

CONFORMED COPY
June 10, 2010

His Excellency
Simeon Djankov
Deputy Prime Minister and Minister of Finance
Sofia, Bulgaria

Social Inclusion Project (Loan No. 7612-BG)

Amendment to the Loan Agreement

Dear Mr. Minister:

We refer to the Loan Agreement between Bulgaria and the International Bank for Reconstruction and Development (the Bank), for the above-referenced Project, dated November 18, 2008 (the Agreement), and your letter dated May 15, 2010, requesting certain amendments to the above mentioned Agreement.

We concur with your request and hereby agree to amend the Agreement as follows:

1. **Schedule 2** is modified as follows:

1.1. **Section I.A.1** is modified to read as follows (the modifications are shown in *italics*):

“1. The Borrower, through the MLSP, shall ensure that the *Social Inclusion Directorate (SID) of the MLSP* shall perform all technical responsibilities for Project implementation, including: (a) preparation of bidding and contract documents under the Project; (b) the maintenance of the Project financial records and accounts and arranging for the audit thereof; (c) preparation of the Project Reports referred to in Section II.A of this Schedule; and (d) monitoring and evaluation of progress of Project implementation. The Borrower, through the MLSP, shall maintain *the SID* until the completion of the Project with staff, functions, terms of reference and resources satisfactory to the Bank.”

1.2. **Section I.A.4** is deleted. A new paragraph is added as Section I.A.4 and reads as follows:

“4. The Borrower, through the MLSP, shall approve the Sub-project proposals submitted by the Municipalities.”

1.3. Section **I.A.5** is modified to read as follows (the modifications are shown in *italics*):

“5. The Borrower, through the MLSP, shall ensure that the Managing Authority is responsible for the Project policy oversight *in observance of the Human Resources Development Operational Programme.*”

2. In **Appendix**, the following modifications are operated:

2.1. The definition of “Managing Authority” in paragraph 8 of the Appendix is **modified** to read as follows (modification is shown in *italics*):

“Managing Authority” means the Directorate *General* of European Funds, International Programs and Projects at the MLSP or any successor or successors thereto.

2.2. The definition of “SIF” in paragraph 16 of the Appendix is **deleted**.

2.3. New definitions are **added** to read as follows:

“Human Resources Development Operational Programme” means the Borrower’s programming document for the European Social Fund for Bulgaria agreed between the Government of Bulgaria and the European Commission dated October 3, 2007.

“SID” means Social Inclusion Directorate within the MLSP or any successor thereto.

Consequently, the paragraphs in the Appendix are re-numbered accordingly following an alphabetical order. A revised Appendix is attached to this amendment letter of the Agreement.

Please confirm your agreement with the foregoing, on behalf of Bulgaria, by signing, dating and returning to us the enclosed copy of this letter. This amendment will become effective as of the date on which the Bank receives notice of completion of internal approval procedures under the laws of Bulgaria.

Sincerely,

/s/ Peter Harrold

Director

Central Europe and the Baltic Countries
Europe and Central Asia Region

AGREED:

BULGARIA

By /s/ Simeon Djankov
Authorized Representative

Title Deputy prime Minister and Minister of Finance

Date June 17, 2010

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.

2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
3. “Eligible Municipality” means a Municipality eligible for a Grant in accordance with the eligibility criteria specified in the Project Operational Manual, and for whose benefit a Grant is provided or proposed to be provided for the purposes of implementing activities under Part I of the Project.
4. “Environmental Risk Assessment for Infrastructure Sub-projects” means the document dated February 2007 and part of the Project Operational Manual, satisfactory to the Bank, describing the environmental procedures to be complied with respect of any civil works to be carried out under a Sub-project.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
6. “Grant” means a grant made or proposed to be made by the Borrower, through the MLSP, to an Eligible Municipality out of the proceeds of the Loan for the financing of a Sub-project.
7. “Grant Agreement” means an agreement between the Borrower, through the MLSP, and an Eligible Municipality.
8. “Human Resources Development Operational Programme” means the Borrower’s programming document for the European Social Fund for Bulgaria agreed between the Government of Bulgaria and the European Commission dated October 3, 2007.
9. “Managing Authority” means the Directorate General of European Funds, International Programs and Projects at the MLSP or any successor or successors thereto.
10. “Managing Authority Decision” means the Decision No. 965 of the Council of Ministers of the Borrower dated December 16, 2005.
11. “MLSP” means the Ministry of Labor and Social Policy of the Borrower or any successor or successors thereto.
12. “Municipality” means an administrative subdivision of the Borrower, established under the Law for the Administrative and Territorial Structure of the Republic of Bulgaria adopted on July 16, 2003 (State Gazette No. 63 of July 14, 1995), as amended.
13. “NGO” means a non-governmental organization, established and operating under the laws of the Borrower.
14. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
15. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated September 25, 2008, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. “Project Operational Manual” means the manual, adopted by the Borrower, through the MLSP, describing procedures for implementation of the Project, and including, *inter alia*: (i) procedures governing administrative, procurement, accounting, financial management, and monitoring and evaluation arrangements; (ii) targets to be achieved under the Project; (iii) guidelines, procedures and criteria for Grants under Part I of the Project; (iv) the Environmental Risk Assessment for Infrastructure Sub-projects; and (v) a sample format of Project Reports.
17. “SID” means Social Inclusion Directorate within the MLSP or any successor thereto.
18. “Sub-project” means an activity under Part I of the Project to be carried out by an Eligible Municipality and in respect of which a Grant is provided, or proposed to be provided, for the benefit of such Eligible Municipality.
19. “Training” means training activities (other than consultants’ services) to be carried out under the Project, including the cost of workshops and travel cost and *per diem* of the trainees.