ADMINISTRATION AGREEMENT FOR EUROPEAN UNION CONTRIBUTIONS, AS REPRESENTED BY THE COMMISSION, TO TRUST FUNDS

World Bank Group Trust Fund No. TF072160 for the EC - World Bank Partnership Program for Europe and Central Asia ("Program")

CRIS Contract No. 2014/352-110

Kosovo* Education and Skills Policy Support (KESPS) (P152550)
Albania Water Supply and Sanitation Sector Policy Support (AWSSSSPS) (P152351)

Article 1
Subject

Section 1.01.

In pursuance of:

- the Trust Funds and Cofinancing Framework Agreement between the European Union, represented by the Commission of the European Union (the "Commission"), and the International Bank for Reconstruction and Development ("IBRD"), the International Development Association ("IDA"), and the International Finance Corporation ("IFC") (collectively, the World Bank Group) dated March 20, 2009 (the "Framework Agreement"), and

In accordance with:

- the Administration Agreement signed on August 1, 2014 between the European Union and the World Bank for European Union contributions to a Programmatic Trust Fund for the EC-World Bank Partnership Program for Europe and Central Asia (TF072160) (collectively referred to in this Agreement as the "Contribution" for the purpose of carrying out the Program for EC-World Bank Partnership Program for Europe and Central Asia) to be carried out under the Programmatic Trust Fund ("the Program") as further described in Annex I or "Program Contribution");

The Commission hereby agrees to make available an additional contribution (Additional Contribution) for an amount referred to in Section 3.02 and to be administered by the IBRD under the Program for the purpose of supporting technical assistance in relation to: (a) education and skills development activities in Kosovo* ("Initial Beneficiary Country") (the "KESPS Activities") and; (b) water supply and sanitation sector policy support activities in the Republic of Albania ("Second Beneficiary Country") ("the AWSSSSPS").

Section 1.02. The Program Contribution shall be used exclusively for the purposes set out in Annex I and the Additional Contribution shall be used exclusively for the purposes set out in

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.
Annexes I.A and I.B respectively, and where required, the expenditures eligible for financing from the Commission, and the relevant indicators.
Section 1.03. The IBRD shall administer the Program Contribution and the Additional Contribution in accordance with the provisions of:

- the Framework Agreement;

- this Administration Agreement and;

- the attached General Conditions applicable to European Union Contributions to Trust Funds (the "General Conditions").

Section 1.04. The Program Contribution is provided under Joint Management for all purposes of this Administration Agreement.

Section 1.05. The Program is not a Multi-Donor Trust Fund for all purposes of this Administration Agreement.

Section 1.06. The Trust Fund is not an Exceptionally large Trust Fund for the purposes of Section 16.03 of the General Conditions.

Article 2
Entry into force and Implementation Period

Section 2.01. This Administration Agreement shall enter into force when the last of the two Parties signs and will remain in force until the End Date.

Section 2.02. Expenses financed under the Additional Contribution must be incurred after the date following that on which the last of the two parties signs.

Section 2.03. (a) It is expected that the Program Contribution will be fully utilized in accordance with the provisions of this Administration Agreement by December 31, 2018 ("End Disbursement Date"). The End Disbursement Date can only be modified with the agreement of both Parties pursuant to Article 9 of the General Conditions.

(b) It is expected that the Additional Contribution will be fully utilized in accordance with the provisions of this Administration Agreement by December 31, 2018 and in accordance with the End Disbursement Date in Section 2.03 (a). The End Disbursement Date with respect to the Additional Contribution can only be modified with the agreement of both Parties pursuant to Article 9 of the General Condition.

Section 2.04. The IBRD shall only disburse the Additional Contribution for the purposes of this Administration Agreement after the End Disbursement Date with the prior written agreement of the Commission.

Article 3
Amount of the Program Contribution

Section 3.01 The budget of the Program, including the KESPS and AWSSSPS Activities is set out as estimated in Annex III.

Section 3.02 The Commission undertakes to finance the amount of five hundred and fifty thousand Euros (€550,000) as set out in Annex III for the KESPS and AWSSSPS Activities.
Section 3.03 Indirect Costs under this Administration Agreement shall not exceed 7% of the final amount of eligible Direct Costs of the Program Contribution.

The IBRD may, following deposit of the Contribution by the Commission, deduct from each such Program Contribution of the Commission and retain for the IBRD's own account an amount equal to 2% of the Program Contribution.

In addition, staff costs for program management, preparation and supervision up to a maximum of 5% of the Program Contribution in the holding currency of the trust fund will be charged to the trust fund on an actual basis and as a Direct Cost provided they comply with Section 14.01 of the General Conditions.

The final amount that the IBRD is entitled for Indirect Costs shall be adjusted to the actual disbursed amounts of the Program Contribution in accordance with Articles 14 and 17 of the General Conditions.

Section 3.04 Staff costs for preparation and carrying out of activities of the KESPS and AWSSSPS will be charged to the trust fund on an actual basis, and as a Direct Cost provided they comply with Section 14.01 of the General Conditions and within the limits of Annex III. The following categories of costs shall be considered eligible under this Administration Agreement provided they comply with Section 14.01 of the General Conditions:

**Eligible costs:** (i) staff costs; (ii) consultant fees individuals and firms; (iii) contractual services; (iv) extended term consultants; (v) media, workshops, conference, and meeting costs; (vi) temporary support staff costs; (vii) travel expenses; and (viii) associated overheads.

**Article 4**

**Payment schedule and Reporting**

**Section 4.01.** Payments will be made in accordance with Article 15 of the General Conditions, and in accordance with the following payment schedule:

<table>
<thead>
<tr>
<th>Payment Type</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance payment</td>
<td>275,000</td>
<td>50%</td>
</tr>
<tr>
<td>Intermediate payment</td>
<td>220,000</td>
<td>40%</td>
</tr>
<tr>
<td>Final payment</td>
<td>55,000</td>
<td>10%</td>
</tr>
</tbody>
</table>

(subject to the provisions of the General Conditions)

The Program Contribution funds shall be maintained in EUR.

**Section 4.02.** Narrative progress report(s) and financial information shall be provided consistent with Article 2 of the General Conditions, and in accordance with the following schedule:

- a narrative progress report shall accompany every request for a further payment. A final narrative report shall be forwarded to the Commission within six (6) months after the date in in Section 2.03 (b) of this Agreement;
- the progress financial information at the Program level shall be made available via the Bank's Trust Funds Donor Center secure website following the signature of this Administration Agreement. The final financial information at the Program level shall be made available via the Bank's Trust Funds Donor Center secure website within six (6) months after the End Disbursement Date.

Section 4.03. For the purposes of Section 2.03 of the General Conditions, a schedule of anticipated activities shall be provided with each report.

Article 5
Communications and addresses

Any communication relating to this Administration Agreement shall be in writing, shall state the number and title of the trust fund, and shall use the following addresses.

Payment requests and attached reports, including requests for changes to bank account arrangements pursuant to Section 9.02 of the General Conditions, shall be sent to:

For the Commission:
For the advance, intermediate and final payment

Directorate General for Enlargement

European Commission
Directorate General for Enlargement
Unit E3 - Finance and Contracts
1049 Brussels - Belgium
For the attention of:
Nicole Smith, Head of Unit

Copies of the documents referred to above, and correspondence of any other nature, shall be sent to both:

Directorate General for Enlargement

European Commission
Directorate General for Enlargement
Unit D3 – Regional Cooperation and Programmes
1049 Brussels - Belgium
For the attention of:
Morten Jung, Head of Unit
Section 6.01. The following documents are annexed to this Administration Agreement and form an integral part thereof:

Annex 1: Description of the Program.

Annex I.A: Description of the KESPS Activities.

Annex I.B: Description of the ASSSSPS Activities.

Annex II: General Conditions applicable to European Community Contributions to Trust Funds.

Annex III: Indicative Budget for the Program, the KESPS Activities and AWSSSPS Activities.

Section 6.02 In the event of a conflict between the provisions of the Annexes and those of this Administration Agreement, the provisions of this Administration Agreement shall take precedence. In the event of a conflict between the provisions of Annex II and those of the other Annexes, the provisions of Annex II shall take precedence.

Article 7

Other conditions applying to the Program

Section 7.01 The following exceptions from the General Conditions shall apply:

(a) For the purposes of this Administration Agreement, the term "Project" in the General Conditions shall be read as referring to the "Program" as defined in Section 1.01 of this Agreement.

(b) Furthermore, for the purpose of Article 2 of the General Conditions it is agreed that financial reporting will be provided at the Program level and shall include information classified by expenditure type for the entire Program. Narrative progress reports shall include information classified at the activity level (including unaudited financial information) related to the KESPS and ASSSSPS Activities to be carried out under Annex I.A and Annex 1.B of this Agreement.

(c) For purposes of Section 15.01 of the General Conditions, the term Contribution shall be deemed to refer to the Additional Contribution. All other references to the term Contribution in the General Conditions shall be deemed to refer to the Program Contribution.
(d) For the purposes of Sections 2.07, and 17.03 of the General Conditions, the reference to Section 2.03 of the Agreement, shall be read as referring to Section 2.03 (a) of the Agreement. For the purpose of Sections 2.06, 14.01 and 16.06 of the General Conditions, reference to Section 2.03 of the Agreement, shall be read as referring to Section 2.03 (b) of the Agreement.

This Agreement is drawn up in four originals, three for the Commission and one for the World Bank Group entity.

<table>
<thead>
<tr>
<th>For the European Union, represented by the Commission of the European Communities</th>
<th>For the International Bank for Reconstruction and Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name: Morten Jung</td>
<td>Name: Laura Tuck</td>
</tr>
<tr>
<td>Head of Unit DG</td>
<td></td>
</tr>
<tr>
<td>Position: Regional Programmes DG Enlargement</td>
<td>Vice President Europe and Central Asia Region</td>
</tr>
<tr>
<td>Signature:</td>
<td>Signature:</td>
</tr>
<tr>
<td>Date: 27-11-2014</td>
<td>Date: 11/30/2014</td>
</tr>
</tbody>
</table>
ANNEX I OF THE ADMINISTRATION AGREEMENT

Program Description

EC- World Bank Partnership Program for Europe and Central Asia

I. Rationale and Scope of the Programmatic Trust Fund

Introduction

1. The European Commission and the World Bank Group share a common vision of building competitive and sustainable economies and in reducing poverty and social exclusion. These goals are outlined in the EU’s Multiannual Financial Framework (MFF) (2014-2020) - "The EU as a global player". It is designed to allow the Union to fulfill its responsibility both at global level and in its immediate neighborhood, and to help safeguard global public goods, i.e., fighting poverty and promoting democracy, peace, stability, and prosperity. The MFF also supports the Commission’s new approach, the “Agenda for Change”, to focus EU aid in fewer sectors supporting, inter alia, good governance and creating inclusive and sustainable growth. In this context, a continued constrained growth and a tight fiscal environment in the Neighborhood, Western Balkans, Turkey, and Central Asia make it important for the European Commission and the World Bank Group to coordinate policy advice, where appropriate, and to allocate their resources in the region in the most strategic and effective way possible. As a result, the European Commission and the World Bank have begun to interact more directly by means of a programmatic trust fund (established in 2011) to support the Europe 2020 Agenda, as well as indirectly with the World Bank engaging directly with individual European countries on projects that are financed by the governments entirely or in part by EU External Action Instruments and other EU resources, such as the Structural Funds, the Rural Development Fund or the Instrument for Pre-Accession Assistance (IPA). These experiences continue to deepen the mutual appreciation for the complementary competencies of each institution.

Areas of joint cooperation and the World Bank advisory activities envisioned under the Program

2. The Commission and the World Bank Group agree that more direct interaction would be beneficial to both institutions and through them to the countries. This applies particularly to the provision of analytical, advisory and knowledge services, capacity and institution building, and technical assistance, but also to projects executed by respective governments. The Commission has already demonstrated its interest in specific analytical projects to be carried out by the World Bank, which provide guidance for investments in the long-term prosperity and stability of the EU’s neighborhood and support the reform process in those countries preparing for EU membership. Areas of common interest are regularly discussed and refined at sub-regional country day meetings between the services of the European Commission and the World Bank Group that are held on an annual basis. These meetings have focused on the Eastern Neighborhood, Central Asia and Pre-Accession countries, and therefore cover many EU external action instruments, including: the Instrument for Pre-Accession Assistance (IPA), the European Neighborhood Instrument (ENI), the Development Cooperation Instrument (DCI), the Partnership Instrument (PI), and Macro-Financial Assistance (MFA).

3. In the Western Balkans, the EC has expressed interest in the World Bank providing analytical and technical support both at regional and national level to: (i) improve the regulatory framework for innovative and high-potential enterprises; (ii) help improve public
financial management and public administration reform; (iii) provide support to the private sector; (iv) improve competitiveness and the investment climate; (v) strengthen policies and institutions governing employment and social inclusion, (vi) tackle environmental issues and the impact of climate change; (vii) investigate energy efficiency and security of supply; and (viii) to provide technical assistance on Roma issues.

The type of activities which will be carried out under this Programmatic Trust Fund will include Bank executed analytical services and technical assistance, as well as recipient executed technical assistance and capacity building activities.

**EU-REPARIS, KESPS and AWSSSPS**

4. The initial contribution to this programmatic trust fund will finance the ‘Road to Europe – Program of Accounting Reform and Institutional Strengthening (EU-REPARIS), an activity which supports the implementation of corporate financial reporting frameworks in line with the EU *acquis communautaire* in the countries of Southeast Europe with a view to promoting enhanced availability, transparency and reliability of financial information. An additional contribution to this programmatic trust fund will finance KESPS and AWSSSPS Activities (please see Annexes 1.A and 1.B for the detailed description).

**Other potential activities under the Programmatic Trust Fund**

5. The EC and the World Bank plan to continue to collaborate on a number of themes under all aspects of EU External Action, including in areas related to economic, social and institutional development of the beneficiary countries, innovation capacity and investment readiness of enterprises, investment climate, venture capital, licensing, public finance management, sector approach and social inclusion.

**II. Development Objective**

6. The objectives of the Programmatic Trust Fund are to assist the beneficiary countries in: (i) developing policies/strategies and institutional capacity to adopt and implement the *acquis communautaire* in policy areas where the World Bank Group’s expertise is particularly relevant; (ii) informing strategies, policies and financing; and (iii) to enhancing the economic development of beneficiary countries to help the further convergence of incomes with EU member states. Depending on the beneficiary country or countries and the type of activity to be supported, one, two or all of the objectives will apply.

**III. Geographic scope**

7. The Programmatic Trust Fund covers all countries in Europe and Central Asia, except EU member states, complying with the eligibility criteria of the respective EC instrument financing the activity.

**IV. Governance**

8. The World Bank shall prepare and approve annual work plans and budgets for both the Program and the individual activities and discuss them with the EC. It will also discuss the thematic and geographic focus of the Program as well as the progress on activities undertaken. During these discussions, the Bank will update the EC on the implementation progress and provide the EC with a proposed list of activities for financing under the Program.
1. **Objectives.** In the framework of, and in line with, the Program and the KESPS Contribution, the objective of the KESPS is to assist the Initial Beneficiary Country to:
   (a) enhance the diagnostic capacities and knowledge to develop and implement evidence based policy framework for education, training and skills development; and
   (b) develop the analytical underpinnings that would begin to inform a sound education, training, skills and employment interventions.

2. **Purpose.** These activities aim to provide the analytical basis that would inform a sound education, training and employment interventions in close coordination with the Government of Kosovo*, and contribute to the design of future Government of other donor supported operations.

3. **Specific activities to be carried out under the KESPS Activities:**

   (a) **Carrying out a Household Skills Measurement Survey with Full Literacy Assessment Survey:**
   
   Carrying out the household survey through use of a package of already developed inputs (core questionnaires, interviewer manuals, basic training document, data entry program, and literacy exercises); to collect information on individuals’ cognitive, non-cognitive and workplace skills, as well as background information on their family structure, general health, education and employment history.

   (b) **Providing technical support for survey implementation and overall technical report preparation.**
   
   Providing technical support for: (i) implementing the survey using instruments already developed by the World Bank and adjusted to the country context; (ii) analyzing the household survey data; and (iii) preparing the overall technical report.

4. **Context**

   In order to improve the quality and speed up the programming and implementation of the multi-country assistance, the **Strengthening European Integration Facility (SEI)** allocates resources for preparation of strategic documents and projects and to address horizontal challenges faced by the administrations of the beneficiaries on the path towards EU accession.

   The fulfillment of EU requirements entails an increasing number of qualified experts, competent civil servants and necessitates expertise and EU knowledge in judicial, economic and political matters. Furthermore, specific administrative structures and management systems should be established or strengthened to satisfy the requirements of the EU acquis in

---

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.
a number of areas. Such assistance is also required in rolling out the sector approach in the enlargement countries.

The Initial Beneficiary Country has high unemployment and low labor market participation, especially among the youth and females. Unemployment was estimated at 30.9 percent in 2012\(^1\), the highest in South East Europe. Youth unemployment is especially high, at over 55 percent. Every year, approximately 30,000 new jobseekers enter the labor market, while current economic growth generates no more than around 15,000 new jobs per year. As a result, only about 10 percent of the active youth population is working, and this falls to less than 5 percent for females.

Over a third of young Kosovars are neither in education nor in employment. Even for those with higher education, prospects appear to be worsening, with some evidence suggesting that increasing numbers of those with university degrees are unemployed. In 2012, 15.6 percent of degree-holders were unemployed, possibly reflecting a mismatch between education and demand for skills in the labor market. At 63 percent of the population (including discouraged jobseekers), the total inactivity rate is the highest in Europe, with female inactivity rate standing at 82 percent.

Skills shortages and unemployment are among the key challenges that better education and training can help to tackle. The World Bank 2009 Enterprise Survey found that an inadequately educated workforce was a major or very severe obstacle for over 14 percent of firms surveyed.\(^2\) Large and fast-growing firms\(^3\) were particularly likely (around 25 percent) to report this to be an obstacle, suggesting that skills shortages may be among the reasons constraining private sector growth. At the same time, unemployment remains a severe problem for many segments of the population. Over 60 percent of workers without any schooling were unemployed according to the 2012 Labor Force Survey (LFS), over double the national rate. Workers with levels of education at upper secondary or below also had unemployment levels above the national average. Those with vocational training fared better in the labor market than their colleagues with general secondary education.

Kosovo’s\(^*\) young population presents some opportunities, challenges and risks. Kosovo*’s population is the youngest in Europe, with an average age of about 26. Kosovo* does not face the fiscal and economic pressures resulting from an aging population, a problem faced by many other eastern European countries. A well-trained labor force could be a comparative advantage and a key resource for economic growth. This however requires a policy focus to ensure that quality of education and the skills the education and training system offers are in line with the labor market needs. Investing in proper education and training will help workers to find employment, increase their tax contributions, and give firms access to the skills they need. It will also boost the productivity of the workforce and help Kosovo* to move into the modern economic sectors that will increase growth.

\(^1\) Labor Force Survey 2012, Statistics Agency of Kosovo*.
\(^3\) Defined, respectively, as having over 20 employees, and having increased employment by more than 5 workers (the average) over the previous three years.

\(^*\) This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.
In this regard, understanding the skills (cognitive, non-cognitive and technical) in the adult population, and their relation to labor market outcomes, is critical to understanding better what skills are required by the labor market. There is considerable consensus that labor demand is low and this also explains the weak labor outcomes, and as such, skills are indeed an important, but not the only dominant factor examining the labor market outcomes. Kosovo* is undergoing important changes, and how well the labor market adjusts to these changes – and to what extent the transformation occurs – will be largely determined by the skills available in the workforce. As such, the STEP HH survey will help to more clearly state the role of skills in labor market outcomes and their link to productivity, employment, and growth – which is central to the agenda of the government of Kosovo* and to the policy dialogue within the context of European Union agenda.

5. Link with other programmes

The Bank is well positioned to lead the activities proposed under this Project, as it has played a critical role in supporting the Ministry of Labor and Social Welfare and the Ministry of Education, Science and Technology on issues of education, employment and labor issues. The Bank is also implementing the EU funded Western Balkan’s Employment and Social Inclusion Programmatic Trust Fund which aims at making growth in the region more inclusive by providing opportunities for all to obtain the skills and experiences necessary to succeed in the labor market while assisting the poor in meeting their basic needs and transitioning into sufficiently paid jobs. Through this Project, support is provided to Western Balkan’s countries in developing and increasing their capacities for the implementation of South East Europe (SEE) 2020 Strategy, which represents Western Balkan’s countries response to Europe 2020 and includes targets for smart, sustainable and inclusive growth. The World Bank is, and will continue to, work closely with other donors active in the sector. The Bank is a full member of the donors group for education. The proposed project will build on past analytical and policy work completed by the Bank and other donors, and will help consolidate on-going efforts into a consistent policy message for the Government. In the context of the Western Balkan’s work on Employment and Social Inclusion, the Bank carried out detailed consultations with the European Training Foundation (ETF). These consultations confirmed that the ETF-FRAME Project activities are complementary to STEP.

6. Implementation arrangements

The KESPS Activities will be implemented by the World Bank in collaboration with the Initial Beneficiary Country, the European Union Office in Kosovo*, and other donors.

7. Outputs and Timeline

<table>
<thead>
<tr>
<th>Tentative table of deliverables by Activity</th>
<th>Tentative Timetable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey firm contracted and national instruments and other preparation activities finalized</td>
<td>5 months</td>
</tr>
<tr>
<td>Country pilot</td>
<td>1 month</td>
</tr>
<tr>
<td>Data collection/data cleaning</td>
<td>8 months</td>
</tr>
</tbody>
</table>

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.
<table>
<thead>
<tr>
<th>Data analysis and report writing</th>
<th>7 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Support and Quality Assurance</td>
<td>Continuous</td>
</tr>
</tbody>
</table>
ANNEX I.B OF THE ADMINISTRATION AGREEMENT

Description of the AWSSSPS Activities to be carried out by the World Bank under the Program and AWSSSPS Contribution

1. Objectives. In the framework of, and in line with, the Program and the AWSSSPS Contribution, the objectives of the AWSSSPS are to assist the Second Beneficiary Country in the development of key implementation instruments of the Water Supply and Sanitation Sector Strategy and Master Plan; and provide targeted technical assistance to one regional utility.

2. Purpose. These Activities aim at providing a platform for an effective and efficient water sector-based support by the European Union and other donors.

3. Specific activities to be carried out under the AWSSSPS Activities

(a) Developing key implementation instruments to improve the quality and effectiveness of investments in the Water Supply and Sanitation Sector Strategy and Master Plan such as (i) preparing a draft sector financing strategy for identifying key principles to assure the financial sustainability of water supply and sanitation services; (ii) preparing a strategic paper on the long-term institutional framework for wastewater services including the long term vision for sustainable wastewater management in Albania; and (ii) carrying out policy discussions and consultations on the key implementation instruments developed under 3(a) (i) and (ii) of this Annex.

(b) Providing targeted technical assistance to the Durres Water Utility including on its quality control, commercial and financial aspects with a view to improving its capacity and serving as a model in the sector.

4. Context

In order to improve the quality and speed up the programming and implementation of the multi-country assistance, the Strengthening European Integration Facility (SEI) allocates resources for preparation of strategic documents and projects and to address horizontal challenges faced by the administrations of the beneficiaries on the path towards EU accession.

The fulfillment of EU requirements entails an increasing number of qualified experts, competent civil servants and necessitates expertise and EU knowledge in judicial, economic and political matters. Furthermore, specific administrative structures and management systems should be established or strengthened to satisfy the requirements of the EU acquis in a number of areas. Such assistance is also required in rolling out the sector approach in the enlargement countries.

Despite substantial water resource endowments (8,600 m³ per capita) Albania faces severe shortcomings in the Water Supply and Sanitation (WSS) sector, including (a) severe underinvestment in infrastructure in the past decades, (b) high Non-Revenue Water
NRW), (c) poor cost-recovery and low metering coverage, (iv) limited duration of water supplied per day, (v) utility-scale inefficiencies and (c) limited levels of wastewater collection and treatment. At the same time, there are over 50 utilities in the country serving a population of just over 3 million people, outlining the need for utilities to find ways to share limited technical and financial resources.

The country is a long way from achieving European Union (EU) standards in the sector. Only around 44 percent of connections are metered (EU standard: 100 percent), the duration of water supplied per day stands at just over 11 hours (EU standard: 24 hours) and NRW - due to technical and managerial losses - stands over 60 percent (EU standard: below 20 percent). Only about half of all wastewater is collected centrally, and much less is actually treated, resulting in significant environmental and economic impacts.

The current state of the WSS sector is a severe constraint to growth and a fiscal burden to the Government. Durres, the second largest city in the country and the main driver of tourism receipts, is currently experiencing a water supply deficit of 70 liters per capita per day (47 percent of actual demand) which is a constraint to private investment and to the further development of the tourism industry. In addition, millions of dollars are spent every year by the Albanian Government in operational subsidies to cover unpaid electricity bills as utilities are not held accountable. Meanwhile, households continue to make private investments to cope with the limited duration of water supply.

A particular concern is the provision of sustainable wastewater management services. In its effort to improve environmental conditions, foster coastal tourism and move towards EU standards, Albania has recently built, with donors support, 8 Waste Water Treatment Plants (WWTP), potentially covering more than 25 per cent of the country’s urban population. However, the cost of operating them exceeds the capacity of water and sewerage utilities, which were facing a challenging financial situation already prior to the construction of WWTPs. Furthermore, because wastewater management is a new area in Albania, there is limited technical capacity in the country to properly manage those plants. As a result, several of the plants are currently idle and in an institutional vacuum and long-term operational arrangement are unclear.

At this stage, the Government of Albania has identified the need to complement the existing policy instruments with concrete implementation instruments focused on how to finance and organize the provision of water and sanitation services.

5. Link with other programmes

Alongside other donors, the Bank has provided a steady stream of investments and institution building measures to help improve water and sanitation services. Recently, the Bank assisted the Government in the preparation of a National Water Supply and Sanitation Sector Strategy for the 2010-2017. The Government has put tenets of European water legislation such as cost recovery, proper wastewater management and efficient use of natural resources, at the core of the Strategy, which aims at developing proper policies and committing sufficient resources to improve the provision of water supply and sewerage services in Albania, and to consistently move towards compliance with standards. A national master plan was subsequently prepared with the support of the German KfW, which outlined and prioritized capital investment needs up to 2040 for the sector.
6. **Implementation arrangements**

The *AWSSPS* Activities will be implemented by the World Bank in collaboration with the Second Beneficiary Country, the European Commission’s delegation in the Republic of Albania and other donors.

7. **Outputs and Timeline**

<table>
<thead>
<tr>
<th>Tentative table of deliverables by Activity</th>
<th>Tentative Timetable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Implementation Instruments</td>
<td>18 months</td>
</tr>
<tr>
<td>Consultation Workshop</td>
<td>20 months</td>
</tr>
<tr>
<td>Targeted Technical Assistance</td>
<td>24 months</td>
</tr>
</tbody>
</table>
AGREEMENT

GENERAL CONDITIONS APPLICABLE TO EUROPEAN UNION
CONTRIBUTIONS TO TRUST FUNDS

GENERAL PROVISIONS TO THE ADMINISTRATION AGREEMENT

ARTICLE 1
General obligations of the World Bank Group entity

Section 1.01. The World Bank Group entity may, according to the Description of the Project in Annex I, execute the funds directly or may provide them to a Recipient for execution in accordance with the World Bank Group entity's policies and procedures.

Section 1.02. In case of a BETF, the World Bank Group entity shall carry out the Project in accordance with the Administration Agreement, including the Description of the Project contained in Annex I, and in accordance with the World Bank Group entity's policies and procedures. The World Bank Group entity shall report on the indicators specified in the Description of the Project.

Section 1.03. In case of a RETF, the World Bank Group entity shall be responsible, as administrator on behalf of the Commission, for making arrangements to ensure that the Contribution is used only for the purposes for which it was granted, with due attention to considerations of economy and efficiency. For this purpose, the World Bank Group entity shall monitor, evaluate report and, where applicable, provide technical assistance, in accordance with the Administration Agreement, including the Description of the Project contained in Annex I, the Grant Agreement and the World Bank Group entity's policies and procedures. The World Bank Group entity shall report on the Indicators specified in the Description of the Project. The World Bank Group entity shall enter into a Grant Agreement with the Recipient for the provision of such funds to the Recipient for the purposes set forth in the Administration Agreement. Grant Agreements may be entered into up to the maximum amount of the contributions that all donors, including the European Union, intend to make available in the Administration Agreement(s). The World Bank Group entity shall provide a copy of the Grant Agreement to the Commission. The World Bank Group entity shall be solely responsible for the administration of such Grant Agreement and shall carry out such administration in accordance with its applicable policies and procedures without prejudice to Section 1.06.

Section 1.04. The World Bank Group entity will be responsible only for performing those functions specifically set forth in the Administration Agreement, in these General Conditions, unless agreed otherwise with the Commission, and in case of a Multi-Donor Trust Fund, of the relevant Resolution or the Standard Provisions or the Terms and Conditions, and will not be subject to any other duties or responsibilities to the Commission, 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 the Administration Agreement, in these General Conditions, and in case of a Multi-Donor Trust Fund, in the relevant Resolution or the Standard Provisions or the Terms and Conditions, will be considered a waiver of any privileges or immunities of the relevant World Bank Group entity under its Articles of Agreement or any applicable law, all of which are expressly reserved.
Section 1.05. The World Bank Group entity shall take measures to prevent irregularities, fraud, corruption or any other illegal activity in the management of the Project in accordance with its policies and procedures. In accordance with applicable World Bank Group policies and procedures, including those pertaining to protection of confidential information and the integrity of the investigative process, the World Bank Group entity shall keep the Commission informed of the progress of any formal World Bank Group entity investigation concerning the misuse of funds provided under this Administration Agreement and will report to the Commission without delay the conclusions of such findings as well as measures taken to address the fraud and corruption consistent with its policies and procedures on anti-corruption.

In accordance with the World Bank Group's policies and procedures, the World Bank Group entity shall, for BETFs, terminate contracts with Beneficiaries and, for RETFs, terminate the Grant Agreement or the financing to the Recipient for contracts with Beneficiaries, when either the Beneficiaries and/or the Recipient have been found by the World Bank Group entity to have been involved in fraud or corruption in connection with this trust fund financed by the Commission. In such cases, the World Bank Group entity shall apply its applicable policies and procedures in consultation with the donor(s) to recover the ineligible expenditures.

Section 1.06. The World Bank Group entity undertakes to ensure that the principles set forth under Section 1.05, and Articles 4, 5, 6, 10, 14 and 16 of these General Conditions also apply to the Recipient and, where applicable, to Beneficiaries involved. The World Bank Group entity shall indicate to the Recipient in the Grant Agreement the possibility that the Commission may adopt measures vis-à-vis the Recipient, should the latter not reimburse the World Bank Group entity under Section 1.05.

ARTICLE 2
Obligations regarding financial information and narrative reports

Section 2.01. The World Bank Group entity shall provide the Commission with information on the progress and results of the Projects financed under the Contribution. To that end, the World Bank Group entity shall prepare narrative progress report(s) and a final report containing information set forth in Section 2.03 and 2.04. The World Bank Group will also provide the Commission with progress and final financial information regarding the Project. The narrative report(s) as well as the financial information shall cover the entire Project described in the Administration Agreement regardless of whether or not the Project is entirely financed by the Commission.

Section 2.02. The World Bank Group entity shall send to the Commission narrative progress report(s) and make available progress financial information in accordance with the provisions below. Every report and information shall include all Project activities for the period covered. The financial information will be made available via the Bank's Trust Funds Donor Centre secure website.

Section 2.03. The narrative progress report(s) shall provide for comparison of the objective(s) of the trust fund, the results expected and obtained and the budget details for the Project. The level of detail in the narrative report(s) should match that of the Description of the Project and of the Indicative Budget of the Project. The narrative reports should include:
- Summary and context of the Project;
- Activities carried out during the reporting period (i.e. directly related to the description of the Project and activities foreseen in this Administration Agreement, including information on the measures taken to identify the European Union as source of financing);
- Difficulties encountered and measures taken to overcome challenges;
- Changes introduced in implementation, including changes in the procurement plan pursuant to Section 10.01;
- Achievements/results by using indicators specified in the Description of the Project contained in Annex I;
- Work plan or schedule of Project activities (as described in the Administration Agreement) for the following period. If the report is sent after the end of the period covered by the preceding work plan or schedule, a provisional work plan or schedule shall be submitted before the end of the period covered by the preceding work plan or schedule.

The progress financial information shall provide for a history of contributions received and the expenditures. It shall allow the Commission to assess whether the incurred expenditures generally comply with the Administration Agreement.

Section 2.04. The final narrative report shall contain the above information (excluding the future workplan or schedule of Project activities) covering the entire Project implementation, information on the visibility measures taken to identify the European Union as a/the source of financing, details on the transfers of assets mentioned in Section 7.02 if relevant, and information on the final procurement plan mentioned in Section 10.01. The final financial information shall provide for a history of the contributions received and the expenditures. It shall allow the Commission to assess whether the incurred expenditures generally comply with the Administration Agreement.

Section 2.05. The reports shall be presented in English.

Section 2.06. The narrative progress report(s) shall be submitted at the following intervals:

if payments follow option 1 of Section 15.01 of these General Conditions:
- a narrative progress report shall be forwarded to the Commission on an annual basis following the signature of the Administration Agreement.
- a final report shall be forwarded to the Commission within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement.

if payments follow option 2 of Section 15.01 of these General Conditions:
- a narrative progress report shall accompany each payment request for a further instalment of financing;
- a final report shall be forwarded to the Commission within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement.

Section 2.07. The progress financial information shall be made available pursuant to Section 2.02 following the signature of the Administration Agreement. The final financial information shall be made available pursuant to Section 2.02 within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement without prejudice to the obligations set out in Section 16.06 of these General Conditions.
Section 2.08. The Commission may request clarification on the narrative or financial information providing the reasons for the request. Such information shall be provided as soon as available but no later than forty-five days (45) days of the request.

Section 2.09. In addition to the above mentioned reports, the World Bank Group entity will ensure that other reports, publications, press releases and updates, relevant to the Administration Agreement are communicated to the Commission promptly following their issuance. Other reports may be made available on the Donor Centre secure website. The Commission may request reasonable additional information on a case by case basis, providing the reasons for the request. Such information shall be supplied within forty-five days (45) days of the request and where applicable, the Commission will be provided the website address for the trust fund. The World Bank Group entity and the Commission will endeavour to promote close collaboration and exchange of information on the Project.

Section 2.10. The World Bank Group entity shall promptly inform the Commission of any event which, in its opinion, interferes or threatens materially to delay or interfere with the successful implementation of any Project financed by the Contribution.

ARTICLE 3
Liability

Other than for failure to perform its obligations set forth in these General Conditions, in the Administration Agreement, and in the case of a Multi-Donor Trust Fund, in the relevant Resolution or the Standard Provisions or the Terms and Conditions, the Commission shall not, under any circumstances whatever, be liable for damages caused either to or by the World Bank Group entity or third parties, during the performance of the Administration Agreement. No claim can be submitted to the Commission for compensation or for restoration of any such damage or loss. The Commission will not be responsible for the activities of any person or third party engaged by the World Bank Group and/or the Recipient as a result of the Administration Agreement, nor will the Commission be liable for any costs incurred by the World Bank Group and/or the Recipient in terminating the engagement of any such person.

ARTICLE 4
Conflict of interest

The World Bank Group entity undertakes to take necessary precautions to avoid conflicts of interest in accordance with the applicable policies and procedures of the World Bank Group.

ARTICLE 5
Disclosure

The obligations on confidentiality and disclosure of information are included in Article 10 of the Framework Agreement.

ARTICLE 6
Visibility and Transparency

Section 6.01. The measures taken to identify the European Union as a/the source of financing are subject to Article 8 and Attachment 4 of the Framework Agreement and will be specified in the Administration Agreement.
Section 6.02. With due regard to the World Bank Group entity's applicable rules on confidentiality, security and protection of personal data, the obligations on publication of Beneficiaries shall be governed by Article 9 of the Framework Agreement.

ARTICLE 7
Ownership/use of results and equipment

Section 7.01. The relevant World Bank Group entity shall own all rights, title and interest to all industrial and intellectual property rights and materials used for and produced by a Project in relation to this Administration Agreement. However, the World Bank Group hereby grants the Commission a non-exclusive right to use free of charge and as it sees fit any of these materials produced by a Project provided said use does not thereby breach existing industrial and intellectual property rights and the World Bank Group entity's policies and Article 5 of these General Conditions.

Section 7.02. Unless otherwise agreed in the Administration Agreement the equipment, vehicles and supplies paid for by the Contribution shall be transferred to Recipients, local authorities or to the final recipients (excluding commercial contractors) of the activities financed by the trust fund by the end of the Project in accordance with World Bank Group policies on asset management. The documentary proof of those transfers shall be kept for verification along with the documents mentioned in Section 16.06.

ARTICLE 8
Participation in Supervision of the Project

Section 8.01. Representatives of the Commission shall be invited to participate in Supervision missions, when applicable, led by the World Bank Group entity relating to the Project financed under the Contribution. The World Bank Group entity shall keep the Commission informed of the findings of such missions and regularly provide the Commission with summaries of any reports resulting from such missions.

Section 8.02. Notwithstanding the Commission's participation in a World Bank Group entity's Supervision mission, the Commission as a donor may wish to carry out Supervision missions independently at its own cost. Supervision missions by representatives of the Commission should be planned and carried out in a collaborative manner between the World Bank Group entity's staff and the Commission's representatives, keeping in mind the commitment of both to coordination and collaboration for the effective and efficient implementation of the Project included in the Administration Agreement. These missions are to be planned ahead with reasonable notice and procedural matters are to be agreed upon by the Commission and by the World Bank Group entity in advance. The mission will make a draft of its report available to the World Bank Group entity for comments prior to final issuance.

ARTICLE 9
Amendment of the Administration Agreement

Section 9.01. Any modification of the Administration Agreement, including the Annexes thereto, shall be in writing in an amendment. The request for amendment shall be submitted by either the World Bank Group entity or the Commission one (1) month before the
amendment is intended to enter into force, unless otherwise agreed by the World Bank Group entity and by the Commission.

Section 9.02. Notwithstanding Section 9.01, changes of address and changes of bank account may simply be notified in writing to the Commission. Changes of bank account must be specified in the request for payment using a financial identification form.

ARTICLE 10
Procurement and Grants

Section 10.01. If parts of the Project are contracted by the World Bank Group, the relevant procurement plan will be specified in the Description of the Project. If it is not specified therein, the World Bank Group entity will present it to the Commission as soon as it is available.

Section 10.02. Unless otherwise agreed by the Parties in writing, the procurement of any goods, works or services and the award of Grants to Beneficiaries by the World Bank Group entity or the Recipient in the context of the Project shall be carried out in accordance with the applicable policies and procedures adopted by the World Bank Group entity, as previously assessed by the Commission. The administration and enforcement of all provisions entered into between the World Bank Group entity and a third party that is financed by the trust fund shall be the responsibility solely of the World Bank Group entity and shall be carried out in accordance with its applicable procedures, except as otherwise specified in this Article 10 and Section 1.06.

Without prejudice to the specific procedures and exceptions applied by the World Bank Group entity, the award of Grants to Beneficiaries shall apply the following principles:

- No single Beneficiary may receive more than one Grant financed by the European Union for the same activity. For additional activities, a Beneficiary may receive supplemental Grants;
- Grants may only cover costs incurred after the date on which the Grant contract with the Beneficiary enters into force;
- No portion of any Grant shall be used to provide a direct profit out of the proceeds of the Grant to the Grant Beneficiary unless the objective of the Grant is to reinforce the financial capacity of the Beneficiary; and
- Grants may not as a rule finance the entire cost of the activities carried out by the Beneficiary.

Section 10.03. The origin of the goods and the nationality of the organisations, companies and experts selected for carrying out activities in the Project shall be determined in accordance with the World Bank Group entity's relevant rules. The World Bank Group entity's policies and procedures on procurement and Grants to Beneficiaries are untied.

Section 10.04. The World Bank Group entity shall take into consideration as provided for under the World Bank Group's policies and procedures the following or similar situations as factors for determining qualification or eligibility of:

- Beneficiaries that are bankrupt or being wound up, are having their affairs administered by the courts, have entered into arrangement with creditors, have suspended business activities,
are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- Beneficiaries that have been convicted of an offence concerning their professional conduct by a judgment which has the force of *res judicata*;
- Beneficiaries that have been the subject of a judgment which has the force of *res judicata* for fraud, corruption involvement in a criminal organisation or any other illegal activity;
- Beneficiaries that are guilty of misrepresentation in supplying the information required as a condition of participation in the procedure or fail to supply this information;
- Beneficiaries that are subject to a conflict of interest.

Section 10.05. The World Bank Group entity may be given access whatever its medium (written on paper or stored in electronic form) to the central exclusion database set up and operated by the Commission (the "Central Exclusion Database"). The foregoing shall be applied in accordance with the provisions that may be provided for in Attachment 5 of the Framework Agreement including any condition under which the World Bank Group would communicate to the Commission any judgment rendered after 1 January 2009 which has the force of *res judicata* for fraud, corruption, involvement in a criminal organization or any other illegal activity against a Beneficiary receiving funds from a trust fund financed by the European Union.

ARTICLE 11
Suspension of the Administration Agreement

Section 11.01. The World Bank Group entity may suspend implementation of all or part of the Project in accordance with its policies and procedures including when circumstances make it too difficult or dangerous to continue. It shall inform the Commission without delay and provide all the necessary details should a project be suspended. The Administration Agreement may be terminated in accordance with Section 12.01. If the Administration Agreement is not terminated, the World Bank Group entity shall endeavour to minimise the duration of the suspension and may resume implementation of the Project once the conditions allow, and shall inform the Commission accordingly.

Section 11.02. Upon removal of the suspension, the implementation period of the Administration Agreement shall be automatically extended by an amount of time equivalent to the duration of the suspension. This is without prejudice to any amendments to the Administration Agreement which may be necessary to adapt the Project to the new implementing conditions.

ARTICLE 12
Termination of the Administration Agreement

Section 12.01. If, at any time, either party believes that the purposes of the Administration Agreement can no longer be effectively or appropriately carried out, it shall consult the other party. The Administration Agreement may be terminated at the initiative of either party by giving the other party three (3) months' prior written notice to cancel all or part of the Commission’s pro rata share of any remaining balance of the Contribution funds that is not committed pursuant to any agreements entered into between the World Bank Group entity and any consultants and/or other third parties for the purposes of the Administration Agreement prior to the receipt of such notice, including the Grant Agreements.
The World Bank Group entity shall return such cancelled balance to the Commission including any investment income in accordance with Article 18.

Section 12.02. Where the World Bank Group entity:

- fails, without justification, to fulfil any of the obligations set out in Sections 1.02 and 1.03 incumbent on it, including the presentation of a final narrative report and/or making available final financial information within the deadlines laid down in Sections 2.06 and 2.07, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within thirty (30) days of sending of the letter; and, in case of narrative progress reports, after failing to provide, together with a satisfactory explanation, a summary of the state of the progress of the Project;
- fails to comply with Section 1.05 or Article 4;
- provides false reports or makes false or incomplete statements to obtain the Contribution provided for in the Administration Agreement;
- commits financial irregularities or is guilty of grave professional misconduct;
- undergoes legal, financial, technical or organisational change that is likely to substantially affect negatively the Administration Agreement or to call into question the decision by which a direct financial contribution is awarded to the World Bank Group by the Commission following a Call for proposals;
after prior consultation with the World Bank Group entity, the Commission may terminate the Administration Agreement. In that event, the Commission may request full or partial repayment of any amounts that should have not been considered eligible, after allowing the World Bank Group entity to submit its observations.

Section 12.03. Prior to or instead of terminating the Administration Agreement as provided for in Section 12.02, the Commission may suspend payments or (exceptionally) the eligibility of expenses as a precautionary measure, informing the World Bank Group entity immediately.

Section 12.04 This Administration Agreement shall be automatically terminated if no payment has been made by the Commission within three (3) years of its signature.

ARTICLE 13
Dispute resolution

Section 13.01. The Parties shall endeavour to settle amicably any dispute or complaint relating to the interpretation, application or fulfilment of the Administration Agreement, including its existence, validity or termination. In default of amicable settlement, any party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of the Administration Agreement.

Section 13.02. The language to be used in the arbitral proceedings shall be English. The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by any party. The Arbitrator's decision shall be binding on all parties to the arbitral proceedings and there shall be no appeal.

Section 13.03. Nothing in the Administration Agreement shall be interpreted as a waiver of any privileges or immunities accorded to any party hereto by its constituent documents or international law.
FINANCIAL PROVISIONS TO THE ADMINISTRATION AGREEMENT

ARTICLE 14

Eligible costs

Section 14.01. To be considered eligible as Direct Costs under the Administration Agreement costs must:
- be necessary for carrying out the activities financed by the trust fund, fall within the scope of the Administration Agreement, and comply with the principles of sound financial management, in particular value for money and cost effectiveness;
- have actually been incurred after the date specified in Section 2.02 of the Administration Agreement and before the End Disbursement Date specified in Section 2.03 of the Administration Agreement;
- be recorded in the World Bank Group or Recipient’s accounts, be identifiable, backed by originals of supporting evidence and verifiable pursuant to the provisions on the verification provision set out in Section 16.07.

Section 14.02. Subject to the above and without prejudice to Section 14.04, the following Direct Costs related to the activities of the trust fund of the World Bank Group entity, or its Recipient may be eligible provided they are consistent with the World Bank Group entity's policies:
- the cost of staff, including those at headquarters, assigned to the activities funded by the trust fund, corresponding to salaries and other benefits costs;
- travel and subsistence costs for staff and consultants;
- cost of purchase or lease for goods and services (including consultant services, transport, storage and distributing, lease of equipment, etc.);
- costs directly arising out of, or related to, distributing consumables, supplies and communications;
- expenditure on contracting (including works);
- the proportion of field office costs that corresponds to the amount of activity directly attributable to the activities financed by the trust fund or to the proportion of the amount deposited by the European Union;
- media workshops, conferences, meetings and other costs including dissemination of information, translation, reproduction, publication;
- training;
- Supervision/project management activities, project preparation activities, and specific reporting for the needs of the Commission;
- financial service costs (in particular bank fees for transfers) and insurance;
- costs related to carrying out visibility activities.

Section 14.03. The following costs of the World Bank Group entity or its Recipient shall not be considered eligible:
- expenditures and provisions for possible future losses or debts;
- interest owed to any third party;
- items already financed from other sources;
- purchases of land or buildings;
- currency exchange losses;
- taxes, duties and charges (unless the World Bank Group entity or the Recipient is not able to reclaim them and if allowed by the applicable regulatory provisions of the European Union).
Section 14.04. In order to assist in the defrayment of the costs of administration and other expenses incurred by the World Bank Group entity in administering the trust funds provided to it hereunder, a fixed percentage of Direct Costs, not exceeding 7%, may be deducted from each Contribution and retained as Indirect Costs by the World Bank Group entity. The 7% includes any set up fee that the World Bank governing bodies' decision may establish. Indirect Costs are eligible provided that they do not include Direct Costs specifically charged including preparation and supervision costs.

Where the administrative costs charged by the World Bank Group exceed 7%, the World Bank Group entity may recover the balance as Direct Costs, subject to meeting the requirements governing direct eligible costs referred to in Section 14.01. Indirect Costs shall not be eligible where the Administration Agreement concerns the financing of a Project where the World Bank Group entity is already receiving funding for its functioning from the European Union during the same period in question.

ARTICLE 15
Payments

Section 15.01. Payment schedule is set out in Article 4 of the Administration Agreement and follow one of the options below.

- Option 1 will be applicable in case of Single Donor Trust Funds or Multi-Donor Trust Funds where the trust fund has an anticipated duration of one year or less: An advance payment, representing 100% of the total Contribution referred to in Section 3.02 of the Administration Agreement shall be payable by the Commission within forty-five (45) days following receipt of the Administration Agreement signed by both Parties and receipt by the Commission of a payment request conforming to the model agreed between the Parties.

- Option 2 will be applicable in case of Single Donor Trust Funds or Multi-Donor Trust Funds where the trust fund has an anticipated duration of more than one year: An advance payment representing 50% of the total Contribution referred to in Section 3.02 of the Administration Agreement shall be payable within forty-five (45) days following receipt of the Administration Agreement signed by both Parties and receipt by the Commission of a payment request conforming to the model agreed between the Parties.

One or several intermediate payments representing X% of the total Contribution referred to in Section 3.02 of the Administration Agreement and specified in Section 4.01 of the Administration Agreement, shall be payable within forty-five (45) days of approving the narrative progress report and the financial information provided the payment request is accompanied by written confirmation that 50% of the total funds received to-date by the trust fund have been subject to a Commitment.

A final payment representing 100-(50 + X)% of the total Contribution referred to in Section 3.02 of the Administration Agreement and specified in Section 4.01 of the Administration Agreement, shall be payable within forty-five (45) days following receipt by the Commission of a payment request accompanied by written confirmation that (50 +X)% of the total funds received to-date by the trust fund have been subject to a Commitment.

Section 15.02. Narrative progress reports and the up to date financial information shall be deemed approved if the Commission has not reacted within forty-five (45) days of receiving the narrative progress report. If the Commission does not intend to approve a narrative report and/or financial information, as submitted or made available, it shall revert to the World Bank Group entity specifying the additional information it requires in accordance with Section 2.08. The deadline for approving the narrative report and financial information shall be suspended
pending the receipt of the requested information. If the Commission deems that a payment request cannot be met, it shall revert to the World Bank Group entity with a request specifying the additional information it requires within the forty-five (45)-day payment period. The payment period shall be suspended pending the payment request being made available in accordance with Section 15.01.

Approval of a report does not imply recognition of the regularity, authenticity, completeness and correctness of the declarations and information contained therein.

Section 15.03. All payments shall be made in Euro, to the following bank account:

Bank of America NT and SA
Main Branch
P.O. Box 407
1 Alie Street, London E1 8DE
United Kingdom
Swift Bic Code: BOFAGB22
Account Number: 165050-62952017
IBAN Number: GB37BOFA16505062952017

Or to any other bank account pursuant to Section 9.02.

When making deposits pursuant to this Section 15.03, the Commission will instruct the bank with which the deposit is made to include in its payment details information (remittance advice) field of its SWIFT payment message information indicating the amount and date of the deposit, the name and World Bank reference number of the trust fund for which the deposit is made (as set forth in the Administration Agreement), the Commission internal reference number (as set forth in the Administration Agreement), name of the project for which the funds are intended, name of the Commission's department responsible for the trust fund, date of the Administration Agreement or amendment. The Commission will also send a copy of its instruction to the IBRD's Trust Funds Division via e-mail using address "TFremitadvice@worldbank.org or via fax utilizing fax number 1-202-614-1315.

Section 15.04. In case of Single Donor Trust Funds except as the Commission and the World Bank Group entity may otherwise agree and subject to Section 15.06, any funds so deposited by the Commission shall be maintained in Euro. In case of Multi-Donor Trust Funds, in the event that holding currency of the Multi-Donor Trust Fund is not Euro, the World Bank Group entity, shall convert the funds into the holding currency of the trust fund promptly following receipt of the funds, provided that all the necessary documentation has been received, at the exchange rate applicable to the World Bank Group on the date of the conversion unless the parties agree otherwise in Section 7.02 of the Administration Agreement. In all cases, where the Contribution proves to be insufficient to complete the Project as a result of an exchange rate fluctuation, the Commission will not bear any responsibility for additional financing.

Section 15.05. The funds deposited pursuant to Section 15.04 above may be commingled with other trust fund assets administered by any World Bank Group entity, provided they may still be identified as such in the records of the World Bank Group entity but shall be kept separate and apart from the funds of each of the World Bank Group entities.
Section 15.06. The World Bank Group entity may exchange any funds held hereunder for other currencies in order to facilitate their administration and disbursement at the exchange rate applicable to the World Bank Group on the date of the conversion unless the parties agree otherwise in Section 7.02 of the Administration Agreement.

Section 15.07. IBRD shall, on behalf of the World Bank Group entity, invest and reinvest the funds provided by the European Union hereunder pending their disbursement, in accordance with IBRD’s policies and procedures for the investment of trust funds. For Multi Donor Trust Funds and/or Joint Management, IBRD shall credit all income earned on funds received from the Commission from such investment to the trust fund established under this Administration Agreement to be used for the same purposes as the Contribution funds. For Contributions which are not Multi-Donor Trust Funds and/or Joint Management, investment income earned on funds received from the Commission shall be identified as such, and IBRD shall credit such income to the Commission’s Donor Balance Account to be reimbursed to the Commission annually upon receipt by IBRD of banking details and authorized instructions from the Commission. Such refund request shall be sent to the attention of the Division Manager, Trust Fund Division, Accounting Department of the World Bank.

ARTICLE 16
Financial audits and checks

Section 16.01. The World Bank Group shall maintain separate records and ledger accounts in respect of the Contributions deposited by the Commission in the trust fund account and disbursements made therefrom. Separate records and ledger accounts shall be kept for each trust fund.

Section 16.02. The World Bank Group shall provide to the Commission, within six (6) months following the end of each World Bank Group fiscal year, the annual single audit, comprising (1) a management assertion together with an attestation from the World Bank Group’s external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the external auditor’s opinion thereon. The cost of the single audit shall be borne by the World Bank Group.

Section 16.03. For Exceptionally large trust funds where a financial statement audit is deemed appropriate and necessary, the World Bank will include provisions in the Administration Agreement for the financial statements of the trust fund to be audited (either annually, periodically, or at the completion of the trust fund as agreed with the donor(s)), by the World Bank’s external auditors in addition to the Single Audit Report. The costs with respect to such audits will be paid by the trust fund. These audited financial statements will be submitted to the Commission.

Section 16.04. If the Commission wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of a trust fund established under an Administration Agreement, the Commission and the Bank will first consult one another as to whether such an external audit is necessary. Following consultation, if the Commission wishes to proceed with the external audit, the Bank will arrange for such an audit. The cost of any such audit, including the Bank’s internal costs related to such an audit, will be paid by the Commission.
Section 16.05. The Bank will provide the Commission with copies of all financial statements and auditors' reports received by the Bank from the Recipients pursuant to the Grant Agreements.

Section 16.06. The World Bank Group entity shall, until at least seven years after the End Disbursement Date of the Administration Agreement:
(i) keep financial and accounting documents concerning the activities financed by the European Union hereunder; and
(ii) make available to the competent bodies of the European Union upon request, all relevant financial information, including statements of accounts concerning the project or activity financed by the European Union hereunder (whether executed by such World Bank Group entity or by its subcontractor).

Section 16.07. In conformity with the European Union financial regulations, the European Union may undertake, including on-the-spot, checks related to the Projects and activities financed by the trust fund.

Section 16.08. The foregoing shall be applied in accordance with the verification provisions provided for in Attachment 3 of the Framework Agreement.

ARTICLE 17
Final amount of the Contribution by the Commission

Section 17.01. The total amount to be paid by the Commission to the World Bank Group entity may not exceed the maximum Contribution established by Section 3.02 of the Administration Agreement, even if the overall actual expenditure exceeds the estimated total budget set out in Section 3.01 of the Administration Agreement unless amended in accordance with Section 9.01.

Section 17.02 The World Bank Group entity accepts that the Contribution amount shall be limited to the amount required to balance income and expenditure for the Project and that it may not in any circumstances result in a surplus for the World Bank Group entity.

Section 17.03. In cases where the Project is not completed by the End Disbursement Date specified in Section 2.03 of the Administration Agreement, the funds that remain unexpended after all Commitments incurred have been satisfied, including investment income will be reimbursed to the relevant Balance Account.

Section 17.04. Where the Project is not carried out according to the Administration Agreement and without prejudice to its right to terminate the Administration Agreement pursuant to Section 12.02, the Commission may, after allowing the World Bank Group entity to submit its observations and without prejudice to Article 13, adjust its Contribution pro rata to the actual implementation of the Project on the terms laid down in the Administration Agreement giving three (3) months' prior written notice.

ARTICLE 18
Recovery

Section 18.01. Upon the completion or termination of the Project for which the European Union has provided funding hereunder, the World Bank Group entity, will refund to the
Commission within forty-five (45) days of receiving a written request from the latter any amounts paid in excess of the final amount due for such project (including any investment income not previously reimbursed to the Commission or to the Balance Account). Such refund request with banking details and authorized instruction from the Commission shall be sent to the attention of the Division Manager, Trust Fund Division, Accounting Department of the World Bank. Any refund to the Commission will be done in Euro, unless the Parties agree otherwise, at the exchange rate applicable to the World Bank Group on the date of the conversion unless the Parties agree to another exchange rate in Section 7.02 of the Administration Agreement. In the event the funds are received by the Commission before such refund request is sent, the Commission will issue a refund request acknowledging their receipt.

Section 18.02. If the World Bank Group entity fails to repay by the due date, the sum due shall bear interest in accordance with the rules of the Commission. In case of Contributions which are Multi-Donor Trust Funds and/or Joint Management the accrued investment income may be taken into account.

Section 18.03. Amounts to be repaid to the Commission may be offset against amounts of any kind due to the World Bank Group entity or the Recipient, after consulting it accordingly. This shall not affect the Parties' option to agree on payment in instalments.

Section 18.04. Bank charges incurred by the repayment of amounts due to the Commission shall be borne entirely by the World Bank Group entity.
ANNEX III OF THE ADMINISTRATION AGREEMENT
PROPOSED INDICATIVE BUDGET FOR THE PROGRAM
KESPS and AWSSSPS ACTIVITIES*

Proposed Program Activities Indicative Budget (Euros)

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed Program Activities Indicative Budget (Euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff &amp; Consultant Cost and Temporary Support</td>
<td></td>
</tr>
<tr>
<td>Staff Cost**</td>
<td>4,733,000</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>897,000</td>
</tr>
<tr>
<td>Media and Workshop Costs including Translation and Travel</td>
<td>1,666,000</td>
</tr>
<tr>
<td>Goods</td>
<td></td>
</tr>
<tr>
<td>Associated Overheads</td>
<td>544,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Amount</strong></td>
<td>7,840,000</td>
</tr>
<tr>
<td>Bank Administration fee (2%)</td>
<td>160,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,000,000</td>
</tr>
</tbody>
</table>

A. Proposed KESPS Activities Indicative Budget (Euros)

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed Program Activities Indicative Budget (Euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff, Consultants and Temporary Support Staff</td>
<td></td>
</tr>
<tr>
<td>Costs**</td>
<td>244,000</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>50,000</td>
</tr>
<tr>
<td>Media and Workshop Costs including Translation and Travel</td>
<td>25,000</td>
</tr>
<tr>
<td>Associated Overheads</td>
<td>24,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Amount</strong></td>
<td>343,000</td>
</tr>
<tr>
<td>Bank Administration fee (2%)</td>
<td>7,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>350,000</td>
</tr>
</tbody>
</table>

B. Proposed AWSSSPS Activities Indicative Budget (Euros)

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed Program Activities Indicative Budget (Euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff, Consultants and Temporary Support Staff</td>
<td></td>
</tr>
<tr>
<td>Costs**</td>
<td>132,000</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>45,000</td>
</tr>
<tr>
<td>Media and Workshop Costs including Translation and Travel</td>
<td>10,000</td>
</tr>
<tr>
<td>Associated Overheads</td>
<td>9,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Amount</strong></td>
<td>196,000</td>
</tr>
<tr>
<td>Bank Administration fee (2%)</td>
<td>4,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>200,000</td>
</tr>
</tbody>
</table>
*The total amount of the budget for the Program will be updated from time to time upon IBRD receiving additional contribution(s) from the Commission under the framework of the Programmatic Trust Fund. In such cases, the revised and updated total amount of the Program will be deemed to have been agreed by both parties upon signature of any Administrative Agreement(s) for an additional contribution(s) without the need to further amend this Agreement or any other agreement under the Programmatic Trust Fund.

** Includes the following categories: consultant fees individual and firms, extended term consultants, staff costs, and temporary support staff costs.
List of ineligible costs supplemental the list of ineligible costs already specified under the General Conditions, Article 14.3 for the purposes of contributions to be financed by the European Union's first Instrument for Pre-Accession Assistance (IPA1):

- Fines, financial penalties and expenses of litigation;
- Rent or leasing of land and existing buildings;
- Second hand equipment;
- Bank charges, costs of guarantees and similar charges;
- Conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses;
- Contributions in kind;
- Any leasing costs;
- Depreciation costs;
- Credits to third parties.