Service Terminals to Facilitate Bill Payment.** (i) Support Compesa in testing the use of self-service terminals in public spaces to reduce hassle factors related to bill payment and increase payment options for their customers; (ii) Carry out consultations with other water and sanitation utilities on this matter to get their experience.

3. Eligible Expenditures

3.1. For Bank-executed activities, the Trust Fund funds may be used to finance:

- (a) staff costs (excluding short-term consultants and temporaries);
- (b) short-term consultants and temporaries;
- (c) contractual services;
- (d) equipment and office premises lease cost;
- (e) media, workshops, conferences and meetings; and
- (f) travel expenses.

3.2. For purposes of this paragraph 3, (i) "staff costs (excluding short term consultants and temporaries)" includes salaries, benefits and the Indirect Rate charged to the Trust Fund as applicable under Bank policies and procedures; and (ii) "short term consultants and temporaries" includes fees and the Indirect Rate charged to the Trust Fund as applicable under Bank policies and procedures.

3.3. The "Indirect Rate" means the indirect rate, defined as a percentage of personnel costs and available at the 'Development Partner Center' website, as such rate may be revised from time to time by the Bank and applied to this Trust Fund, in accordance with its policies and procedures.

3.4. For Recipient-executed activities, the Trust Fund funds may be used to finance eligible expenditures in accordance with the Bank's applicable policies and procedures.

4. Taxes

4.1. The foregoing activities and categories of expenditures may include the financing of taxes in accordance with the Bank's applicable policies and procedures.

5. Indicative Results Framework

5.1. An indicative Results Framework for the activities financed by the Trust Fund prepared by the Bank (the "Results Framework"), in consultation with the Donors, shall be available at the 'Development Partner Center' website. Such Results Framework may be revised by the Bank from time to time, in consultation with the Donors, and shall be used for monitoring and evaluation purposes only.

6. Indicative Budget

6.1. The Bank shall provide indicative budget information for the Trust Fund at the 'Development Partner Center' website, which may be updated periodically by the Bank in consultation with the Donors. Such budget information is for informational purposes only.

Standard Provisions

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor, it being understood that any plural references in the annexes to Donors, Administration Agreements, Contributions and pro rata shares shall be read as singular references to the Donor, its Administration Agreement, its Contributions thereunder and the remaining uncommitted balance of the Trust Fund, respectively.

1. Administration of the Contributions

1.1. The Bank shall be responsible only for performing those functions specifically set forth in this Administration Agreement, including its annexes, and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Administration Agreement shall be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2. Each Donor's Contribution (collectively, the "Contributions") shall be administered in accordance with the Bank's applicable policies and procedures, as the same may be amended from time to time, including its procurement, financial management, disbursement and safeguard policies, its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank's obligations to give effect to the relevant decisions of the Security Council taken under Chapter VII of the Charter of the United Nations. The Donors acknowledge that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to a Donor.

2. Management of the Contributions

2.1. The funds deposited in the Trust Fund shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. The funds deposited in the Trust Fund may be commingled with other trust fund assets maintained by the Bank. The Bank, in its capacity as trustee, has legal title to the funds deposited in the Trust Fund.

2.2. The currency in which the funds in the Trust Fund shall be held is United States dollars (the "Holding Currency").

2.3. Donors agree to deposit their Contributions in the Contribution Currency stated in their respective Administration Agreements. In the case of deposits received in a Contribution Currency other than the Holding Currency, promptly upon the receipt of such amounts and the accompanying Deposit Instructions, the Bank shall convert such amounts into the Holding Currency at the exchange rate obtained by the Bank on the date of the conversion. Where deposits prove to be insufficient to complete activities as a result of exchange rate fluctuations, neither the Bank nor the Donor shall bear any responsibility for providing any additional financing.

2.4. The funds deposited in the Trust Fund may be freely exchanged by the Bank into other currencies as may facilitate their disbursement at the exchange rate obtained by the Bank on the date of the conversion.

2.5. The Bank shall invest and reinvest the funds deposited in the Trust Fund pending their disbursement in accordance with the Bank's applicable policies and procedures for the investment of trust funds administered by the Bank. The Bank shall credit all income from such investment to the Trust Fund to be used for the same purposes as the Contributions.

3. Accounting and Financial Reporting

3.1. The Bank shall maintain separate records and ledger accounts in respect of the funds deposited in the Trust Fund and disbursements made therefrom.

3.2. The Bank shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions via the 'Development Partner Center' website which will be updated quarterly. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions shall be made available to the Donors via the 'Development Partner Center' website.

3.3. The Bank shall provide to the Donors via the 'Development Partner Center' website, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (i) a management report together with an audit opinion from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (ii) a combined financial statement for all cash-based trust funds together with the Bank's external auditor's opinion thereon. The cost of the single audit shall be borne by the Bank.

3.4. If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank's external auditors of the Trust Fund, the Donor and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be borne by the requesting Donor.

3.5. The Bank shall make available to the Donors copies of all financial statements and auditors' reports received by the Bank from Recipients pursuant to any Grant Agreements (as defined below) in accordance with the Bank's Access to Information Policy.

4. Progress Reporting; Review or Evaluation of Activities; Financial Management

4.1. The Bank shall provide the Donors with semi-annual written progress reports by June 30 and December 31. The progress reports shall be provided with reference to the Results Framework agreed by the Bank and the Donors, as such Results Framework may be reviewed by the Parties from time to time. Within six (6) months of the End Disbursement Date (as defined below), the Bank shall provide to the Donors with a final narrative progress report for the Trust Fund.

4.2. Any Donor may review or evaluate activities financed by the Trust Fund at any time up to closure of the Trust Fund. The Donor and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of the Bank's applicable policies and procedures. All associated costs, including any costs incurred by the Bank, shall be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

4.3. The Bank shall, consistent with its policies and procedures, take all appropriate measures to prevent corrupt, fraudulent, collusive, coercive and obstructive practices in connection with the use of the Trust Fund funds, and include provisions in its agreements with Recipients to give full effect to the relevant Bank guidelines on fraud and corruption.

4.4. In the event that the Bank determines that there are credible and material allegations of fraud, corruption, collusion or coercion in relation to Recipient-executed and/or Bank-executed activities financed by the Trust Fund that result in the Bank opening an investigation into such allegations (an "Investigation"), the Bank shall, in accordance with its applicable policies and procedures:

- (i) take timely and appropriate action with respect to such allegations and, where relevant, seek appropriate redress, including potential sanctions;
- (ii) as soon as practicable, inform the Donors of the outcome of the Investigation, provided that the Donors agree to keep such information confidential pursuant to paragraph 6.3 of Annex 2, unless such information is already publicly available;
- (iii) on a case by case basis, decide whether to share information with Donors on an active Investigation, and provided that the Donors agree to keep such information confidential pursuant to paragraph 6.3 of Annex 2;
- (iv) take all necessary actions to recover funds that are the subject of an Investigation where the Bank has determined it as appropriate; and
- (v) to the extent that any funds are refunded to the Trust Fund following an Investigation, the Bank shall use such funds for the same purposes as the Contributions, unless otherwise agreed between the Bank and each Donor.

5. Disbursement; Cancellation; Withholding of Payments

5.1. It is expected that the funds deposited in the Trust Fund will be fully disbursed by the Bank by March 31, 2023 (the "End Disbursement Date"). The Bank shall only disburse funds deposited in the Trust Fund for the purposes of this Administration Agreement (other than returns to Donors) after such date to the extent such date is changed in accordance with amendments made to the Administration Agreements of all the Donors. Following the End Disbursement Date, the Bank shall return any remaining balance of the Trust Fund to each Donor in the Holding Currency in the manner specified in its respective Administration Agreement on a pro rata basis with regard to the total funds deposited in the Trust Fund by such Donor relative to the total funds deposited in the Trust Fund by all Donors, all calculated as Holding Currency amounts.

5.2. Any Donor may cancel all or part of such Donor's pro rata share, and the Bank may cancel all or any Donors' pro rata shares, upon three (3) months' prior written notice, of any Contributions (paid and not yet paid) that are not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Administration Agreement, including any Grant Agreements, prior to the receipt of such notice. In the event of a cancellation, the Bank shall return to the Donor its pro-rata share in the Holding Currency as specified in paragraph 2.2 of this Annex 2; unless otherwise agreed between the Bank and the Donor.

5.3. If in the reasonable opinion of a Donor, the Bank has failed to comply to a material extent with its obligations under this Administration Agreement, the Donor and the Bank agree to discuss the non-

compliance with a view to resolving the matter. If the Bank and the Donor fail to agree on the measures to be taken or the Bank fails to take relevant measures as may be agreed between the Donor and the Bank, the Donor may, upon thirty (30) days prior written notice, withhold all or any portion of an Installment that has not yet been disbursed to the Bank, until such time as the measures have been taken.

6. Disclosure; Visibility

6.1. The Bank and the Donors agree that the Administration Agreements will be made publicly available and that any related information on this Trust Fund in the Bank's and the Donor's possession may be publicly disclosed in accordance with (i) the Bank's policies and procedures with respect to any such information in the Bank's possession; and (ii) the Donors' applicable laws with respect to any such information in the Donors' possession.

6.2. Notwithstanding paragraph 6.1 above, neither the Bank nor any of the Donors shall publicly disclose information in their respective possession related to the Trust Fund that has been indicated or marked in writing by either Party as confidential, unless prior written consent has been obtained from the Party providing the information or the Donors are otherwise obliged to do so under applicable laws with respect to information in their possession.

6.3. Notwithstanding paragraphs 6.1 and 6.2 above, the information provided under paragraphs 4.4 (ii) and 4.4 (iii) shall be subject to the terms of confidentiality accompanying such information, and the Donors shall not disclose such information outside the office to which the information is provided, unless: (i) prior written consent has been obtained from the Bank; or (ii) the Donors are obliged to do so in accordance with applicable laws, in which case the Donors will notify the Bank accordingly prior to such disclosure. If a Donor is not able to commit to keep such information confidential in accordance with its applicable laws, then the Donor shall inform the Bank accordingly.

6.4. Where appropriate to do so, the Bank will acknowledge, the Donors' contributions in references made by the Bank with respect to the Trust Fund in publications, press releases or other similar written materials.

7. Dispute Resolution; Limitation on Donor Liability

7.1. The Donors and the Bank shall use their best efforts to amicably settle any dispute, controversy, or claim arising out of or relating to the Administration Agreements.

7.2. In providing funds under this Administration Agreement, the Donors do not accept any responsibility or liability towards any third parties including any claims, debts, demands, damage or loss as a result of the implementation of the activities under the Trust Fund.

8. Grants to Recipients

8.1. The Bank shall, as administrator of the Trust Fund on behalf of the Donors, enter into one or more grant agreements (the "Grant Agreements") with the Municipality of São Paulo (with CET - *Companhia de Engenharia de Trafego* as executor of the project) and the State of Pernambuco (with the Compesa - *Companhia Pernambucana de Saneamento e Água* as executor of the project) (the "Recipients") consistent with the purposes of this Administration Agreement and on the terms and conditions set forth in the Grant Agreements. Grant Agreements may be entered into up to the maximum amount of the Contributions that all Donors have agreed to make available under the Administration Agreements between the Bank and the Donors.

8.2. The Bank shall be responsible for the supervision of the activities financed under any Grant Agreements. Subject to the consent of any relevant Recipients, representatives of the Donors may be invited by the Bank to participate in Bank supervision missions related to the Trust Fund.

8.3. The Bank shall promptly inform the Donors of any significant modification to the terms of any Grant Agreements and of any contractual remedies that are exercised by the Bank under any Grant Agreements. To the extent practicable, the Bank shall afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

9. Trust Fund Fee

9.1. The Bank shall calculate a fee each time funds (the "Grant Amount") from the Trust Fund become committed under a Grant Agreement. Such commitment shall occur when such Grant Agreement is fully countersigned (the "Calculation Date"). The fee so calculated by the Bank shall be based on the cumulative total of funds from the Trust Fund committed under all Grant Agreements that have been fully countersigned on or prior to the Calculation Date (the "Cumulative Grant Total"). The calculated fee shall depend on where the Cumulative Grant Total stands as the Grant Amount is added and shall be determined in accordance with the following schedule:

- (i) 5% of any portion of the Grant Amount that results in a Cumulative Grant Total below or equal to US\$ 50 million or equivalent; plus
- (ii) 4% of any portion of the Grant Amount that results in a Cumulative Grant Total above US\$ 50 million or equivalent and below or equal to US\$ 500 million or equivalent; plus
- (iii) 3% of any portion of the Grant Amount that results in a Cumulative Grant Total above US\$ 500 million or equivalent and below or equal to US\$ 1 billion or equivalent; plus
- (iv) 2% of any portion of the Grant Amount that results in a Cumulative Grant Total above US\$ 1 billion (or equivalent).

9.2. Following each Calculation Date, the Bank shall deduct from the Trust Fund, and retain for its own account, the fee as set forth above. Grant Amounts may not exceed the balance of uncommitted funds in the Trust Fund net of the related fee.

Governance

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor.

A Working Committee will be established to: (i) provide strategic guidance and direction on the implementation of the Trust Fund activities; (ii) discuss issues or risks in the implementation of the Trust Fund activities and make decisions as appropriate; and (iii) review progress reports provided by the Bank based on the results framework described in the TF Concept Note.

The Working Committee will consist of representatives of the Bank, including one as Chair, two representatives of the Future Cities Program - Prosperity Fund Brazil, as well as senior representatives from the implementing agencies (one from COMPESA and one from CET) to support decision-making, enhance ownership and support quick resolution of implementation issues. It is envisaged that the Working Committee will meet semi-annually, as convened by the Bank. Meetings will take place at British Embassy in Brasilia or at the World Bank office in Brasilia, with decisions made by consensus.

The Donor agrees that the Bank has responsibility for the Trust Fund operations under the terms of the Administration Agreement, including with respect to the implementation of Bank-executed activities and the supervision of Recipient-executed activities.