

OFFICIAL DOCUMENTS

EUROPEAN COMMISSION
Structural Reform Support Service



Director General



***Administration Agreement between the European Commission and the International Bank for Reconstruction and Development concerning the Part II Europe 2020 Programmatic Single-Donor Trust Fund
Trust Fund (No TF073323)
(EC Contract No SRSS/S2019/039)***

This Administration Agreement is concluded under Direct Management in the context of the Framework Agreement between the World Bank Group and the European Commission dated April 15, 2016 (the Framework Agreement), which sets the general conditions for this Agreement. The Framework Agreement shall be applicable and form an integral part of the Administration Agreement for the Trust Fund.

1. The International Bank for Reconstruction and Development (the “Bank”) acknowledges that the European Commission (the “Donor”, and together with the Bank, the “Parties” and each a “Party”) agrees to provide three million and six hundred and ten thousand Euros (€3,610,000) (the “Contribution”) for the *Part II Europe 2020 Programmatic Single-Donor Trust Fund*, No. TF073323 (the “Trust Fund”) in accordance with the terms of this Administration Agreement.

The estimated total budget of the Trust Fund is three million and six hundred and ten thousand Euros (€3,610,000). The indicative budget set out in Annex 5 shall be used for monitoring purposes only and shall not be binding.

2. The Contribution shall be used to finance the activities set forth in the “*Part II Europe 2020 Programmatic Single-Donor Trust Fund Description*” attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Administration Agreement, including the “*Standard Provisions*” attached hereto as Annex 2 and “*Governance*” attached hereto as Annex 3.

Expected results of the Trust Fund and corresponding indicators (including baselines, result goals and sources of data) are set out in Annex 4.

The Implementation period shall start on the date following that on which the last of the two parties signs.

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

- (A) Promptly following countersignature - €1,805,000.
- (B) €1,444,000 - subject to the disbursement of 70% of the preceding instalment
- (C) € 361,000 - subject to the disbursement of 70% of the preceding instalment

The period for payment of further instalments shall be 60 days.
The period for payment of the balance shall be 60 days.

4. When making any deposit, the Donor shall 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 TF073323 (*The Part II Europe 2020 Programmatic Single-Donor Trust Fund*), the Commission internal reference number and the date of the Administration Agreement, the name of the project for which the funds are intended, the name of the Commission department responsible for the Trust Fund and the date of the deposit (the "Deposit Instructions"). In addition, the Donor shall provide a copy of the Deposit Instructions to the Bank's Accounting Trust Funds Division by e-mail sent to tfremiadvice@worldbank.org or by fax sent to +1 (202) 614-1315.

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

For the Bank (the "Bank Contact"):

Arup Banerji
Regional Director
Europe and Central Asia Region
World Bank Group
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Abanerji@worldbank.org

For the Donor (the "Donor Contact"):

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Structural Reform Support Service
Maarten Verwey
CHAR 09/108
B-1049 Brussels
Belgium
Maarten.VERWEY@ec.europa.eu

Request for payments and reports must be sent to:

European Commission
Structural Reform Support Service
UMT 01 Budget & Finance
CHAR 10/056
B-1049 Brussels
Belgium
SRSS-Finance@ec.europa.eu

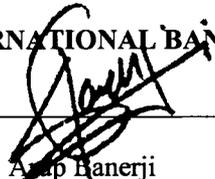
6. In the event that any amounts are to be returned to the Donor under this Administration Agreement, the Bank shall transfer such amounts to the Donor, unless otherwise agreed with the Bank.

7. All annexes hereto and the Framework Agreement between the World Bank Group and the European Commission constitute an integral part of this Administration Agreement, whose terms taken together shall constitute the entire agreement and understanding between the Donor and the Bank. In the event of any inconsistency, the Framework Agreement prevails over the Administration Agreement and the Administration Agreement prevails over its Annexes. Unless otherwise specified in an annex hereto, this Administration Agreement may be amended only by written amendment between the Bank and the Donor.

8. The measures taken to identify the EU as a source of financing shall be in accordance with Attachment 4 of the Framework Agreement.

9. Each of the Parties represents, by confirming its agreement below, that it is authorised to enter into this Administration Agreement and act in accordance with these terms and conditions. The Parties are requested to sign and date this Administration Agreement, and upon possession by the Bank of this fully signed Administration Agreement, this Administration Agreement shall become effective as of the date of the last signature.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By:  _____

Name: Anup Banerji

Title: Regional Director

Date: 14/06/2019

EUROPEAN UNION represented by the EUROPEAN COMMISSION

By:  _____

Name: Maarten Verwey

Title: Director General

Date: 18/06/2019



Part II Europe 2020 Programmatic 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

The objectives of the Trust Fund are:

The European Commission and the Bank share a common objective of building competitive and sustainable economies and reducing poverty and social exclusion – goals of the Europe 2020 Agenda which is built on three pillars of smart, sustainable and inclusive growth. The European Commission and the Bank concur that direct interaction is beneficial to both institutions and through them to the beneficiary countries. This applies particularly to the provision of analytical, advisory and knowledge services and technical assistance.

The European Commission has expressed an interest in ensuring that the Bank continues to provide technical assistance in the framework of the Trust Fund in furtherance of the common objective set forth above.

2. Activities

2.1. Background, specific objectives and description of activities are:

The mission of the Structural Reform Support Service ("SRSS") of the European Commission is to provide support for the preparation and implementation of growth-enhancing administrative and structural reforms by mobilising EU funds and technical expertise. To this end, Member States submit requests for support under Regulation (EU) 2017/825 on the establishment of the Structural Reform Support Programme ("SRSP Regulation" or the "Programme").

Following the submission of requests and their analysis by the European Commission in accordance with the criteria and principles referred to in Article 7(2) of the SRSP Regulation, the SRSS has agreed to support the projects laid down in this Annex I. To this end, the following project(s) will be carried out under this Agreement as follows:

LATVIA: ASSISTING THE LATVIAN STATE REVENUE SERVICE IN IMPLEMENTING THE MID-TERM TAX STRATEGY (INDICATIVE DURATION 18 MONTHS; INDICATIVE BUDGET €600,000 – EC REFERENCE 19LV01)

Project background:

According to the Government of Latvia ("GoL"), the country faces a number of tax compliance issues, a large tax gap (in the region of 20%), caused by a combination of carousel fraud, under reporting of income in cash trades and general non-compliance, partly caused by high compliance costs for taxpayers. Additionally, Latvia faces the challenge of "envelope wages" – the payment of part of an employee's salary in cash. Moreover, although yield per audit is high, audit productivity is exceedingly low, with less than six audits concluded per auditor per year. The current compliance management strategy does not address risk adequately, and the audit program needs reform.

The World Bank has provided technical support for the reform under a separate Contribution from SRSS (TF072372) and the GoL has requested that the technical assistance be continued. This project will build on the first two phases by continuing to support the GoL on the VAT tax gap analysis, using results to drive a risk-based audit strategy, help establish a compliance risk management strategy, and train audit staff in specific trade sector audits.

Project specific objective:

The specific objective of this Project is to support the State Revenue Authority (“SRS”) in improving revenue collection, in particular with regards to VAT, and in reducing the compliance burden.

Main project activities to be carried out by the World Bank:

- Analytical work to assist the SRS in introducing a compliance risk management strategy that focuses audits on taxpayers at the highest risk of non-compliance, and to a much lesser extent on those that comply voluntarily with their tax obligations.
- Analytical work to assist the SRS in developing the capability to undertake tax gap analysis using both top down (figures obtained from the National Statistics Bureau) and bottom up (figures obtained from tax audits and SRS records) methodologies. Staff of SRS will also be trained by the World Bank in these methodologies. The advice provided by the Bank will target specific trade sectors in order to improve compliance.
- Review of the audit system and identification of key areas for improvement, and development of recommendations to address identified gaps and shortcomings and to strengthen capacities for detection of tax evasion through the audit process.

Project final outputs:

- Set of evidence-based recommendations for a compliance risk management system.
- Tax gap analysis and assistance and recommendations delivered to guide the SRS in independently undertaking a top down and bottom up tax gap analysis.
- Analysis and recommendations for strengthening the tax audit function.

POLAND: SUPPORT TO THE IMPLEMENTATION OF THE MEASUREMENT, MONITORING & EVALUATION FRAMEWORK TO HELP IMPROVE PERFORMANCE MANAGEMENT OF THE NRA (INDICATIVE DURATION 12 MONTHS; INDICATIVE BUDGET €135,000 – EC REFERENCE 19PL02)

Project background:

Poland has embarked on comprehensive institutional, organisational, and operational reforms that aim to transform its revenue administration into a modern, efficient organisation in step with the rest of the European Union. One of the first steps in organisational restructuring was the merger of tax, customs, and fiscal control administrations into one agency forming the National Revenue Administration (“NRA”) in March 2017. Existing performance measurement/management activities are not integrated in Poland, making difficult the monitoring and evaluating of the performance of the NRA. The three merged independent services have their own performance measurement, management and evaluation programs which have yet to be consolidated and integrated into a single framework for NRA.

SRSS has been providing support to the NRA, initially through a series of working visits using the FISCALIS¹ instrument and then through an administration agreement with the World Bank to the NRA (TF073261). The support to NRA included advice to NRA to develop an integrated performance management framework, supported by a balanced scorecard tool that combines both strategic level output and outcome indicators, governance arrangements, streamlining decision-making processes, planning, responsiveness to emerging issues and improving the efficiency in use of resources. This phase of the project will build on the first two phases.

Project specific objective:

The specific objective of this project is to support NRA in informing the implementation of a modern Measurement, Monitoring and Evaluation Framework (“MME”), to allow improved performance of the NRA.

Main project activities to be carried out by the World Bank:

- Analytical support to the NRA in the development of an MME framework.
- Analytical support to the NRA in its institutionalisation of a performance management framework and supporting testing and pilots for the implementation of the selected three to five Key Performance Indicators (KPIs).

Final outputs:

- Advice and Report including recommendations to NRA for the implementation of the MME framework, including performance management framework, and proposed methodology to identify underperforming areas.
- Training delivered to officials of the Ministry of Finance and NRA to support change management processes and implementation of the proposed recommendations, procedures and guidelines.

POLAND: INTRODUCTION OF A COMPLIANCE RISK MANAGEMENT SYSTEM IN THE NRA (INDICATIVE DURATION 12 MONTHS; INDICATIVE BUDGET €175,000 – EC REFERENCE 19PL01)

Project background:

According to the Government of Poland (“GoP”), the NRA does not currently have a holistic compliance risk management system or comprehensive strategies for improving tax compliance with quantified targets. NRA has extensive and complex operational activities, overlapping sources of information, and non-centralised IT systems and databases. It also has a dispersed and fragmented management supervision system which challenges the setting of priorities and the implementation of a risk-based approach. In addition, these tasks are yet to be linked to the newly established internal organisational structure, roles and responsibilities. There is a need to introduce a system that covers the entire organisation and evaluates risk in all tax areas with a first step focus on large taxpayers office (“LTO”) (referred to by NRA as “large business sector”).

SRSS has been providing support to the NRA, initially through a series of working visits using the FISCALIS instrument and then through an administration agreement with the World Bank to the NRA (TF073261). This phase of the project will build on the first two phases.

¹ FISCALIS is an EU cooperation programme which enables national tax administrations to create and exchange information and expertise. It allows developing and operating major trans-European IT systems together, as well as establishing networks by bringing together national officials from across Europe.

Project specific objective:

The specific objective of the Project is to support NRA in informing the implementation of a modern compliance risk management system for the large taxpayer office.

Main project activities to be carried out by the World Bank:

- Analytical support to NRA in its development of a modern compliance risk management model for the large taxpayers office.
- Provision of training, workshops and support to the relevant NRA staff.
- Provision of support in piloting the newly developed compliance risk management framework at the large taxpayers office to provide feedback.

Final outputs:

- Report on compliance risk management framework, including proposed criteria to be used by NRA when evaluating compliance risk, and recommendations for the implementation of a modern compliance risk management framework within the large taxpayer office.
- Report on lessons learned from the pilot of the newly developed compliance risk management framework (as described in bullet 3 above).
- Workshop/s on the compliance risk management, report results, and pilot implementation.

POLAND: METHODOLOGY FOR ESTIMATING EXCISE GAP (INDICATIVE DURATION 18 MONTHS; INDICATIVE BUDGET €300,000 – EC REFERENCE 19PL15)**Project background:**

In 2017, Poland introduced a number of measures to improve tax collection and achieved important progress in VAT compliance. One of the priorities of the Polish Government set out in the Strategy for Responsible Development until 2020 is to ensure the sustainability of public finances. This could be done by “sealing” the tax system and strengthening the effectiveness of the NRA. Developing a gaps measurement approach for VAT, excise, corporate income tax (“CIT”) and personal income tax (“PIT”) is one of the priority actions of the NRA for the years 2017-2020. In order to achieve the strategic objectives of NRA and to ensure the complementarity of organisational and regulatory activities, there is a need to develop a methodology for estimating the excise gap.

Project specific objective:

The specific objective of this project is to support NRA in developing a methodology for excise gap estimation, which would provide the NRA and their stakeholders with a measure of the amount of excise revenues lost or foregone through noncompliance, avoidance, and to help inform policy decisions on development of the NRA and Ministry of Finance (“MoF”).

Main project activities carried out by the World Bank:

- Analysing the tax administration and tax policy in Poland and assisting in identifying and collecting the relevant data for estimating the excise gap.
- Examining legislation and advising on possible closing of legislative gaps.
- Estimating the excise tax gap using relevant methodologies, developing the methodology used to calculate the gap and identify the gap by sectors.
- Presenting to the Polish Government the methodology used to calculate the gap and make recommendations on reducing it.

- Delivering training to officials of the MoF and NRA in the methodology and techniques used to calculate the gap and support development of in-house capacity, including, where appropriate, manuals.

Project final outputs:

- Excise gap analysis that measures the amount of excise revenues lost or foregone through noncompliance, avoidance and policy decisions for the period 2011-2017.
- Report with recommendations for wider strategy development.
- Report with recommendations on the possibility of monitoring the trend of the excise gap and identifying measures that contribute to reducing the gap.
- Training on methodology for assessing the excise gap for the MoF/NRA staff.

POLAND: ASSESSMENT OF TAX INCENTIVES (INDICATIVE DURATION 24 MONTHS; INDICATIVE BUDGET €750,000 – EC REFERENCE 19PL14)

Project background:

According to the GoP, tax exemptions constitute a large proportion of potential tax revenues, hence the need for a thorough review of the tax exemption system and assessment of effectiveness of particular tax incentives. Total tax exemptions, including revenue lost by both state budget and local governments' budgets, amounted in 2015 to 90.7 billion PLN, i.e. 5.04% of the GDP. These estimates were based on data for most important taxes, that is PIT, CIT, VAT and excise duty as well as real estate tax, forest tax and agricultural tax in the case of local governments. VAT exemptions were largest and equalled 46 billion PLN, while PIT and CIT exemptions were assessed at 21.3 and 14.8 billion PLN respectively. Estimated tax exemptions constituted a considerable proportion of actual potential tax revenues, representing 45%, 37.4% and 25.6% of CIT, VAT and PIT revenues respectively.

Project specific objective:

The specific objective of the Project is to support NRA in informing the reform of the tax incentive system, to better align it with its distributional, labour-market, investment, innovation and other economic policy objectives, while minimising the revenue losses, through in-depth analysis of the effectiveness of the tax incentives.

Main Project activities to be carried out by the World Bank:

- Assist NRA in updating and expanding the list of all tax incentives and non-tax incentives available in Poland.
- Provide assistance to NRA in testing the methodology for calculating the cost of incentives and updating it where necessary.
- Assist NRA in accurately determining the cost of three to five selected incentives and establishing benchmarks for determining their effectiveness.
- Provide recommendations to the MoF and GOP on the effectiveness of incentives and suggest removal of those that do not deliver their intended purpose.
- Provide assistance in strengthening the technical capacity for the analysis of incentives within the NRA and MoF.

Project final outputs:

- Updated list of tax incentives, including a quantification of their costs.
- Analysis of three to five selected incentives delivered (assessment of their economic impact)

- Report with recommendations on potential change of incentives needed to increase their effectiveness
- Just in time training of NRA staff on methodology used for the assessment of tax incentives.

POLAND: METHODOLOGY FOR ESTIMATING THE CORPORATE INCOME TAX GAP (INDICATIVE DURATION 24 MONTHS; INDICATIVE BUDGET €450,000 – EC REFERENCE 19PL16)

Project background:

In 2017, Poland introduced a number of measures to improve tax collection and achieved progress in VAT compliance that increased VAT tax revenues. As a next step the GoP aims to improve corporate tax compliance. Over the period 2010 – 2015, the share of GoP revenue from taxation of income and wealth was around 5.8% lower in Poland than the EU Member State average. Since 2015, the GoP introduced several measures to increase CIT compliance (e.g. introduction of a general anti-avoidance rule for CIT in 2016). However, the assessment of the impact of this measure, and other measures taken, has not been possible due to the absence of an appropriate methodology for estimating the CIT gap.

Project specific objective:

The specific objective of the project is to support NRA in estimating the CIT gap, using either top down or bottom up methodologies, to identify policy action that could limit tax revenue lost due to CIT non-compliance.

Main project activities to be carried out by the World Bank:

- Carrying out introductory analytical activities to study the tax administration and tax policy in Poland and identify the most appropriate data for estimating the CIT gap.
- Reviewing lessons from other tax administrations in their methods for estimating the CIT gap (to be separately conducted using FISCALIS).
- Estimating the gap by determining core activities that will involve estimating the CIT gap using both top down and bottom up methodologies.
- Outlining proposed preparatory actions for determining the CIT gap and undertake the analysis.
- Providing recommendations from the findings of the gap analysis which could be used by NRA to take actions on reducing the CIT gap.
- Carrying out training activities concurrently with the activities above (mainly through training by doing) building capacity within the MoF and NRA to allow in-house gap estimation.

Final project outputs:

- An estimate for the CIT gap for the period 2011 – 2017.
- Training to MoF/NRA on methodology for assessing the CIT gap.
- Report with recommendations, to be used by MoF and NRA in proposing strategies to be taken to reduce the CIT gap.

LITHUANIA: IMPROVEMENT OF THE VAT ADMINISTRATION (INDICATIVE DURATION 12 MONTHS; INDICATIVE BUDGET €300,000 – EC REFERENCE 19LT25)

Project background:

According to the Government of Lithuania (“GoL”), VAT revenue is a major source of income and made up 42% of all national budget revenues administered by the State Tax Inspectorate (“STI”) in

2018. According to a study commissioned by European Commission, the VAT gap in Lithuania in 2015 amounted to more than 1 billion euros or 26% of potential VAT revenue (amount which would be collected if there was no gap). According to VAT gap reports, the VAT gap in Lithuania has been decreasing steadily since 2012, yet it still remains one of the highest in the EU. Currently, VAT fraud detection based solely on database data is complicated, since, without the specific tools to manage data, the effective exploitation of VAT invoice data and various other data sources is hardly possible. The STI is interested in making use of new IT tools and methods, including machine learning in the area of VAT control, taking into account an automatic risk assessment of all VAT payers who submitted returns with refundable VAT.

Project specific objective:

The specific objective of the project is to support STI in enhancing efforts to ensure the collection of planned budget revenue on the VAT.

Main project activities carried out by the World Bank:

- Support STI in preparing a proposed methodology for discovering VAT fraud schemes, including risk criteria and proposed methodologies to identify an element of fraud in the chain of transactions (based on all information available to STI).
- Presenting the proposed methodology in knowledge sharing/workshops: 1) for STI staff generally; and 2) for STI staff to be involved in further implementation of the proposed methodology.
- Preparing a proposed action plan for the implementation of the methodology.
- Assisting STI in the development of a new process for automatic risk assessment of all VAT payers who submitted VAT returns for refundable VAT (not only limited to refundable VAT claims) and make recommendations based on EU best practice.
- Preparing a report with recommendations for visualising VAT data, including technical specification for a new software.

Project final outputs:

- Report describing the new proposed methodology for discovering VAT fraud schemes.
- Proposed action plan for the implementation of the proposed methodology.
- Recommendations Report on technical specifications for software development.

ITALY: IMPROVING THE EVALUATION OF VAT AND EXCISE TAX POLICIES (INDICATIVE DURATION 12 MONTHS; INDICATIVE BUDGET €450,000 – EC REFERENCE 19IT29)

Project background:

According to the Government of Italy (“GoI”), the Italian tax gap is one of the highest in the EU, being about three times higher than the EU average, as recently reported in the EU VAT gap report. Having a high tax gap, particularly regarding excise and VAT, works against tax collection, fairness, and the sustainability of public finances. To reduce the tax gap in Italy, the GoI has undertaken several actions in the past few years, of which the most important is the adoption of the VAT split-payment mechanism and specific measures in the excise sector. The extension of the mandatory electronic invoicing to all private sector transactions from 2019 is expected to improve VAT and excise tax compliance relevantly. To implement effective tax policies for reducing the tax gap, however, it is important to develop evaluation models that are able to describe and simulate all the featuring aspects of VAT and excise taxes. SRSS has been providing support to the Ministry of Finance and Economy (MoFE). This Project will build on the support provided earlier by SRSS.

Project specific objective:

The specific objective of the project is to support the MoFE in improving the evaluation of VAT and excise tax policies, and in developing the design of more effective tax policies for reducing the VAT gap and the excise tax gap.

Main project activities to be carried out by the World Bank:

- Identify the current situation regarding the VAT gap to understand the problems and exact needs of the MoFE and specify the approach for the task.
- Collect data, analyse data (including the updating and harmonisation of the data) and prepare the detailed social accounting matrix.
- Support MoFE in the modelling construction phase by proposing an adaptation of the theoretical structure of the framework to the specific features of Italy; specification of dimensions of the model; definition of the functional forms and key causality chains; calibration and econometric estimation. Provide support to MoFE to implement the Computable General Equilibrium model. Provide support to MoFE to test and fine-tune activities to validate the model.
- Support MoFE in the development of a user-friendly interface, such that the model can easily be used by non-specialists to provide timely policy simulations and reports that are useful for analysing the economic and social impact of tax policies on VAT and excise sector.
- Support MoFE prepare a technical manual describing the model structure, calibration, and its database .
- Provide a comprehensive training program including both theory and practice to MoFE staff. This training will focus on the economic mechanisms incorporated in the model, scenario building process, simulation management, extracting simulation results, interpreting the results and using them in the policy making process.

Project final outputs:

- Technical manual describing the model.
- Report on a user-friendly interface for the Computable General Equilibrium model, which enables use by non-specialists.
- Training to MoFE staff.

FINLAND: SUPPORT FOR DESIGN AND IMPLEMENTATION OF A NEW VAT REPORTING MODEL (INDICATIVE DURATION 18 MONTHS; INDICATIVE BUDGET €450,000 – EC REFERENCE 19FI05)

Project background:

As described in the European Commission's Country Report Finland 2018, Finland is emerging from a protracted crisis. The country has made progress in improving the long-term sustainability of its public sector. It is expected that a well-functioning VAT reporting system would decrease the VAT gap and therefore have an impact on economic growth and sustainability of public finances. However, public debt-to-GDP ratio is projected to start increasing again in the early 2020s. Increasing tax gap can make this situation significantly worse and reduce Finland's ability to improve the sustainability of its public sector. VAT is one of the most significant revenue sources for Finland. Digitalisation, new technologies, globalisation, and other changes in the way of doing business impose new challenges for the tax administrations to work efficiently and secure level playing field to taxpayers nationally and within EU. In order to enhance the capability of the Finnish Tax Administration ("FTA") to perform proper risk analysis and risk management, more data has to be collected electronically from all VAT taxpayers. Therefore, the FTA is planning to carry out a reform in the model for collecting VAT information from the economic operators (VAT return and other information that is collected for VAT purposes, e.g. transactional data on sales and purchases).

Project specific objective:

The specific objective of the project is to support the FTA in enhancing its capability to perform proper risk analysis and risk management, by proposing a feasible “tailor-made to-be model” for VAT reporting for Finland that will not create too much administrative burden for both taxpayers and tax authorities.

Main project activities to be carried out by the World Bank:

- Identify the current situation regarding the VAT reporting in Finland, understand the problems and exact needs of the FTA and specify the approach for the task.
- Carry out a comparative analysis/benchmarking study of the good practices in other EU and non-EU countries: Based on criteria selected in consultation with the FTA, the World Bank will select a mix of at least five EU and non-EU countries for benchmarking in the area of VAT reporting. The key questions/areas for research, comparison and analysis will be selected in consultation with the FTA prior to the benchmarking study.
- Provision of support for development of a new tailor-made VAT reporting model for Finland: On the basis of the current situation in Finland and the information collected during the benchmarking study, a proposed new tailor-made VAT reporting format for Finland will be elaborated in consultation with the FTA. Furthermore, the Bank will organise workshop/s, brainstorming and drafting session/s, as needed.

Project final outputs:

- Analytical report with the results from the benchmarking study;
- Report describing the current situation on VAT reporting and the proposed new tailor-made VAT reporting model with assumptions, risks and indicators, and proposed implementation plan for the new model.

3. Eligible Expenditures

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

- (a) Staff and individual consultant services;
- (b) Cost of travel;
- (c) Cost of training and workshop; and
- (d) Other services including translation.

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. Program Criteria

5.1 Activities are to be financed in accordance with the following program criteria:

The Trust Fund is established to enable the European Commission and the Bank to continue to collaborate and exchange experience and expertise on a number of themes under all three pillars of the Europe 2020 Agenda – of smart, sustainable and inclusive growth. The express purpose of this Trust Fund is to allow the European Commission to avail itself of the Bank’s technical assistance and analytical and policy capacity for the purpose of pursuing the goals of Europe 2020. The three pillars of Europe 2020 are broadly in line with the objectives and strategies adopted in the Europe and Central

Asia Region of the World Bank Group. All activities that are in pursuance of these three pillars are eligible to be financed and implemented under this Trust Fund.

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.

1. Administration of the Contributions

1.1 The Bank shall be responsible only for performing those functions specifically set forth in this Administration Agreement and shall not be subject to any other duties or responsibilities to the Donor, 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 The Donor's Contribution 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 Donor acknowledges 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 the 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 Euro (the "Holding Currency").

2.3 The Donor agrees to deposit its Contributions in the Contribution Currency stated in the Administration Agreement. 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 transfer all income from such investment to the Donor's applicable donor balance account with the Bank.

3. Trust Fund Fees and Costs

3.1 The Bank shall deduct and retain for its own account, as a deduction from each Instalment, an amount equal to five percent (5%) per Instalment as an administrative fee for the Trust Fund.

3.2 The Donor acknowledges and agrees that the percentage deductions for fees in this Trust Fund Fees and Costs section are estimated on the basis of anticipated Contributions. If actual Contributions significantly differ from what was originally anticipated at the time of signature of the first Administration Agreement, or if other circumstances affecting Trust Fund fees or costs change, the Bank reserves the right to request a change to the terms of this Trust Fund Fees and Costs section, which would be effectuated by amendments made to the Administration Agreements of the Donor and which would thereafter be applicable to all new Contributions that are provided either as amendments to supplement existing Administration Agreements or from new Administration Agreements.

4. Accounting and Financial Reporting

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

4.2 The Bank shall furnish to the Donor current financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions via the World Bank's Trust Funds Donor Center secure website. 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 Donor via the World Bank's Trust Funds Donor Center secure website.

4.3 The Bank shall provide to the Donor via the World Bank's Trust Fund Donor Center secure website, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising: (i) a management assertion together with an attestation 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.

4.4 If the 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.

5. Progress Reporting

5.1 The Bank shall provide the Donor with semi-annual reports on the progress of activities financed by the Contributions. Within six (6) months of the End Disbursement Date (as defined below), the Bank shall furnish to the Donor a final report on the activities financed by the Trust Fund.

5.2 The Donor may review or evaluate activities financed by the Trust Fund at any time up to six (6) months following the End Disbursement Date. 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.

6. Disbursement; Cancellation; Refund

6.1 It is expected that the funds deposited in the Trust Fund will be fully disbursed by the Bank by January 31, 2022 (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 Donor) after such date to the extent such date is changed in accordance with amendments made to the Administration Agreement(s) of the Donor. Following the End Disbursement Date, the Bank shall return any remaining balance of the Trust Fund to the 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 the Donor, all calculated as Holding Currency amounts.

6.2 The Donor may cancel all or part of such Donor's pro rata share/contribution, and the Bank may cancel all or any Donor's pro rata share/contribution, 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 the Administration Agreement unless otherwise agreed between the Bank and the Donor.

7. Disclosure; Dispute Resolution

7.1 The Bank shall disclose the Administration Agreements and related information on this Trust Fund in accordance with the Bank's Policy on Access to Information. By entering into Administration Agreements, the Donor consents to such disclosure of their respective Administration Agreements and such related information.

7.2 The Donor 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.

**GOVERNANCE OF THE ACTIVITIES SET FORTH IN SECTION 2 OF ANNEX 1 TO
THIS ADMINISTRATION AGREEMENT**

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.

Working Modalities

1. The Bank shall be in charge of the implementation of the activities and shall consult with the Structural Reform Support Service (SRSS) regularly. The SRSS shall take all appropriate measures to facilitate the Bank work in the performance of the activities, including, as needed, facilitating contacts with local authorities.
2. Based on the project outlines described under the activities in Annex 1 to this Agreement, the Bank shall prepare and furnish to the SRSS promptly following signature of this Agreement, a detailed description of the activities to be carried out under each individual project described in Annex 1 of this Agreement. Each detailed project description shall, contain, *inter alia*:
 - The detailed list of expected outcome(s), output(s) and activities;
 - In line with Bank Team composition described below, the composition and expertise of the Bank team for the specific activities to be carried out under the specific project, and, where appropriate, the resources (such as translations, facilities) to be made available by the relevant Member State Authority;
 - Where appropriate, the modalities for the regular consultations with the SRSS and key stakeholders involved in the activities to be carried out under the project;
 - The detailed indicative timeline of all the outputs;
 - Based on the Indicative Results Indicators contained in Annex 4, a detailed Indicative Results Indicators for the activities to be carried out under the project, including indicators, baselines, expected result goals, target groups and assumptions;
 - Based on the indicative budget of the action indicated in Article 3 of the Administrative Agreement and Annex V of the Agreement, a detailed indicative budget per project.
3. A Steering Committee, composed of the two representatives referenced to in Article 5 of the Administrative Agreement is established for the purposes of, among others, endorsing the detailed project descriptions described under the activities in Annex 1 of this Agreement.
4. No activities for individual project(s) shall start until the Steering Committee has endorsed the respective detailed project description through an exchange of letters communicated by email. Only the projects described under the activities in Annex 1 and their detailed descriptions as endorsed by the Steering Committee shall be eligible for financing out of the proceeds of the Trust Fund.
5. The Bank shall inform the SRSS of any subsequent changes in the approved detailed project descriptions. Subsequent significant changes of the outputs and/or budgetary reallocations between projects shall be submitted to the Steering Committee for approval.
6. The detailed descriptions of each project, once agreed upon by the Steering committee, shall serve as a basis for the follow up of each project's implementation. The level of detail in the progress reporting prepared under Section 5.1 of the Annex 2 to this Agreement will reflect the detailed descriptions.

7. In order to facilitate the implementation of the project, the SRSS shall be responsible for involving other EU Commission services, where appropriate. The SRSS shall also provide support to ensuring the appropriate involvement of the local authorities for the smooth execution of the activities by the Bank. The SRSS, when legally possible, shall provide the Bank with relevant documents, reports and findings, resulting from other technical assistance work streams the SRSS is or has been involved in.
8. The Bank and the SRSS shall have regular exchanges on the progress of the projects, on the Annual Work Plans or schedule of activities for the following month(s) including missions, and raise any issues as they arise concerning difficulties encountered. A Representative of the SRSS will be invited to attend all missions and all pertinent events or activities.
9. Priorities and choices to be made in the planning of the activities shall be discussed and consulted between the Bank and the SRSS. To facilitate the organisation and efficiency of missions the Bank will share with the SRSS the relevant documents in a timely manner.
10. It is expected that the Bank shall consult and cooperate with the relevant Member State Authority at all major stages of the activities to be implemented under this Agreement. It is expected that the relevant Member State Authority shall provide input where necessary, comment on the work plan of the project, review draft outputs and provide detailed comments.
11. It is expected that the outputs resulting from the project's activities shall be delivered by the Bank to the relevant Member State Authority and the SRSS directly. The Bank shall share with the SRSS draft outputs. The SRSS may provide comments that the Bank may take into account. The Bank shall inform the SRSS of those cases where the SRSS feedback was not taken into consideration.
12. The Bank shall notify the SRSS without delay on any circumstances likely to adversely affect the implementation and management of this Agreement or to significantly delay or jeopardise the performance of the activities or the expected outputs and outcomes.
13. The Bank will carry out the visibility activities agreed between the Bank and the SRSS in the Visibility Note dated April 23, 2019, as may be updated from time to time by the parties, in line with Article 9 and Attachment 4 of the Framework Agreement.

Bank team composition:

The Bank shall, in its sole discretion, determine the composition of the staff (including staff holding consultant appointments) assigned to perform the activities under this Agreement. The Bank teams will be managed by a Bank Task Team Leaders with relevant experience, drawing on the expertise of the World Bank Group staff with extensive experience on areas identified in the detailed project descriptions agreed with the SRSS and endorsed by the Steering Committee. The details of the Bank teams' competencies will be outlined in the detailed project descriptions and will include in-depth knowledge of EU and country-specific expertise and ability to produce high-quality outputs.

INDICATIVE RESULTS INDICATORS FOR THE ANNEX 1 ACTIVITIES

<i>Expected Results (logic of intervention)</i>	<i>Indicators</i>	<i>Baseline</i>	<i>Result goals</i>	<i>Target groups</i>	<i>Assumptions</i>
Impact Over the long term, the activities, outputs and associated outcomes are expected to contribute towards supporting conditions for smart growth in selected European Union member states.					
Outcome (s) The overall expected outcome of the project is increased capacity of public administrations in tax policy design and tax administration.					
19FI05 - Improved VAT collection in Finland	VAT reporting model requires reform to enhance the capability of the administration to perform proper risk analysis and risk management (Finland)	Reformed VAT reporting model established capturing critical information, and balancing effectiveness and efficiency. (Finland)	Government of Finland (Finnish Tax Administration)	Adoption and implementation of the outputs by Government authorities and subsequent enforcement	
19LT25 - Reduced VAT gap in Lithuania	VAT fraud detection based solely on database data is complicated without specific tools to manage data comfortably (Lithuania)	Methodology developed for discovering VAT fraud schemes and other possible factors for under reporting, including risk criteria and algorithms for finding an element of fraud in the chain of transactions (based on all information available to STI).	Government of Lithuania (State Tax Inspectorate)	Adoption and implementation of the outputs by Government authorities and subsequent enforcement	
19IT29 - Reduced VAT and excise tax gap in Italy	Evaluation models not available to inform the design and implementation of effective tax policies for reducing the tax gap (Italy)	Evaluation model describing and simulating all the featuring aspects of VAT and excise taxes available to inform policy design and implementation (Italy)	Government of Italy (Ministry of Finance and Economy)	Adoption and implementation of the outputs by Government authorities and subsequent enforcement	
19LV01 - Reduced tax gap in	The current	Increased	Government of	Adoption and	

<i>Expected Results (logic of intervention)</i>	<i>Indicators</i>	<i>Baseline</i>	<i>Result goals</i>	<i>Target groups</i>	<i>Assumptions</i>
Latvia		compliance management strategy does not address risk adequately (Latvia)	capacity of SRS to implement an evidence-based compliance risk management strategy and carry out tax gap analysis(Latvia)	Latvia (State Revenue Service)	implementation of the outputs by Government authorities and subsequent enforcement
19PL01 - Improved tax compliance in Poland		Polish NRA has no holistic compliance risk management system that covers the entire organisation and evaluates risk in all tax areas	A modern compliance risk management framework at the level of the large taxpayer office is developed (Poland)	Poland National Revenue Authority	Adoption and implementation of the outputs by Government authorities and subsequent enforcement
19PL02 - Improved decision-making processes, responsiveness and efficiency of National Revenue Authority in Poland		Polish NRA has no centralised and uniform management information system, performance management being spread across a wide range of offices and tax heads.	An Integrated performance management (MME) model covering all three legacy institutions under one umbrella is developed (Poland)	Poland National Revenue Authority	Adoption and implementation of the outputs by Government authorities and subsequent enforcement
19PL15 - Reduction of excise gap in Poland		Polish NRA has a limited understanding of the amount of excise revenues lost or foregone through noncompliance and avoidance, constraining policy decisions.	Polish NRA has reliable estimates of the amount of excise revenues lost or foregone through noncompliance and avoidance, to inform policy decisions on development of the NRA and MoF.	Poland National Revenue Authority	
19PL14 - Improved alignment of Polish tax incentive system with economic policy objectives while minimising revenue losses		Polish NRA has no capacity to assess if tax incentive system is aligned with its distributional, labour-market, investment, innovation and other economic policy objectives	Polish NRA has capacity, information and analytical tools / methodologies that allow to assess and reform tax incentive system	Poland National Revenue Authority	
19PL16 - National public administration has increased		The assessment of CIT gap and its	Application of methodology to	Poland National Revenue	

Expected Results (logic of intervention)	Indicators	Baseline	Result goals	Target groups	Assumptions
capacity in assessment of corporate income tax gap in Poland		drivers (compliance or policy) has not been performed by the Polish NRA due to lack of appropriate methodology for estimating the CIT gap.	estimation of CIT gap, allowing to identify policy action that will limit the gap in Poland.	Authority	
Output (s)					
19FI05 - Report describing the new tailor-made VAT reporting model (Finland)	0		1	Government of Finland (Finnish Tax Administration)	
19LT25 - Report describing the new methodology for discovering VAT fraud schemes (Lithuania)	0		1	Government of Lithuania (State Tax Inspectorate)	
19IT29 - Technical manual and user-friendly interface for the Computable General Equilibrium model (Italy)	0		1	Government of Italy (Ministry of Finance and Economy)	
19LV01 - Evidence-based recommendations for a compliance risk management system (Latvia)	0		1	Government of Latvia (State Revenue Service)	
19PL01 - Recommendations report for the implementation of a modern compliance risk management framework within the key entities sector (Poland)	0		1	Poland National Revenue Authority	
19PL02 - Advice and recommendations report on the performance management tool, and on how to identify underperforming areas (Poland)	0		1	Poland National Revenue Authority	
19PL15 - Excise gap analysis that measures the amount of excise revenues lost or foregone through noncompliance, avoidance and policy decisions (Poland)	0		1	Poland National Revenue Authority	
19PL14 - Deliver methodology of impact assessment of 2 selected tax incentives and advise modifications (Poland)	0		2	Poland National Revenue Authority	
19PL16 - Deliver methodology on estimation of the CIT gap (Poland)	0		1	Poland National Revenue Authority	

INDICATIVE BUDGET
FOR THE ANNEX 1 ACTIVITIES

Expenditure Category	Average Number	Amount in Euro
Staff and consultant services	55	1,714,750
Cost of travel	45	1,028,850
Training and workshops	9	171,475
Other services including translation	15	514,425
Sub-total		3,429,500
Administration fee (5%)		180,500
Total		3,610,000

The amount estimated for personnel is calculated taking into account different levels of expertise estimated to be required for carrying out the activities described in Annex 1.

The World Bank Group entity may transfer amounts between categories of the indicative budget. This does not require an amendment of the Administration Agreement if the Action is carried out as described in Annex I.



Brussels, April 23rd 2019

Subject: Visibility note applicable to the TF073320, TF073321, TF073323 Trust Fund

I-Titles of the Administration Agreements

TF073320 - Part II - EU2020 - Structural Reform Support Service (SRSS) Umbrella Trust Fund for Social Protection

TF073323 - Part II - EU2020 - Structural Reform Support Service (SRSS) Umbrella Trust Fund for Governance

TF073321 - Part II - EU2020 - Structural Reform Support Service (SRSS) Umbrella Trust Fund for Finance, Competitiveness and Innovation

II- Objective

In accordance with article 9 and Attachment 4 of the Framework Agreement between the European Commission (the Commission) and the World Bank (the Bank), this note defines the visibility activities to be financed by the Bank in order to identify and explain the European Union's support for the activities of the Trust Fund (No TF073320, TF073321, TF073323) (EC Contract No SRSS/S2019/037, SRSS/S2019/038 and SRSS/S2019/039) fully funded by the Commission.

III-Activities

- All press releases, publications, social media channels (*inter alia* Facebook, Twitter, Instagram)¹, training programs, seminars or symposia or other public information materials issued shall prominently displaying the EU logo and clearly indicate that the activities have been carried out 'with funding by the European Union via the Structural Reform Support Programme and in cooperation with the European Commission's Structural Reform Support Service'.
- The Bank should ensure that every deliverable (periodic or final), acknowledges that it 'was carried out with funding by the European Union via the Structural Reform Support Programme and in cooperation with the European Commission's Structural Reform Support Service'. This acknowledgment should include prominently displaying the EU logo (on the front cover page of the deliverable and every time the logo of the Bank is displayed).
- Publications and deliverables pertaining to the Action, in whatever form and whatever medium, including the internet, shall carry the following disclaimer: "This document was produced with the

¹ In the case of social media channels, the text can be reduced to "implemented with EU via #SRSP".

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financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.”.

- Periodic and final reporting as per Article 5 of the Framework Agreement will identify the European Union as the source of financing of the Action.
- Whenever possible and appropriate, joint press releases and joint media activities should be undertaken to promote the partnership and to highlight common achievements. The Bank and the Commission shall invite each other to participate at press conferences, donor conferences and public debates on trust funds where the European Union is a significant contributor.
- Where high level visits are planned concerning joint funded activities, the Parties will inform each other and consider co-ordinating these visits and agreeing on joint messages.
- In all their common actions, the Commission and the Bank will use a common visual identity to put emphasis on their partnership.



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