

CONFORMED COPY

LOAN NUMBER 4081-0 BUL

Project Agreement

(Social Insurance Administration Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

NATIONAL SOCIAL SECURITY INSTITUTE

Dated December 16, 1996

LOAN NUMBER 4081-0 BUL

PROJECT AGREEMENT

AGREEMENT, dated December 16, 1996, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and NATIONAL SOCIAL SECURITY INSTITUTE (NSSI).

WHEREAS (A) by the Loan Agreement of even date herewith between Republic of Bulgaria (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to twenty four million three hundred thousand Dollars (\$24,300,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that NSSI agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and NSSI, the proceeds of the loan provided for under the Loan Agreement will be relent to NSSI on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS NSSI, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. NSSI declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and engineering practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to this Agreement.

Section 2.03. (a) NSSI shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, NSSI shall:

(i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(ii) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 2.04. NSSI shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about January 31, 1999, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by February 28, 1999, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

Section 2.05. NSSI shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, NSSI shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.06. (a) NSSI shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters

relating to the purposes of the Loan.

(b) NSSI shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of Loan, or the performance by NSSI of its obligations under this Agreement and under the Subsidiary Loan Agreement.

Section 2.07. During the implementation of the Project, NSSI shall:

(a) by December 31 of each year, prepare and submit to the Bank for comments and review annual workplans for the upcoming year for its newly-established offices of actuarial analysis, policy evaluation and development and public affairs and carry out the said plans taking into account the Bank's comments thereon;

(b) by December 31 of each year, prepare and submit to the Bank for comments and review its staff training and development plans for the upcoming 12-month period and carry out the said plans taking into account the Bank's comments thereon;

(c) by December 31 and June 30 of each year, prepare and submit to the Bank reports on progress achieved on each Project component, identifying results achieved so far and activities to be carried out in the upcoming six-month period;

(d) maintain the PCU, with: (i) functions that shall include coordination, management and monitoring of Project activities and oversight of all disbursement, procurement and reporting activities under the Project; and (ii) staff that shall include Project coordinator, Project manager, procurement officer, an accountant and administrative officer, all with qualifications, experience and terms of reference satisfactory to the Bank;

(e) maintain the Project Advisory Group, which shall be responsible for overseeing and coordinating Project implementation, and shall at all times be headed by the Governor of NSSI and include the Project coordinator and the heads of the five technical working groups that were established within NSSI to design individual Project sub-components during Project preparation; and

(f) maintain the Informatics Team, which shall work on the design and implementation of the central register and the Social Insurance Information System under Part A.1 of the Project, with at least four professional staff, with qualifications, experience and terms of reference satisfactory to the Bank.

Section 2.08. NSSI shall:

(a) by March 31, 1999, carry out a review of the penalty structure for non-compliance or arrears in payroll tax obligations and submit to the Bank for comments a report summarizing the findings of the said review; and

(b) by December 31, 1999, submit to its Supervisory Board for approval, taking into account the Bank's comments and suggestions thereon, recommendations for modifications of the penalty structure, based on findings of the said review, including draft amendment to the Social Security Fund Law that would introduce the necessary modifications to the administrative penalty structure governed by the said Law.

Section 2.09. NSSI shall hold its accounts only in banks which shall agree, in writing, to: (i) identify individual deposits in the said accounts, including the name and TAX ID number of each depositor making such deposits; and (ii) provide this information in statements supplied to NSSI.

Section 2.10. NSSI shall conduct annual actuarial forecasts of the revenues and expenditures of the SSF and provide reports containing the results of the said annual actuarial forecasts to the Supervisory Board of NSSI, the Borrower's Parliament and the general public.

### ARTICLE III

#### Management and Operations of NSSI

Section 3.01. NSSI shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. NSSI shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

Section 3.03. NSSI shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) NSSI shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) NSSI shall:

(i) have its records, accounts and financial statements (balance sheets, statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

#### ARTICLE V

##### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of NSSI thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify NSSI thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such

request. The addresses so specified are:

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI)  
64145 (MCI)

For NSSI:

National Social Security Institute  
62-64 Stambolijsky Boulevard  
1303 Sofia  
Bulgaria

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of NSSI, or by NSSI on behalf of the Borrower under the Loan Agreement, may be taken or executed by the Governor of NSSI or such other person or persons as Governor shall designate in writing, and NSSI shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kenneth Lay

Acting Regional Vice President  
Europe and Central Asia

NATIONAL SOCIAL SECURITY INSTITUTE

By /s/ Snezhana Botusharova

Authorized Representative

#### SCHEDULE

#### Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and Works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$300,000 or more each.

(c) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. Limited International Bidding

Computer software applications which the Bank agrees can only be purchased from a limited number of suppliers, up to an aggregate amount equivalent to \$3,500,000, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. Procurement of Small Works

Works for the upgrading of the facilities referred to under Part A.3 of the Project, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

3. International Shopping

Goods estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken

in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$300,000 or more and each contract procured in accordance with procedures set forth in Parts B.1 and C.1 above, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Bank, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

