

OFFICIAL DOCUMENTS



Administration Agreement between the European Commission on behalf of the European Union and the International Bank for Reconstruction and Development concerning the *Part II Europe 2020 Programmatic Single-Donor Trust Fund (No 072983)* (EC Contract No SRSS/S2017/041)

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 which sets the general conditions for this Agreement (the “Framework 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 the sum of two hundred thousand Euros (€ 200,000) (the “Contribution”) for the *Part II Europe 2020 Programmatic Single-Donor Trust Fund* (the “Trust Fund”) in accordance with the terms of this Administration Agreement.

The estimated total budget of the Trust Fund is two hundred thousand Euros (€ 200,000). The indicative budget set out in Annex 5 shall be used for monitoring purpose 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 “Installment”) upon submission of a payment request by the Bank:

- (A) Promptly following countersignature – €120,000
- (B) €80,000 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 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 tfremittadvice@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, European Union
Europe and Central Asia Region
World Bank Group
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For the Donor (the "Donor Contact"):

Mary McCarthy
Director
Structural Reform Support Service
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6. In the event 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 authorized 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: Arup Banerji
Title: Regional Director, European Union
Date: December 20, 2017

EUROPEAN UNION represented by the EUROPEAN COMMISSION

By: 
Name: Mary McCarthy
Title: Director
Date: 22 DEC. 2017



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

The specific objective and description of the activities to be carried out under this Agreement are as follows:

The Polish Government wishes to strengthen its technical capacity inside the public administration to conduct simulations of various policy options by using the upgraded CGE modeling, which will help to identify the most efficient ways to tackle critical policy challenges. The SRSS is supportive of such reforms and has expressed an interest in the Bank providing technical assistance to the Polish Ministry of Finance in this area. Accordingly, the activities carried out under this Agreement will support the Polish Ministry of Finance (MOF) in the area of labor market policy evaluation by strengthening the technical capacity of its Macroeconomic Policy Department in computable general equilibrium (CGE) modeling and to support evidence-based policy making in Poland by addressing relevant policy questions.

The multi-sector CGE called PAGE (Polish Applied General Equilibrium) maintained by the Department, will be further developed and extended in order to investigate macroeconomic, fiscal and sectoral effects of the potential labor market reforms. The model will be developed further and documented by the Bank cooperating closely with the MOF experts. The first version of the model was completed by the Bank and MOF in June 2017 and applied to evaluate impact of potential tax reform that equalizes social contribution rates for regular and civil-contract employees (draft policy paper from June/July 2017), but it requires further development. First, the current version of this tool can only be used for comparative-static simulations, which does not allow tracking the time-path of policy actions and outcomes. To run the model in the recursive-dynamic mode, there is a need to include estimates of industry capital stocks and industry-specific long-run rates of return, with empirically tested parameters. These model features could allow showing how policy effects are distributed in time, including lagged adjustments on employment and wages.

In addition, if the model is to be used to evaluate impact of potential policy reforms on labor market duality, further upgrades are needed. More importantly, the current specification of the labor market in the model is not sufficiently detailed to address problems of labor market duality with respect to temporary versus permanent employment, and regular employment versus forced self-employment, as well as to analyze different, more detailed labor tax arrangements (apart from changes in average rates), specifically regressiveness/progressiveness patterns. An appropriately updated CGE model would help identify a balance in the fundamental trade-off between labor market flexibility and security, without shifting all costs on workers. The more advanced model will therefore be useful in assessing broader fiscal policy questions, not only in the field of labor market reform, for example regarding heterogeneous changes in labor taxes between various sectors.

The Bank is deemed qualified to provide this technical assistance to the MoF based on its recognized international expertise and on its previous experience advising the Government of Poland in CGE modeling and to support evidence-based policy making. The first version of the model was completed by the WB and MOF teams in June 2017 and applied to evaluate impact of potential tax reform that equalizes social contribution rates for regular and civil-contract employees (draft policy paper from June/July 2017).

The Bank will carry out the following activities:

Component A: Further development and strengthening of the multi-sector CGE model for the Polish economy, by incorporating a detailed labor market module, parameterization of recursive dynamic features, preparation of the model's technical documentation, and provision of regular training to MOF experts

MOF is already equipped with the software licenses to GAMS, Gempack and RunDynam. The Bank will support the MOF in its further development of the CGE model through 'hands on' technical assistance including:

1. The core fiscal CGE model has been initially constructed by the Department staff in MOF (including development of model's database – with 2010 as a base year – detailed disaggregation of direct and indirect tax representation), while the work already done with the World Bank's support included: improvements in the coding of indirect taxes, split of labor into three forms of employment (regular employees, civil contract employees and self-employed), and preparing a forecast simulation, enabling to update benchmark flows from 2010 to 2015.

The Bank will incorporate micro data on the labor market into the CGE model, mainly from the Labor Force Survey (LFS), to enable conducting an impact analysis of the considered policy measures on different employment groups (by type of labor contract, labor income or sector). More explicit treatment of occupational structure will enable more realistic tracking of labor market adjustments, by restricting mobility between occupations in the short run. If necessary, even more detailed industry disaggregation may be implemented for the sake of modeling of labor demand responses, as demand elasticities may vary by industry, by export orientation and other sectoral characteristics. LFS data would be used to parametrize the labor market in the CGE model.

The Bank will perform the following tasks to expand the CGE model:



- Review model's parameters based on econometric analysis of Polish data;
- Expand disaggregation of labor types;
- Capture progressivity of labor income tax; and
- Incorporate recursive dynamics.

Output A.1 CGE model's code in Gempack/RunDynam, reflecting the developments (labor market module and recursive-dynamic features) from its version as of June 2017

2. The Bank will introduce a recursive-dynamic model, including its parameterization with empirical grounding, such as investment responses to changes in rates of return or capital depreciation. The dynamic setting will allow analyzing policy shocks over time and taking into account lagged adjustments of wages.
The report prepared by the Bank will include the detailed description of the modeling blocks, explanation of the model mechanics: its strengths and limitations, description of the database and key assumptions and parameters.

Output A.2 Model 's technical documentation [30-40 pages]

3. The Bank will carry out an analysis of economy-wide efficiency of major Polish taxes using the marginal excess burden. This will require a model extension through a more detailed treatment of foreign savings, in particular for Corporate Income Tax (CIT).
The Bank will provide training on regular face-to-face modeling work to make systematic progress in strengthening the understanding of the PAGE model. The Bank will explain the functions of the updated model. Indicatively, the sessions would be conducted with bi-weekly frequency.

Output A.3 Provision of 20 hands-on half-day training sessions on CGE modeling for MOF staff



4. **Assessment of the possibility of linking the CGE model with the MOF's microsimulation model.** This would enable the MOF to analyze the distributional effects of proposed fiscal reforms.

The PAGE model is able to capture the behavioral responses of representative firms and households to policy reform, hence allows analyzing the direct and indirect effects of reforms on the 'average' household. However, the effects of policy reforms can vary across households with different characteristics (e.g. rural versus urban). In contrast, microsimulation models contain detailed data on household income and expenditure patterns, but does not capture the behavioral responses of households to a change in policy. Linking the CGE model with the MOF's micro simulation model would allow MOF to analyze the effects of policy measures on heterogeneous household and analyze the distributional effects of proposed fiscal reforms. The World Bank has experience in this regard with the Global Income Distribution Dynamics (GIDD) model, which links household data to a CGE model at the global or single country level.

The Bank will produce a paper that discusses how the MOF model could be linked to the Poland CGE model, assuring consistency and an adequate sequence of information exchange between the two models to enable a comprehensive analysis of tax and labor market policy reforms. The draft would be discussed at a technical workshop organized by the Bank in cooperation with the MOF and the SRSS. Comments received in the technical workshop will be integrated if pertinent in the final version of the paper.

Output A.4: Paper on linking the CGE model with the MOF's micro-simulation model [10 pages]

Component B: Preparation of two policy reports on economic and fiscal effects for: (a) reducing labor market duality in Poland; and (b) introducing the 'single tax' reform in Poland.

1. Using the model developed under Component A, the Bank will produce two policy reports presenting an analysis of policy reforms focusing on personal income tax and social security contributions. These policy reports will consider economy-wide or general equilibrium effects of policy reform. General equilibrium analysis will capture the second-round or indirect effects of the policy reform which vary across industries, depending on their reliance on different types of labor and their exposure to international competition.

The first policy report will synthesize the impact on key indicators (such as GDP, consumption, output by industry, employment by type and the government budget) of various policy reforms aiming at reducing labor market duality. One reason for this duality is the high tax burden for regular contracts versus temporary contracts or self-employed workers. Hence, this policy paper would analyze the labor market and economy wide effects of narrowing the gap in terms of tax burden between regular, temporary contracts, and self-employed individuals.

A detailed concept note of this report will be prepared and the draft paper will be discussed at a technical workshop organized by the Bank in cooperation with MOF and

SRSS. Comments received in the technical workshop will, if pertinent, be integrated in the final version of the report.

Output B.1: Policy report on reducing labor market duality in Poland [20-30 pages]

2. In a second policy report, the Bank will analyze the impact of a reform aimed at unifying income tax and social contributions in a single tax with progressive rates. With a progressive system, the marginal tax rate faced by an individual is higher than their average tax rate. Compared with a flat tax rate, a progressive tax rate is economically less efficient since it introduces greater distortion to an individual's decision to work an additional hour. However, progressive rates are more equitable. The report will evaluate direct changes in labor cost (by industry) triggered by the proposed regulation. Similar to the first report, the main purpose is to provide MOF an estimate of both the direct and indirect effects of such a reform. The impacts of the reform on GDP, consumption, employment by industry and the government budget will be analyzed.

A detailed concept note of this report will be prepared and the draft report will be discussed at a technical workshop organized by the Bank in cooperation with the MOF and the SRSS. Comments received in the technical workshop will be integrated if pertinent in the final version of the report.

Output B.2: Policy report on the 'single tax' reform [20-30 pages]

Component C: Preparation of a policy report on the economy-wide efficiency of major Polish taxes (both direct and indirect)

1. The previous policy papers focused on policy reforms for personal income tax and social security contributions. However, the CGE model can also be used to analyze the economic efficiency of the current tax system as a whole in Poland, including the Personal Income Tax (PIT), Corporate Income Tax (CIT) and VAT. Such an analysis of the tax system gives potential policy directions for a holistic reform of the tax system. A similar analysis was conducted in Australia as part of the review of Australia's tax system¹.

The Bank will produce a policy report that analyzes the economic efficiency of the current tax system in Poland, including the Personal Income Tax (PIT), Corporate Income Tax (CIT) and VAT, with the aim to provide policy directions for a holistic tax system reform.

The policy report will include an estimation of economic efficiency of the current tax system in Poland; more specifically, the distortionary effects of each major tax will be estimated using the CGE model. The taxes considered will include: VAT, excise tax, PIT and CIT. The distortionary effect of each tax will be measured using the marginal excess burden. By analyzing the distortionary effect of each of these main taxes, this analysis will help the MOF design a holistic reform of the Polish tax system.

¹ Cao, Liangyue, et al. "Understanding the economy-wide efficiency and incidence of major Australian taxes." *Treasury WP 1* (2015).



The report will also conduct a sensitivity analysis of the ranking of the efficiency of major Polish taxes to a range of assumptions to test the robustness of the findings.

Output C.1: Policy report on the efficiency of major Polish taxes using the marginal excess burden [20-30 pages]

Methodology

The technical assistance provided by the Bank will include policy advice and hands-on support to work with the MoF and ad hoc technical workshops regarding the implementation of important features to the model. This activity will take into account lessons learned from the recent joint Bank-MOF modeling work.

The project will be implemented in a highly cooperative manner based on regular face-to-face interactions with dedicated experts from the MOF. Systematic documentation, full transparency, and discussion of the changes introduced into the model will support building technical capacity in the beneficiary institution and proper use of this tool in evidence-based policy making. This would allow for all outputs/deliverables the active involvement of all relevant authorities (especially from the Ministry of Family, Labor and Social Policy). Comments of all parties will be reflected in the final output.

Data

The project requires data on working population (also by sector), as well as on income tax and social security contributions by form of employment (regular employees, civil contract workers, self-employed) and in other breakdowns (e.g. by occupation, skills etc.). This data, combined with supply and use tables, and government accounts, constitutes the core database for further analysis. The team also plans to integrate detailed data from the Polish Labor Force Survey (LFS) into the analysis. Depending on access to an adequate dataset, firm level data from the Central Statistical Office (CSO) might be of use to model heterogeneity within sectors and sub-sectors, in terms of intensity of employment of temporary workers, different technology (more or less capital intensive), and export orientation.



Indicative outputs and timeline table

The table below shows the proposed work timeline, counting from the signing date of the agreement between the European Commission and the World Bank. The timeline will allow for consultations between the involved parties at three stages of the technical work – concept note, draft report, and final report. In addition to the deliverables mentioned in the table, minutes summarizing the comments of all parties will be delivered to the SRSS after the consultation on each deliverable.

Development of a fiscal CGE model for labor market and fiscal reform	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
A. Further development and strengthening of the multi-sector computable general equilibrium (CGE) model for the Polish economy								
A.1. Model's code in Gempack/RunDynam, reflecting the developments								
A.2. Model's technical documentation								
A.3. Provision of twenty hands-on half-day training sessions on CGE modelling								
A.4. Note on linking the CGE model with the MOF's micro-simulation model								
B. Preparation of two policy reports on economic and fiscal effects of reducing labor market duality in Poland and introducing the 'single tax' reform								
B.1. Policy report on reducing labor market duality in Poland								
B.2. Policy report on the 'single tax' reform								
C. Preparation of one policy report on the economy-wide efficiency of major Polish taxes (both direct and indirect)								
C.1. Policy Report on the efficiency of major Polish taxes using the marginal excess burden								

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

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

2.5 The Bank shall invest and reinvest the funds deposited in the Trust Fund pending their disbursement in accordance with the Bank's applicable policies and procedures for the investment of trust funds administered by the Bank. The Bank shall 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 Development Partner 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 Development Partner Center secure website.

4.3 The Bank shall provide to the Donor via the World Bank's Trust Fund Development Partner 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 **quarterly** 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 December 31, 2019 (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 FOR 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 all Administration Agreements between the Bank and the Donor.

Working Modalities

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 the Polish Ministry of Finance.

The activities shall be undertaken in close collaboration with the SRSS and the Polish Ministry of Finance (MoF).

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 MoF 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 support work streams the SRSS is or has been involved in.

The Bank and the SRSS shall have regular exchanges, at least on a quarterly basis, on the progress of the project, on the work plan or schedule of project activities for the following month(s), including missions. A Representative of the SRSS shall be invited to attend all missions and all pertinent events or activities. To facilitate the organization and efficiency of such missions, events and activities, the Bank shall share with the SRSS in a timely manner the relevant documents.

Priorities and choices to be made in the planning of the activities shall be discussed and consulted between the Bank and SRSS.

It is expected that the Director of the Macroeconomic Policy Department of the Ministry of Finance in Poland shall establish the national contact point for the activities, and shall coordinate the necessary coordination mechanisms within the relevant stakeholders. To this end, the MoF shall establish a Project Management Team, composed of relevant staff.

It is expected that the Bank shall consult and cooperate with the Project Management Team at all major stages of the activities to be implemented. It is expected that the MoF shall provide input for the analysis of the Bank, comment on the work plan of the project, review draft outputs and provide detailed comments.

A steering committee composed of the project Management team, the Bank and SRSS will be arranged to discuss the project on a quarterly basis to review the progress of the Actions, discuss any possible issues arising in the implementation of the project and agree on a revised timetable if needed.



It is expected that the outputs resulting from the Action's activities shall be delivered by the Bank to the MoF 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.

MoF will be solely responsible for the implementation of the recommendations in the reports delivered via this project.

The Bank shall notify the SRSS without delay on any circumstances likely to adversely affect the implementation and management of the Action or to significantly delay or jeopardize the performance of the activities or the expected outputs and outcomes.

The Bank shall carry out the visibility activities agreed between the Bank and the SRSS in the Visibility Note, which 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 team shall be managed by a Bank Task Team Leader with relevant experience, drawing on the expertise of the World Bank Group staff including personnel and consultants/experts contributing to specific segments of the activities in, among others, the following areas: economics and econometrics; economic modeling; and IT. The team will consist of experienced economists and modelers with the necessary skills to provide regular on-site (or via VC) technical support to the MOF team and to gradually transfer the eMPF model into the offline and then online version of the MFMod interface. A local project coordinator will facilitate and support the activities.

Payment Requests

Requests for payments related to the activities set forth in Section 2.1 of Annex 1 to this Administration Agreement will be sent by the World Bank to the Commission with the reference [*EC Contract NoSRSS/S2017/041*] and shall be addressed to:

*Grefe Financier
Structural Reform Support Service
Mr Giuseppe Menchi
CHAR 10/040
European Commission
B-1049 Brussels
Belgium*



INDICATIVE RESULTS INDICATORS FOR THE ANNEX 1 ACTIVITIES

Impact					
Building in-house capacity in MOF to conduct simulations of various policy options by using the upgraded CGE modeling will help to identify the most efficient ways to tackle critical policy challenges.	Impact of proposed reforms is assessed quantifying the “winners” and “losers”, as well as the distribution of the costs and benefits of reforms across industries, production factors, occupational and skill groups etc.	No assessment of proposed policy changes has been carried out.	Upgraded CGE model is used by MOF to propose adequate policy instruments to address critical policy challenges.	<i>Authorities' report WB Missions' Aide Memoires</i>	The more advanced CGE model is used by the MOF in assessing broader fiscal policy questions.
Outcome					
Outcome: Strengthen the technical capacity of the Macroeconomic Policy Department in MOF in CGE modeling and support evidence-based policy making by addressing crucial policy questions.	Macroeconomic Policy Department in MOF is able to use the upgraded CGE model for policy analysis	Existing CGE (PAGE) model is used.	Upgrade the CGE model and increased capacity in MoF to use the upgraded CGE model to produce policy analysis.	<i>Authorities' report WB Missions' Aide Memoires</i>	The more advanced CGE model is used by the MOF in assessing broader fiscal policy questions.
	The MOF has the technical capacity to design a holistic reform of the Polish tax system.	Limited technical capacity.	The upgraded CGE model and the policy analysis strengthen the MOF's capacity.		
Output					
Output A: CGE model further developed and strengthened and capacity of MOF staff increased.	Upgraded CGE model includes: (i) more detailed micro data on labor market characteristics; (ii) recursive dynamics; and (iii) other structural changes.	Existing CGE (PAGE) model.	Upgraded CGE model is available for MoF.	<i>Model codes, WB Missions' Aide Memoires, Authorities' report</i>	The analytical unit of Ministry of Finance is available to jointly work on model development.
	Twenty hands-on half-day training sessions on CGE modeling held.	No training provided.	Technical staff in MoF receives training and can use the upgraded CGE model.	<i>Attendance list for training sessions. Feedback from participants</i>	Active participation of selected departments of the MOF in implementing the activity.
Output B: Preparation of two policy reports on economic and fiscal effects of: (a) reducing labor market duality in Poland and (b)	Two policy papers are produced, using the upgraded CGE model: (a) Policy paper on the labor market and economy wide effects	The current CGE (PAGE) model is not adapted to evaluate the	The two policy papers are produced, presented, and reviewed based on comments from the MOF	<i>Authorities' report Policy Paper and</i>	The upgraded CGE model is developed and input data available to produce relevant policy analysis.

introducing the 'single tax' reform in Poland.	of narrowing the gap in terms of tax burden between regular, temporary contracts, and self-employed. (b) Policy paper on the impact of a reform aimed at unifying income tax and social contributions in a single tax with progressive rates.	impact of these types of policy changes. No analysis exists.	and the SRSS.	<i>WB Missions' Aide Memoires</i>	
Output C: Preparation of one policy report on the economy-wide efficiency of major Polish taxes (both direct and indirect)	Economic efficiency of the current tax system in Poland is estimated using the CGE model. The taxes considered would include: VAT, excise tax, PIT and CIT.	The current CGE (PAGE) model is not adapted to assess the impact of these types of issues. No analysis exists.	The policy report is produced, presented, and reviewed based on comments from the MOF and the SRSS.	<i>Authorities' report Policy Paper and WB Missions' Aide Memoires</i>	The upgraded CGE model is developed and input data available to produce relevant policy analysis.



ANNEX 5

**INDICATIVE BUDGET FOR THE ACTIVITIES SET FORTH IN SECTION 2 OF
ANNEX 1 TO THIS ADMINISTRATION AGREEMENT**

Expenditure Category	Number	Amount in Euro
Staff and individual consultant services	45	158,000
Cost of travel	10	29,000
Cost of training and workshop/Other services including translation		3,000
Sub-total		190,000
Administration fee (5%)		10,000
Total		200,000

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 – Trust Fund Description.

The number of units and amounts indicated in the budget are not binding and reflect the means envisaged for the implementation of the Action. The number of units indicated in the estimated initial budget may not be used to question the actual number of units reported during and at the end of action.

