

***Amendment No. 1 to the 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. TF073607)
(EC Contract No. IPA/2020/420-412)***

1. Reference is made to the Administration Agreement between the European Commission (the "Donor") and the International Bank for Reconstruction and Development (the "Bank", and together with the Donor, the "Parties" and each a "Party") regarding the *Part II Europe 2020 Programmatic Single-Donor Trust Fund*, No. TF073607 (the "Trust Fund"), effective as of December 21, 2020 (the "Administration Agreement").

2. The Parties agree to amend the Administration Agreement as follows:

(a) Section 5.1. of Annex 2 "Standard Provisions" of the Administration Agreement shall be modified to read as follows:

"5.1. It is expected that the funds deposited in the Trust Fund will be fully disbursed by the Bank by April 30, 2023 (the "End Disbursement date"). The Bank shall only disburse funds deposited in the Trust Fund for the purposes of this Administration Agreement (other than returns to 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."

(b) Annex 1 "Part II Europe 2020 Programmatic Single-Donor Trust Fund Description" to the Administration Agreement is replaced by the Annex 1 attached to this Administration Agreement Amendment.

3. All other terms of the Administration Agreement shall remain the same.

4. Each of the Parties represents, by confirming its agreement below, that it is authorized to enter into this Amendment and act in accordance with these terms and conditions. The Parties are requested to sign and date this Amendment, and upon possession by the Bank of this fully signed Amendment, this Amendment shall come into effect as of the date of the last signature.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By:



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Title: Country Director, Western Balkans, Europe and Central Asia



Date: 24/02/2022

EUROPEAN UNION represented by the EUROPEAN COMMISSION

By: 

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Date: 17/02/2022



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 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. 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

Background

The COVID-19 crisis presents considerable challenges for the economies of the Western Balkans (“the Western Balkans Beneficiaries”), as both aggregate supply and aggregate demand contract simultaneously. Therefore, it is important to strengthen the quality of economic policies and support the resilience of institutions in the Western Balkans Beneficiaries.

In a previous engagement in the region, the Bank, with support from the Regional Cooperation Council (RCC) and the European Commission, assessed the financial sectors of the Western Balkans Beneficiaries and developed a proposed Regional Roadmap for reform areas and country-specific action plans. Based on consultations with the authorities of the Western Balkans Beneficiaries, the European Commission, RCC and the Central European Free Trade Agreement (CEFTA) Secretariat, a set of proposed reforms were agreed upon to enhance the role of financial sectors in the Western Balkans Beneficiaries through deepening, coordinating, and integrating their financial sectors. The activities described in this agreement are aimed at supporting these reform efforts.

The COVID-19 pandemic and subsequent crisis have also highlighted fiscal and delivery challenges in the Western Balkans that prevent social programs to effectively protect and support the resilience of the poor and vulnerable populations. In many of the Western Balkans Beneficiaries several factors prevent

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effective support to the poor and vulnerable; such as (i) the lack of a social registry with integrated information; (ii) rigid eligibility criteria and legislation and additional design issues; (iii) limited investment in employment programs and their poor integration with social safety nets; (iv) deficiencies in the coverage, adequacy and fiscal sustainability of pension systems. Accordingly, the social protection situational analysis that will also be carried out by the Bank under this agreement will aim to map relevant existing social protection programs in the Western Balkans Beneficiaries and identify the main implementation and response challenges in these areas, as well as potential knowledge gaps, with the aim of strengthening the protection of the poor and vulnerable populations.

Activities

The **specific objective** of the Trust Fund is to assist the Western Balkans Beneficiaries in their efforts to: (i) strengthen their financial sectors and promote cross-cooperation of financial sectors in the region, and (ii) carry out a situational analysis and identification of main challenges, reform areas and knowledge gaps of relevant social protection systems (poverty-targeted cash transfers, employment programs/Active labor market programs (ALMPs) and pension systems) with the aim of improving the protection and promotion of the wellbeing of the poor and vulnerable. The activities (i) and (ii) described above will aim to contribute to the economic growth and human capital resilience of the Western Balkans region and facilitate the design of effective reforms and investments in the Western Balkans Beneficiaries. These activities are aligned with the European Commission's Economic Investment Plan for Western Balkans.¹

The main counterparts in the Western Balkan Beneficiaries will be representatives from the relevant Ministries, central banks, and government agencies in charge of the related topics. In addition, regional organisations such as RCC and the CEFTA Secretariat will be consulted.

Component A: Strengthening Financial Sectors in Western Balkans

Under this component, the Bank will assist the Western Balkans Beneficiaries in strengthening the role of financial sectors in the region by supporting the deepening, coordination, and integration of financial sectors in the Western Balkans.

Activity A.1: Development of a modern payment system

The Bank will support the Western Balkans Beneficiaries in strengthening their payment systems and enabling cost-efficient cross-border payments. In particular, the Bank will support the Western Balkans Beneficiaries in strengthening (i) the payment systems linkages within the Western Balkans as a region; and (ii) linkages of the Western Balkans payment systems as a region with the European Union (EU) (including interoperability).

More specifically, the Bank will:

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: An Economic and Investment Plan for the Western Balkans, COM(2020) 641 final, available at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/communication_on_wb_economic_and_investment_plan_october_2020_en.pdf

- (a) Provide advisory support to the RCC in enhancing coordination and cooperation among Western Balkans Beneficiaries through the RCC-led Financial Markets Working Group (FMWG) or specific sub-group to be established.
- (b) Develop a proposal to detail the proposed overall program of activities envisaged during the 2021-2024 period to help reach the objective of cost-efficient cross-border payments and interoperability within the Western Balkans and deeper cooperation with the EU.
- (c) Based on the proposal developed in activity (b) above, conduct consultations with the Western Balkans Beneficiaries and other relevant stakeholders, in consultation with the RCC-led FMWG or specific subgroup to be established, and support the development of the proposed technical specifications of an assessment study targeting both regulatory aspects of payment systems within the Western Balkans Beneficiaries and their interoperability with the EU.

Activity A.2: Deeper development of capital markets in the region

The Bank will support the Western Balkans Beneficiaries in increasing the availability and attractiveness of their capital markets by creating a 'single regime' for selected securities and collective investment vehicles. Ultimately, this will aim to allow for selected financial instruments and services to be distributed without barriers to investors located in any of the Western Balkans Beneficiaries.

Specifically, in relation to the above, the Bank will carry out the following activities:

- (a) Provide advisory support to the RCC to enhance coordination and cooperation among relevant Western Balkans Beneficiaries through the RCC-led FMWG or specific sub-group to be established;
- (b) Conduct consultations with Western Balkans Beneficiaries and other relevant stakeholders, in consultation with RCC, and develop a proposal to detail the scope and the proposed approach in identifying possibilities for creating a 'single regime' for capital markets.

Activity A.3: Strengthen Regional Coordination on COVID-19 responses as part of relief, recovery and resilience

The Bank will support the Western Balkans Beneficiaries in strengthening cross-sectoral and cross-regional cooperation and integration of financial markets, as a response to the COVID-19 crisis and its aftermath. The objective of this activity is to support the Western Balkans Beneficiaries in exchanging knowledge, practices, products and solutions through a Working Group on Financial Markets on COVID-19 responses. The activity will focus on selected key issues of joint relevance for the region, related to financial markets relief, resilience and recovery in the COVID-19 context.

Specifically, the Bank will:

- (a) Provide advisory support to RCC in enhancing coordination and cooperation among relevant stakeholders through the RCC--led FMWG or specific sub-group to be established.

- (b) Support the Western Balkans Beneficiaries in organizing two workshops on selected topics of joint relevance for the Western Balkans region, related to financial markets relief, resilience and recovery in the COVID-19 context. Indicatively, these topics could include, but are not limited to, issues around: (i) partial credit guarantees and associated organisational and operational issues; (ii) pre-insolvency and insolvency frameworks; (iii) non-performing loans resolution, including the exit strategy and repercussions of various selected borrowers' measures that have been implemented as part of a COVID-19 response; and (iv) agriculture financing, sustainable & impact finance (e.g. "green financing").

Activity A.4: Supporting the implementation of country-specific reforms

The Bank will support the authorities and identified stakeholders in each Western Balkans country in their implementation of selected reforms. The need for these reforms is exacerbated by the impact of COVID-19. The need for the reforms is based on the country-specific action plans developed by the Bank previous technical assistance engagement in the region.

Specifically, the Bank will carry out the following activities:

- The Bank will support authorities in Tirana by providing technical assistance related to (i) supporting the Albanian government in increasing financing for the agriculture sector through enhancing diversity and availability of Agrifinance products; (ii) providing technical inputs to Albanian government in its preparation of legal and regulatory changes related to the set-up of the new credit guarantee fund;
- The Bank will support authorities in Sarajevo in (i) enhancing their implementation of credit guarantee schemes in response to the COVID-19 crisis; (ii) providing recommendations for their implementation of the EU's Solvency II Directive², with specific focus on recommendations regarding the alignment of the legal and regulatory framework with relevant EU directives;
- The Bank will support authorities in Pristina to implement selected recommendations stemming from the comprehensive and in-depth analysis of a Western Balkan Beneficiary's financial sector, as well as advise on the operationalization of the Kosovo Credit Guarantee Fund (KCGF). In particular, the Bank will support authorities in (i) providing recommendations for the alignment to the EU Solvency II Directive; and (ii) strengthening the institutional capacity of the KCGF by evaluating the potential loan demand;
- The Bank will (i) advise the Development Bank of North Macedonia on the set up of a new partial credit guarantee (PCG) scheme from an operational, legal and regulatory perspective; and (ii) provide technical inputs to authorities in Skopje in their preparation of a reform agenda for financial consumer protection to tackle irresponsible lending practices;
- The Bank will (i) support authorities Belgrade in assessing the effectiveness of the COVID-19 response PCG scheme set up in April 2020 to inform the government on a future permanent PCG

² Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast) (Text with EEA relevance), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02009L0138-20190113>.

scheme; and (ii) in the strengthening of their capital markets by providing technical inputs and recommendations to support their efforts to improve their institutional and strategic framework.

Component B: Social Protection Situational Analysis

The Bank will provide a brief situational analysis of social protection systems in each Western Balkans Beneficiary and will aim to identify broad implementation challenges that prevent effective support to the poor and vulnerable population and will propose related reform priorities. The situational analysis for each Western Balkans Beneficiary will focus on (i) selected poverty-targeted, cash-based non-contributory programs; (ii) selected employment programs / Active Labor Market Programs (ALMPs); (iii) and pension systems. The analysis will also identify potential knowledge gaps in these areas that would require attention to further improve the effectiveness of social protection systems.

More specifically, the situational analysis in each Western Balkans Beneficiary will consist of the following:

(a) The Bank will carry out a brief review of main poverty-targeted, cash-based non-contributory programs to assess the extent to which they fulfil their objective of supporting the poor and vulnerable. The Bank will review program-related issues of budget allocation, coverage, targeting, adequacy, and program-generated disincentives to work (e.g. interruption of benefit payments for beneficiaries who find work), and, to the extent that information is readily available, also identify implementation challenges that may hinder program performance (e.g. lack of social registry, cumbersome registration procedures, verification challenges, payment systems, limitations in outreach or staffing).

(b) ALMPs, their coverage, and, subject to the availability of relevant data – the extent to which relevant Public Employment Services and ALMPs are tailored to the needs and profile of the poor and vulnerable, and their success in intermediating job opportunities.

(c) The Bank will carry out a brief review of the Western Balkans Beneficiaries' pension systems, and relevant challenges related to coverage, adequacy and medium- to long-term fiscal sustainability.

(d) Prior to finalisation of the situational analyses, the Bank will organize short consultations in each Western Balkans Beneficiary with relevant stakeholders to discuss the main findings and gather feedback. The consultation process will also serve to finalise a matrix with proposed main reform priorities in the relevant areas for the short, medium and long-term, and existing knowledge gaps to be filled. The matrix will be part of the situational analysis prepared by the Bank for each Western Balkan Beneficiary.

To the extent that information will be readily available, the situational analysis will also briefly describe the Western Balkans Beneficiaries' social protection response to the COVID-19 pandemic and discuss elements that favoured / hindered an effective response in the areas described in activities (a) through (c) above.

The situational analyses will consist of summary reviews based on available evidence that will highlight broad proposed reform areas and knowledge gaps.

Dissemination activities for the situational analyses will be organized in at least one of the Western Balkans Beneficiaries.



Component C: Program Management

The Bank will carry out program management and administration activities for the Trust Fund, including but not limited to, supporting any program governance arrangements and Trust Fund related meetings; planning and executing work plans and budgets; managing communications and conducting outreach; disseminating lessons learned; reporting on progress; and monitoring and evaluating the program

Indicative timeline of Milestones and Outputs

Output	Expected delivery
Component A: Strengthening Financial Sectors in Western Balkans	
<i>Activity A.1: Development of a modern payment system</i>	
Concept Note of the payment system modernisation	Q1 2021
Technical specification of the Assessment study	
<i>Activity A.2: Deeper development of capital markets in the region</i>	
Concept Note for the Feasibility study	Q1 2021
<i>Activity A.3: Strengthen Regional Coordination on COVID-19 responses as part of relief, recovery and resilience</i>	
Two (2) regional workshops	Q3 and Q4 2021
<i>Activity A.4: Supporting the implementation of country-specific reforms of authorities in:</i>	
Tirana	
Inputs to Agrifinance gaps and needs assessment and dissemination	Q1-Q2 2022
Inputs to legal and regulatory changes developed by the Albanian government related to the set up of the new credit guarantee fund	Q4 2021
Sarajevo	
Inputs to the Guideline on outreach for the credit guarantee scheme (CGS) program and its impact on MSMEs, M&E and roundtable discussions on impact assessment of the CGS	Q4 2021-Q1 2022
Proposed draft roadmap for Solvency II Directive implementation	Q1 2022
Pristina	
Inputs to the loan demand analysis to support the design of COVID-19 windows and capacity building for KCGF	Q4 2021
Inputs to the Roadmap for Solvency II Directive implementation	Q3 2021
Skopje	
Inputs to the design of a new PCG and advice on legal and regulatory requirements	Q2 2021
Inputs to an action plan on financial consumer protection	Q2 2022
Belgrade	
Inputs to the assessment of existing COVID-19 PCG scheme and advice to the future permanent PCG scheme	Q3 2021
Inputs to the capital markets strategy	Q1 2022
Component B: Social Protection Situational Analysis	
6 Draft Situational Analyses (One per Western Balkan Beneficiary; including draft matrix of proposed reform priorities and knowledge gaps)	Q3 2021 – Q1 2022
6 reports on consultations (One consultation per Western Balkan Beneficiary; either online or face-to-face)	Q4 2021- Q3 2022

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3. Eligible Expenditures

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

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

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

4. Taxes

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

5. Indicative Results Framework

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

6. Indicative Budget

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

7. Working Arrangements

7.1 In order to facilitate the implementation of the activities described in Annex 1 of this Agreement (the “Activities”), the Bank and the Donor will in principle meet semi-annually to discuss the progress of the Activities, discuss next steps and any challenges or issues as they arise. The Bank may invite the Donor to participate in missions related to the Trust Fund, as well as implementation related meetings and workshops as appropriate. To facilitate the organization and efficiency of such missions, meetings, and workshops the Bank may share with the Donor in a timely manner any relevant documentation in accordance with the Bank’s Policy on Access to Information.

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