
CONFORMED COPY

LOAN NUMBER 4854 BUL

Loan Agreement

(Second Trade and Transport Facilitation Project)

between

REPUBLIC OF BULGARIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated March 23, 2007

LOAN NUMBER 4854 BUL

LOAN AGREEMENT

Agreement dated March 23, 2007, between REPUBLIC OF BULGARIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II - LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of forty million nine hundred thousand Euro (EUR 40,900,000) (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time.
- 2.06. The Payment Dates are May 15 and November 15 in each year.

- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III - PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through the MOF in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower, through the MOF, shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following: the PIT Order has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the implementation of the Project.
- 4.02. The Additional Event of Acceleration consists of the following: the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V - EFFECTIVENESS

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the Minister of Finance.
- 6.02. The Borrower's Address is:

Ministry of Finance
102 Rakovski Street
Sofia, 1040
Republic of Bulgaria

Cable address:	Telex:	Facsimile:
Ministry of Finance Sofia	22727	(359) 2-9806863

6.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Sofia, Republic of Bulgaria, as of the day and year first above written.

REPUBLIC OF BULGARIA

By: /s/ Plamen Oresharski
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Anand Seth
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to facilitate trade by improving the capacity, efficiency and quality of services at selected European Union border crossings with particular focus on the Trans-European Transport Network.

The Project consists of the following parts:

Part I: Improvement of Physical Capacity and Working Conditions at Selected European Union External Border Crossings with Particular Focus on the Trans-European Transport Network

1. Upgrading the infrastructure and equipment at Kapitan Andreevo and Kalotina border crossing points through the construction of new facilities, the rehabilitation of existing facilities, the provision of technical advisory services for the design and supervision of such construction and rehabilitation, and the provision of equipment to NCA and BPD to expedite inspections; and establishing a new customs terminal at Svilengrad through the construction of a new facility, the provision of technical advisory services for the design and supervision of such construction, and the provision of equipment.
2. Improving the NCA infrastructure and equipment at selected European Union external border crossing points and internal NCA terminals through the construction of new NCA facilities, the rehabilitation of existing NCA facilities, the provision of technical advisory services for the design and supervision of such construction and rehabilitation, and the provision of equipment to NCA.

Part II: Construction of the Access Road to Kapitan Andreevo Border Crossing Point

1. Preparation of the EIA for Part II of the Project and the EMP for Part II of the Project through the provision of technical advisory services.
2. Construction of an access road of about 3.4 km linking the planned Maritsa Motorway with the Kapitan Andreevo border crossing point, and supervision of such construction through the carrying out of civil works and the provision of technical advisory services.

Part III: Enhancing Sharing of Relevant Border Crossing Data and Streamlining Operational Procedures of Border Crossing Agencies

1. Enhancing exchange of information between border agencies at border crossing points by harmonizing and integrating information flows among relevant agencies, through the provision of technical advisory services, the acquisition of necessary hardware, software and other equipment, the provision of training to users, and the financing of the networking costs and required supplemental works.
2. Extending the TETRA digital trunk communication system to additional border crossing points through the acquisition, configuration and installation of TETRA base stations, fixed and portable telecommunication equipment, document checking and control equipment, and vehicles.

Part IV: Capacity Building and Support to Project Implementation

1. Enhancing the capacity of the trade community by: (i) measuring regularly performance at border crossing points and clearance facilities as experienced by users; and (ii) providing training to stakeholders on, in particular, logistics, supply chain management concepts, and trade and transport facilitation.
2. Supporting the PIT in connection with Project implementation, monitoring, evaluation and impact assessment through the acquisition of software for the financial management of the Project, and the provision of: (i) funds for Incremental Operating Costs; (ii) training to its staff on Project management, procurement and financial management; and (iii) advisory services for the audits and for the monitoring and evaluation of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. The Borrower shall maintain the ISCBC during Project implementation, which shall provide oversight and policy guidance as well as overall coordination for the implementation of Parts I and III of the Project, and make decisions on significant implementation or policy issues in respect of Parts I and III of the Project. The Borrower shall ensure that the National Project Coordinator is a member of the ISCBC until the completion of the Project.

B. The PIT, acting under the Project Manager, shall, in coordination with the NCA Project Coordinator, the BPD Project Coordinator and the NRIF Project Coordinator, perform all technical responsibilities for Project implementation, including: (a) preparation of an annual plan for Project implementation, (b) preparation of bidding and contract documents under the Project; (c) the maintenance of the Project financial records and accounts and arranging for the audit thereof; (d) preparation of the Project Reports referred to in Section II.A of this Schedule; and (e) monitoring and evaluation of progress of Project implementation. The PIT shall be maintained until the completion of the Project with staff, functions, terms of reference and resources satisfactory to the Bank.

C. The Borrower, through the MOF, shall ensure: (a) that each annual plan for Project implementation referred to in paragraph B (a) above shall be prepared after a review between the Borrower and the Bank of progress in meeting the targets indicated in the Project Operational Manual; and (b) that the inclusion of investments and other Project activities in said plan, as well as the procurement arrangements thereof, shall be made in agreement between the Borrower and the Bank, taking into account the requirements set forth in the EMPs for Part I of the Project, the EMP for Part II of the Project, the LAPF for Part II of the Project and the LAP for Part II of the Project .

D. The Borrower shall ensure that, until the completion of the Project: (i) the National Project Coordinator and the Project Manager are maintained with functions and terms of reference satisfactory to the Bank; and (ii) the NCA Project Coordinator, the BPD Project Coordinator and the NRIF Project Coordinator, are maintained with functions and terms of reference satisfactory to the Bank and coordinate with the PIT in respect of the activities of NCA, BPD and NRIF, respectively, under the Project.

E. Not later than three (3) months after the Effective Date, the Borrower, through the MOF, shall appoint: (i) the independent auditors referred to in Section 5.09 (b) of the General Conditions; and (ii) an additional accountant and an additional procurement specialist for the PIT, all in accordance with the provisions of Section III of Schedule 2 to this Agreement.

F. The Borrower, through the MOF, shall: (i) take all necessary measures to implement the Project in accordance with the Project Operational Manual, the EMPs for Part I of the Project, the EMP for Part II of the Project, the LAPF for Part II of the Project and the LAP for Part II of the Project, and shall not amend, suspend, abrogate, repeal or waive any provisions of the Project Operational Manual, the EMPs for Part I of the Project, the EMP for Part II of the Project, the LAPF for Part II of the Project and the LAP for Part II of the Project without prior approval of the Bank; and (ii) ensure that adequate information on the implementation of the EMPs for Part I of the Project, the EMP for Part II of the Project, the LAPF for Part II of the Project and the LAP for Part II of the Project is suitably included in the Project Reports referred to in Section II.A of this Schedule.

G. Midterm Review

1. Not later than thirty (30) months after the Effective Date, the Borrower, through the MOF, shall carry out jointly with the Bank, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, amongst other things:

- (a) progress made in meeting the Project's objectives; and
- (b) overall Project performance against Project performance indicators.

2. The Borrower, through the MOF, shall prepare, and at least four (4) weeks prior to the Midterm Review, furnish to the Bank, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

3. The Borrower, through the MOF, shall, not later than two (2) weeks after the Midterm Review, prepare and submit to the Bank an action program, acceptable to the Bank, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Borrower, through the MOF, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through the MOF, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower, through the MOF, shall prepare and furnish to the Bank as part of the Project Report, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower, through the MOF, shall have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding,

which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	National Competitive Bidding, subject to the following additional provisions: <ul style="list-style-type: none">• a point system evaluation shall not be used;• domestic preference shall not be applied;• international bidders shall not be excluded from bidding;• the draft NCB bidding documents shall be prepared and submitted to the Bank for review and no-objection before the first NCB tender is issued;• no bids shall be rejected at the bid opening. All bids submitted on or before the deadline for submission of bids shall be opened and read out at public bid opening;• local bidders shall demonstrate availability of obtaining securities and reasonable access to credit;• bid evaluation criteria shall be pre-disclosed to bidders in the bidding documents; and• technical specifications shall be clearly written to promote the broadest possible competition.
(b)	Shopping
(c)	Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Selection under a Fixed Budget
(b)	Least cost Selection
(c)	Selection based on Consultants' Qualifications
(d)	Single-source Selection
(e)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(f)	Sole Source Procedures for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in Euro)	Percentage of Expenditures to be financed
(1) Works for the Project, excluding Part II of the Project, and goods for the Project	30,000,000	75%
(2) Works under Part II of the Project	6,900,000	75%
(3) Consultants' services, Training and Incremental Operating Costs for the Project	4,000,000	75%
(4) Front-end Fee	0	Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	<u>40,900,000</u>	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed EUR 2,500,000 equivalent may be made for payments made prior to this date but on or after April 1, 2006, for Eligible Expenditures under Categories (1) and (3); or

(b) under Category 2, unless, prior to the commencement of any of the civil works under Part II of the Project: (i) the EIA for Part II of the Project has been carried out and disclosed by the Borrower, and found satisfactory by the Bank; (ii) the EMP for Part II of the Project, satisfactory to the Bank, has been approved and disclosed by the

Borrower; and (iii) the LAP for Part II of the Project, satisfactory to the Bank, has been approved and disclosed by the Borrower.

2. The Closing Date is June 30, 2012.

SCHEDULE 3

Amortization Schedule

<u>Principal Payment Date</u>	<u>Principal Amount of the Loan Payable (Expressed in Euro*)</u>
On each May 15 and November 15 beginning November 15, 2012 through November 15, 2023	1,705,000
On May 15, 2024	1,685,000

* The figures in this column represent the amount in Euro to be repaid, except as provided in Section 3.10 of the General Conditions.

APPENDIX

Definitions

1. “BPD” means the Border Police Directorate of the Borrower established pursuant to the Ministry of Interior Act adopted on February 2, 2006 (State Gazette No. 17 of February 24, 2006), as amended.
2. “BPD Project Coordinator” means the Project coordinator appointed by BPD to be responsible for the coordination of the activities of BPD under the Project.
3. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
5. “EIA for Part II of the Project” means the Environmental Impact Assessment, including public consultation, satisfactory to the Bank, to be carried out in respect of the activities under Part II of the Project.
6. “EMP for Part II of the Project” means the Environmental Management Plan, satisfactory to the Bank, to be prepared by an independent environmental assessment expert and adopted by the Borrower, describing the mitigation, monitoring and institutional measures to be implemented in order to eliminate, offset or reduce any adverse environmental and social aspects in respect of the activities under Part II of the Project.
7. “EMPs for Part I of the Project” means the Environmental Management Plans, satisfactory to the Bank and adopted by the Borrower, describing the mitigation, monitoring and institutional measures to be implemented in order to eliminate, offset or reduce any adverse environmental and social aspects in respect of the activities under Part I of the Project.
8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
9. “Incremental Operating Costs” means the incremental operating costs incurred by the PIT on account of Project implementation, comprising staff salaries, office supplies and Project related travel and per diem allowances.
10. “ISCBC” means the Inter-Ministerial Steering Committee for Border Control of the Borrower established pursuant to the regulations for the structure and activities of the Inter-Ministerial Council responsible for border control issues, adopted pursuant to the Decree No. 70 of the Council of Ministers dated March 27, 1998 (State Gazette No. 39 of April 7, 1998), as amended.
11. “LAP for Part II of the Project” means the Land Acquisition Plan satisfactory to the Bank and approved by the Borrower, setting forth: (i) the census of individuals and business entities affected by involuntary land acquisition, including an inventory and valuation of lost assets; (ii) the details of the compensation to be provided to such individuals and business entities; (iii) the minutes of the public consultations with the affected individuals and business

- entities; (iv) the details regarding the institutional arrangements for implementation and procedures for grievance process; (v) a time-bound implementation plan and budget; and (vi) the details regarding the institutional arrangements for monitoring the implementation of the Land Acquisition Plan.
12. “LAPF for Part II of the Project” means the Land Acquisition Policy Framework, satisfactory to the Bank and approved by the Borrower, setting forth the laws and administrative procedures as well as a process of disclosure providing for processes, including information and consultation processes, and appropriate compensation at full market value of land-based assets, or loss of income to be incurred by individuals or business entities on account of land to be acquired for public purposes for implementation of Part II of the Project.
 13. “MOF” means the Ministry of Finance of the Borrower.
 14. “National Project Coordinator” means the Project coordinator appointed by the Borrower to be responsible for the coordination of the activities of all relevant agencies of the Borrower, under the Project.
 15. “NCA” means the National Customs Agency of the Borrower, a centralized administrative structure of the MOF established pursuant to the Customs Act adopted on January 23, 1998 (State Gazette No. 15 of February 6, 1998), as amended.
 16. “NCA Project Coordinator” means the Project coordinator designated by NCA to be responsible for the coordination of the activities of NCA under the Project.
 17. “NRIF” means the National Roads Infrastructure Fund of the Borrower established pursuant to the Roads Act adopted on July 26, 2006 (State Gazette No. 64 of August 8, 2006), as amended .
 18. “NRIF Project Coordinator” means the Project coordinator appointed by NRIF to be responsible for the coordination of the activities of NRIF under the Project.
 19. “PIT” means the Project Implementation Team, established within the MOF.
 20. “PIT Order” means the Order No. 1563 issued by the MOF on December 1, 2006 to establish the PIT.
 21. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
 22. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 21, 2007, 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.
 23. “Project Manager” means the head of the PIT.
 24. “Project Operational Manual” means the manual, adopted by the Borrower pursuant to the provisions of the PIT Order, 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; and (iii) a sample format of Project Reports.

25. “Terrestrial Trunked Radio” or “TETRA” means the digital trunked mobile radio standard developed by the European Telecommunications Standardization Institute.
26. “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.
27. “Trans-European Transport Network” means the network to be developed by the member States of the European Union under the Community guidelines adopted in July 1996 by the European Parliament and Council pursuant to Decision No. 1692/96/EC as amended.