

EUROPEAN COMMISSION
Structural Reform Support Service
The Director General



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. TF073173) (EC Contract No SRSS/S2018/076)

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 three hundred and forty thousand Euros (€ 340,000) (the "Contribution") for the **Part II Europe 2020 Programmatic Single-Donor Trust Fund, (No. TF073173)** (the "Trust Fund") in accordance with the terms of this Administration Agreement.

The estimated total budget of the Trust Fund is three hundred and forty thousand Euros (€ 340,000). 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 November 1, 2018 following the request for a prior approval by the Bank and confirmation by the Donor.

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 – € 170,000
- (B) € 170,000 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 TF No. TF073173 (**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

MVH

Bank's Accounting Trust Funds Division by e-mail sent to tfremitadvice@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
Avenue Marnix 17, 2nd floor, 1000 Brussels
World Bank Group
Tel: + 32-2-504-0994
abanerji@worldbank.org

For the Donor (the "Donor Contact"):

Maarten Verwey
Director General
Structural Reform Support Service
CHAR 10/110, 1049 Brussels
srss-finance@ec.europa.eu

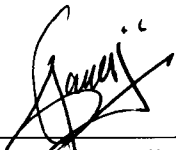
6. In the event any amounts are to be returned to the Donor under this Administration Agreement, the Bank shall transfer such amounts to the Donor, unless otherwise agreed with the Bank.

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: Nov. 12, 2018

EUROPEAN UNION represented by the EUROPEAN COMMISSION

By: 
Name: Maarten Verwey
Title: Director General, SRSS
Date: 13-11-2018



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.

The specific objectives and description of activities are:

For the last 17 years, the implementation of the Water Supply and Sanitation (WSS) sector reforms in Portugal has been guided by three successive strategic plans – namely PEAASAR 2000-2006, PEAASAR 2007-2013 and currently PENSAAR 2020. The latest strategic plan is structured around five pillars under which 19 operational objectives are defined, and for each operational objective there is a set of indicators with reference values and targets (for the period 2014 to 2020). The five pillars of the strategy are:

1. environment protection and water body quality improvement;
2. improvement of water and sanitation services provision;
3. optimization and efficient water resources management;
4. socio-economic and financial sustainability of water sector and
5. basic and horizontal conditions (e.g. information availability improvement, innovation).

Some of the operational objectives are very specific and measurable – reduction of water losses, optimization and/or reduction of operating expenses, while others are rather vague – innovation, improvement of operational framework, management and service delivery. It is worth mentioning that PENSAAR 2020, as well as the previous two WSS plans, appear to lack a well-structured and consistent monitoring and evaluation framework, which negatively affects the achievement of its strategic objectives.

The Structural Reform Support Service (SRSS) has requested the Bank to provide technical support with the specific objective to help the State Secretariat of Environment (SSE) of the Government of Portugal (GoP) with the aim to

- improve the implementation of the Water Supply and Sanitation Sector Plan - PENSAAR 2020 by carrying out a mid-term assessment of the implementation of PENSAAR 2020, that will enable the State Secretariat of Environment (SSE) of the Government of Portugal (GoP) to enhance implementation of the Sector Plan;

- enhance the current monitoring and evaluation (M&E) framework for the implementation of PENSAAR 2020 and design of a new M&E platform to follow performance of the current and future strategic plans; and
- prepare the outline of the next WSS strategic plan (for the period 2021-2027) focusing on specific areas and issues that need to be addressed to improve sector performance in line with good international and European practices.

2. Activities

The activities to be financed by the Trust Fund in support of the specific objectives above are described below.

COMPONENT A: PENSAAR 2020 BENCHMARKING AND RECOMMENDATIONS FOR REMEDIAL MEASURES

Since joining the European Union (EU) in 1986, Portugal has achieved major improvements of its WSS sector, increasing access to services in rural areas and moving towards compliance with the EU water legislation. This was supported by ambitious institutional reforms that have included inter alia the establishment of a well-respected national regulator, massive investments in WSS systems, moving tariff levels gradually towards full cost recovery, and the development of a diverse mix of public and private operators at local and regional level. However, as indicated in the annual PENSAAR 2020 implementation reports, some of the operational objectives not only lack stable progress towards the set targets but also show decrease in performance achieved in the past few years. Such objectives are efficient management of assets and increased rehabilitation; sustainable recovery of expenses; optimization and/or reduction of operating expenses etc.

The Bank will conduct a mid-term assessment of PENSAAR 2020 and propose remedial actions towards achievement of its goals. The Bank will carry out this activity based on its experience in supporting the development of WSS sector strategies in EU Member States, financing WSS investments worldwide and its substantial analytical water sector knowledge base. The proposed activities under this component will provide an independent assessment of the Portuguese WSS sector performance and support the SSE to improve its implementation efforts in achieving the set operational objectives of the strategy.

Activity A.1: Mid-term assessment of the implementation of PENSAAR 2020

To improve SSE's understanding of the current level of performance, the key impediments to performance and the challenges related to the implementation of the PENSAAR 2020; the Bank will review the progress achieved through the implementation of PENSAAR 2020 by the SSE, and particularly, it will assess to which extent the five strategic pillars of PENSAAR 2020 (see above) are met; the assessment will also review whether the underlying 19 operational objectives are met. This will involve benchmarking the Portuguese WSS sector performance with relevant international comparators based on the publicly available data as at the end of 2017 (with focus on other EU Member States) to identify its main strengths and weaknesses.

The methodology will comprise of a **quantitative and qualitative assessment** of the progress of PENSAAR 2020 along the lines of the five strategic pillars.

For the quantitative assessment, initial data gaps will be identified, and the available performance data will be reviewed against its original goals for each operational target. The data used in the quantitative analysis will then be tested against predefined questions to examine the relationship between PENSAAR 2020 and the performance. Further, the performance of the Portuguese water sector will be compared with international comparators on a number of key performance indicators. This will be

done for a maximum five comparable countries (focus will be on EU Member States, depending on relevant data being available).

The qualitative assessment will focus on the root causes for the level of performance and impediments to performance. This will be done by developing logic trees through stakeholder interviews and focus group discussions that explain 'how' and 'why' the performance of the sector is at the current level. In these interviews and discussions, a list of priority actions will be identified.

The main findings from the mid-term assessment will be incorporated in the deliverables of the activities A.2, B.1 and C.1.

Deliverable of Activity A.1:

The Bank will provide the SSE with the results and findings from the mid-term assessment of PENSAAR 2020 implementation, including the approach of the assessment. A report will present the methodology of the analysis, the collected data, the results of the (quantitative) data analysis and the qualitative analysis and related results of the mid-term assessment and conclusions. An assessment of the performance (and how this compares to other countries, preferably EU Member States), and root causes of (non-)performance will be incorporated.

Activity A.2: Recommendations for remedial actions

To enable SSE to make an informed decision on remedial actions to be taken, the Bank will provide recommendations for remedial actions. This will assist the SSE to improve their performance and to achieve the 19 operational targets and the five pillars of the strategy. The recommendations will incorporate international experience (global and from the EU benchmark) on institutions, policies, regulations and utility performance for as far as relevant for each pillar of the strategy. The recommendations will also take into account some of the issues that are already identified in the annual PENSAAR 2020 implementation reports, such as:

- i. promotion of good governance and financial sustainability of Portuguese WSS service providers;
- ii. reaching cost-recovery while having affordable tariffs;
- iii. achieving efficiency improvements in small service providers; and
- iv. ensuring sustainable financing of the WSS sector through better access to commercial borrowing as well as the challenges identified during the mid-term assessment of strategy implementation under activity A.1.

The methodology for this activity will, in part, be an elaboration of the priority actions identified in Activity A.1. Based on the results and findings of the mid-term assessment carried out under Activity A.1 above, the Bank will, in consultation with the SSE and the PENSAAR implementation committee, support the GoP to select priority operational objectives and targets in line with national and EU priorities. Based on the root cause analysis and the priority actions (identified in A.1), the Bank will carry out an assessment of the ease of implementation, the costs of implementation and constraints (such as legislative) for each of these actions. Based on this assessment, the Bank will develop specific recommendations – in close collaboration with the SSE – for short-term actions (“low hanging fruits”) towards achieving the 2020 targets of PENSAAR 2020.

The Bank will provide global knowledge on sector and utility improvement through analytical work that has been developed in recent years. It will identify relevant international experience to sector reform (with focus on other EU Member States having similar WSS sector issues) and work with the SSE to develop a holistic proposed reform path for the short- and mid-term. Activities for short-term interventions will focus on implementation in the remaining year(s) of PENSAAR 2020, whereas the

mid-term activities will be identified as input for the outline of the new sector strategy to be developed.

Deliverable of Activity A.2:

The Bank will prepare recommendations for the SSE on remedial actions to improve the implementation of PENSAAR 2020. A report will describe the proposed priority objectives and targets of the SSE, international experience in sector improvement, priority actions and an assessment of their feasibility at short-, medium- and long-term perspective, and in conclusion the recommended remedial actions for PENSAAR 2020. The latter will be in the form of a proposed action plan with due emphasis on the issues listed above (i-iv). Mid- and long-term actions that are identified will feed into the Activity C.1.

COMPONENT B: ENHANCED M&E FRAMEWORK AND DESIGN OF NEW M&E PLATFORM

Based on the results and findings of the mid-term assessment of PENSAAR 2020 carried out under activity A.1 above, the Bank will identify existing gaps and bottlenecks with respect to data collection, sharing and analysis in the Portuguese M&E framework of the WSS sector (including identification of responsibilities and roles of actors, frequency and timelines for data input and analysis, and the structure for information flow and sharing).

The aim of this activity is to propose to SSE an updated M&E framework for PENSAAR 2020, which will support an adequate monitoring and evaluation of the efforts towards the set goals. It will also review the relevance of monitoring the particular goal for the overall performance of the sector.

The activity under this component will aim to improve the existing performance assessment framework and assist with the development of a new monitoring and evaluation framework to allow timely access to PENSAAR 2020 implementation data and making informed sector decisions. The Bank will support the SSE in the implementation of the monitoring framework through the design of a new M&E platform and its underlying business processes (data requirements, responsibilities, reporting structure) in order to have a more efficient, participatory and open process of data collection on the implementation of PENSAAR 2020, carry out performance assessments and taking in-time decision to achieve the strategy objectives.

Activity B.1: Enhancing the M&E framework and design a new M&E platform

To allow the SSE to be informed on how best to improve the Monitoring and Evaluation Framework for PENSAAR 2020, the Bank will review the existing performance indicators in relation to the national and EU priority targets, the relevance of information collected to assess the progress towards targets and the current organizational arrangement to collect the data. On the basis of their review, the Bank will provide recommendations to the SSE on an enhanced monitoring and evaluation (M&E) framework which will comprise of three steps:

Step 1: Relevance of indicators

- a. review the relevance and relation of the indicators with the targets;
- b. if required, suggest alternative indicators for the targets;
- c. identify priority targets and related indicators

Step 2: Data collection improvement

- d. identify relevant monitoring needs and critical data collection;
- e. suggest how to reduce gaps and bottlenecks for data collection;
- f. if required, describe business processes for data collection.

Step 3: Information processes

- g. improve timely access to information on the PENZAAR implementation process;
- h. enable the identification of outliers that draw back the overall sector performance;
- i. enable the key WSS stakeholders to make fully informed strategic decisions.

Under this activity, the Bank will also support SSE by developing the draft technical specifications for a new M&E platform, which would allow a more efficient, participated and open process of performance assessment and strategic process management to contribute to the achievement of PENZAAR 2020 objectives. The activities which will be carried out by the Bank will cover the design of the M&E platform, but it will not include the procurement, installation, testing and/or delivery of the M&E platform. The implementation of the M&E platform will be under the sole responsibility of the SSE and shall not be covered under the current contract.

Deliverable of Activity B.1:

The Bank will propose an updated PENZAAR 2020 M&E framework, which will also include draft technical specifications for the design of a new M&E platform enabling data collection on the implementation of PENZAAR 2020, performance assessment and decision-making to achieve the strategy objectives. A report will contain:

- recommendations on how to improve the current M&E framework along the lines of Steps 1-3 above;
- a proposed enhanced M&E framework as well as design the new M&E platform;
- draft technical specifications for a new M&E platform for the Portuguese WSS sector.

COMPONENT C: EXECUTIVE OUTLINE OF THE NEXT NATIONAL WSS STRATEGIC PLAN

Based on the results and findings of the assessment of the implementation of PENZAAR 2020 carried out under activity A.1 above and subsequent relevant recommendations for remedial actions under activity A.2 above, the Bank will propose to the SSE an outline with a structure and key elements for the future national WSS strategic plan, that will succeed PENZAAR 2020. Particular emphasis will be put on implementation challenges already identified in previous activities such as increase of sector efficiency, financial sustainability and climate resilience as well as issues identified during the carrying out of activities A.1 and A.2 described above. Prioritization of sector challenges and possible measures to be included in the future national WSS strategic plan will be proposed following discussions with the SSE.

Activity C.1: Executive outline of the next WSS strategic plan

In order to inform SSE about the relevant topics to be addressed in the next strategic plan and how to develop such a plan, the Bank will collaborate with the SSE to develop an executive outline of the next WSS strategic plan (2021-2027), focusing on specific areas and issues that need to be addressed to improve sector performance in line with good international and European practices.

The methodology to develop the outline will be through an interactive process with the key stakeholders. It will involve a review of the current strategic objectives and the envisioned service standards for 2027 and beyond. It will identify all relevant external and internal issues that will have an impact on the water sector. The information gathered on performance and the remedial priority actions for the mid- and long term in Activity A.2 will be, if appropriate, incorporated.

Besides developing the outline of the strategic plan, the Bank will provide guidance on the process to develop the strategic plan and will provide support to initiate its drafting and consultation process.

The outline and process of drafting the strategic plan will be discussed in a workshop with key WSS sector stakeholders, including the relevant topics to be addressed in the next strategic plan and how to develop the plan.

Deliverable of Activity C.1:

The Bank will provide an annotated outline of a future WSS strategic plan and propose a methodology for developing the future plan.

INDICATIVE TIMELINE FOR DELIVERING OUTPUTS

Indicative Activities Timeline	2019	
	Q1	Q2
COMPONENT A: PENZAAR 2020 BENCHMARKING AND RECOMMENDATIONS FOR REMEDIAL MEASURES		
Output A.1: <ul style="list-style-type: none"> Mid-term assessment of PENZAAR 2020 implementation including the methodological approach of the assessment. 	✓	
Output A.2: <ul style="list-style-type: none"> Recommendations for remedial actions to improve the implementation of PENZAAR 2020 Proposed Action Plan with special emphasis on issues related to promoting good governance and financial sustainability of WSS services providers, cost recovery through affordable tariffs (including with targeted social tariffs for the poor), efficiency programs and promoting WSS financing of WSS through better access to commercial borrowing. 	✓	
COMPONENT B: ENHANCED M&E FRAMEWORK AND DESIGN OF NEW M&E PLATFORM		
Output B.1: <ul style="list-style-type: none"> Recommendation on how to improve the current M&E framework Proposal of an enhanced M&E framework and design of the new M&E platform Draft technical specifications for the proposed new M&E platform. 		✓
COMPONENT C: EXECUTIVE OUTLINE OF THE SUCCEEDING NATIONAL WSS STRATEGIC PLAN		
Output C.1: <ul style="list-style-type: none"> Annotated outline of a future WSS strategic plan and proposal of a methodology for developing the future plan 		✓

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.

6. Retroactive Financing

6.1 The Trust Fund funds may be used to retroactively finance payments for eligible expenditures made as of November 1, 2018 in accordance with the Bank's applicable policies and procedures.

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 March 31, 2020 (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

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

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 SSE.

The activities shall be undertaken in close collaboration with the SRSS, and the SSE.

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 SSE 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.

The Bank and 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. Representative(s) 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 SSE shall be the national contact point for the activities and shall coordinate the necessary coordination mechanisms within the relevant stakeholders, in particular with the PENSAAR Implementation Committee. To this end, it is expected that the Portuguese authorities 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 Ministry shall provide input for the analysis of the Bank, comment on the work plan of the project, review draft outputs and provide detailed comments.

It is expected that the outputs resulting from the activities shall be delivered by the Bank to the SSE 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.

The SSE shall be solely responsible for the implementation of the recommendations of the outputs delivered by the Bank. It is expected that the SSE, SRSS and Bank shall consult each other prior to the publication of the final report endorsed.

The Bank shall notify the SRSS without delay on any circumstances likely to adversely affect the implementation and management of the activities 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 assigned to perform the activities under this Agreement. The Bank team will be managed by a Bank Task Team Leader with relevant experience and drawing on the expertise of the World Bank Group staff with extensive experience in, among others, WSS; WSS utility management; benchmarking, monitoring and evaluation; financial/economic analysis, WSS regulation and tariffs, environmental, social and affordability analysis and will include in-depth knowledge of EU and country specific expertise and ability to produce high-quality deliverables.

Payment Requests

Requests for payments related to the activities set forth in Section 2.1 of Annex I to this Administration Agreement will be sent by the World Bank to the Commission with the reference EC Contract No SRSS/S2018/076 and shall be addressed to:

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

INDICATIVE RESULTS INDICATORS FOR THE PROPOSED ACTIVITIES

Expected Results (logic of intervention)	Indicator	Baseline	Result Goals	Sources of data	Assumptions
Overall objective: <i>To support SSE with; the implementation of the Water Supply and Sanitation Plan – PENSAAR 2020, the development of an enhanced M&E framework and platform and the preparation of the succeeding WSS strategic plan (for the period 2021-2027)</i>					
COMPONENT A: PENSAAR 2020 benchmarking and recommendations for remedial measures					
Impact	SSE increased evaluation capacity and understanding of the WSS sector performance and improved strategy implementation measures				
Outcome Independent assessment of WSS sector performance and improved implementation efforts	Comparison of international WSS sector performances and action plans with provision of recommendations on possible corrective measures	Sub-optimal measures for improvement of the WSS sector performance	Prepared action plan with corrective measures to improve Portugal WSS sector performance	PENSAAR 2020 annual sector performance report and ERSAR annual report	Availability of relevant WSS sector performance data
Output A.1 - Mid-term assessment of PENSAAR 2020 implementation including the methodological approach of the assessment	- Assessment of all 19 operational objectives and associated set of indicators - Benchmarking with relevant international comparators (with focus on EU countries) and key performance indicators (KPIs) to identify main strengths and weaknesses	No mid-term assessment	Mid-term assessment and benchmarking completed, main strengths, weaknesses and implementation impediments identified	PENSAAR 2020 annual sector performance report	Availability of relevant WSS sector performance data



<p>Output A.2</p> <ul style="list-style-type: none"> - Recommendations for remedial actions to improve the implementation of Pensaar 2020; - Proposed Action Plan with special emphasis on issues related to promoting good governance and financial sustainability of WSS services providers, cost recovery through affordable tariffs (including with targeted social tariffs for the poor), efficiency programs and promoting WSS financing of WSS through better access to commercial borrowing. 	Developed remedial actions plan	No recommendations identified	Proposed remedial implementation actions provided in an Action Plan to improve implementation of Pensaar 2020	Pensaar 2020 annual sector performance report	Available WSS sector counterparts to discuss and prioritize the identified recommendations
COMPONENT B: ENHANCED M&E FRAMEWORK AND DESIGN OF NEW M&E PLATFORM					
Impact	Enhanced tools for monitoring and evaluation of WSS sector and improved strategy implementation				
Outcome Performance assessment framework allowing timely access to Pensaar 2020 implementation data	M&E framework allowing more efficient, participative and open process of performance assessment contributing to the achievement of Pensaar 2020 objectives	Sub-optimal M&E framework, which do not allow regular access to performance data	Proposed improved M&E framework allowing Pensaar 2020 implementation monitoring	Pensaar 2020 annual sector performance report	
<p>Output B.1</p> <ul style="list-style-type: none"> - Recommendation on how to improve the current M&E framework - Proposal of an enhanced M&E framework and design of a new M&E platform - Draft technical specifications for the proposed new M&E platform 	<ul style="list-style-type: none"> - Enhanced M&E framework addressing weaknesses and implementation issues identified during the mid-term assessment as well as results from the benchmarking with most relevant international experiences; 	Sub-optimal M&E framework and platform; absence of tender specifications	Updated M&E framework and technical specification of new M&E platform	Pensaar 2020 Current M&E framework	



	<ul style="list-style-type: none"> - Compatibility with the enhanced M&E framework and the IT-systems in place in Portugal; - Compatibility with the enhanced M&E framework and the IT-systems in place in Portugal 				
COMPONENT C: EXECUTIVE OUTLINE OF THE NEXT NATIONAL WSS STRATEGIC PLAN					
Impact	Improved SSE capacity for WSS sector strategy development				
Outcome WSS sector strategy outline building on existing experience and good international practices	Plan to address the remaining sector challenges and improved performance results		Strategical approach for performance improvement	SSE annual report	Available WSS sector counterparts to discuss and prioritize the identified recommendations
Output C.1 Annotated outline of a future WSS strategic plan and proposal of a methodology for developing the future plan	Draft outline of the new sector strategic plan addressing the recommendations from the mid-term assessment and proposals based on benchmarking of international good practice.	No outline exists	Proposal for the executive outline of the new WSS sector strategic plan	Written approval of the SSE	Available WSS sector counterparts to discuss and prioritize the identified recommendations

ANNEX 5

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

Expenditure Category	Average Number	Amount in Euro
Staff and individual consultant services	18	273,000
Cost of travels, including airfares, accommodation and subsistence	12	39,000
Cost of training and workshop		3,000
Other services including translation		8,000
Sub-total		323,000
Administration fee (5%)		17,000
Total		340,000

The amount estimated for personnel is calculated considering 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 1 – 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.

MVH

