

CONFORMED COPY
May 5, 2011

H. E. Simeon Djankov
Deputy Prime Minister and
Minister of Finance
Sofia, Bulgaria

Bulgaria: Municipal Infrastructure Development Project (Loan No. 7834-BG)

Amendment to the Loan Agreement

Dear Mr. Deputy Prime Minister:

We refer to the Loan Agreement between Bulgaria (the Borrower) and the International Bank for Reconstruction and Development (the Bank) for the above-referenced Project, dated February 1, 2010 and your letter dated January 19, 2011 requesting certain amendments to the above mentioned Loan Agreement.

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

1. Schedule 1 is amended as follows:

1.1. Part A (a) is amended to read as follows (modifications are shown *in italics*):

“(a) Provision of technical assistance for preparing the activities described *in Part B and in Part C of the Project, consisting, inter alia, of the following: update of feasibility assessments, update of designs, Environmental Management Plans and Environmental Impact Assessments, preparation of bidding documents, and construction supervision activities.*”

1.2. Part B is amended to read as follows (modifications are shown *in italics*):

“Preparation of regional Master Plans for Water Supply and Sewerage systems (ViK systems), *aiming at ensuring a national coverage of the territory of the Borrower, except the territory served by Sofia Water Company,* in order to support the Borrower, through MRDPW, to: (i) identify investment needs for rehabilitation of water supply network and construction of sewerage network and wastewater treatment plants; and (ii) meet the applicable EU water and wastewater directives commitments. *For the purposes of this Agreement, the Master Plans shall be contracted and approved by MRDPW and agreed by the respective Water Association or, where a Water Association is not yet in place, by the respective legal entity in accordance with the Water Act.*”

2. Schedule 2 is amended as follows:

2.1. Section I.A.1 is modified to read as follows:

“ The Borrower, through MRDPW, shall maintain the PIU during the execution of the Project with necessary resources and qualified and sufficient staff in adequate numbers, as shall be required to perform its duties in respect of overall management and implementation of the Project, in manner satisfactory to the Bank. The PIU shall be part of MRDPW and shall maintain a permanent core of staff members during the entire duration of the project and with the composition described in the POM.”

2.2. In Section I.A, a new paragraph 2 is added to read as follows:

“2. The Borrower, through MRDPW, shall coordinate the project related issues with the relevant institutions with attribution in the field, including the MoEW and the Water Associations.”

Accordingly, the following paragraphs are renumbered.

2.3. Section I.A.3 is modified to read as follows:

“3. Prior to launch the activities under Part C (i), (ii) and (iv) of the Project and in accordance with its relevant national legislation, the Borrower, through the MRDPW shall undertake, the following steps for each dam:

- (a) *update the feasibility assessment, as defined in the POM, to confirm that the most viable solution for the proposed dam and water treatment investments, based on the update information, remains valid;*
- (b) complete site investigation to review the integrity of the existing construction and current hydrogeology of the area;
- (c) update the EMP and EIA, if necessary;
- (d) obtain the Bank’s no objection to its financing based *on the confirmation* of the economic, technical, environmental, social and dam safety *viability*, based on related Bank’s policies;
- (e) review and update designs and costs for the most viable option.

2.4. Section I.A.7 is amended as follows (modifications are shown *in italics*):

“7. The Borrower shall retain the ownership of the dams and the water treatment plants constructed under the Project and shall constitute, after the completion of works, a right of use, for operation purposes, in the benefit of the operators defined by the Borrower’s *relevant legislation*. To that extent, the above mentioned operators shall be involved in reviewing the design of works.”

2.5. Section I.C.2 is amended as follows (modifications are shown *in italics*):

“2. The Borrower, through the MRDPW, shall maintain the Dam Safety Panel established by a Decision of Minister of Regional Development and Public Works

dated December 09, 2008, *as amended*, which will provide advice on issues related to dam safety, including additional studies and investments necessary, and make recommendations pertaining to the design for the completion and rehabilitation of the dams under Part C of the Project.”

3. The Table set forth in **Section IV.A.2 of Schedule 2** to the Loan Agreement shall be amended as set forth in the attachment hereto.

4. Section I in the Appendix is amended as follows:

4.1. The definition in paragraph 3 is amended to read as follows (modifications are shown *in italics*):

“3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004. *Revised October 1, 2006 & May 1, 2010*”.

4.2. The definitions in paragraph 9 and 12 are amended to read as follows (modifications are shown *in italics*):

“9. “**Master Plan**” means a *regional* general investment plan *as described and defined by the Water Act*.”

“12. “**Operators**” means any institution specialized in management, operation and maintenance of a water retention dam and/or water treatment plant, as defined by the Borrower’s *relevant legislation*.

4.3. Two new definitions are included after paragraph 9 to read as follows:

“**MoEW**” means the Borrower’s Ministry of Environment and Water or any successor thereto.

“**Water Association**” means a non-profit legal entity that manages water supply and sewerage systems within the boundaries of a designated territory, as defined by the Borrower’s Water Act, or any successor thereto.

4.4. The definition in paragraph 13 is amended to read as follows (modifications are shown *in italics*):

“**PIU**” means the Project Implementing Unit established, under MRDPW, by a Decision of the Minister of Regional Development and Public Works no. RD-02-14-383, dated March 18, 2009, *as amended*, which will be responsible for the implementation and the management of the Project.”

4.5. The definition in paragraph 15 is amended to read as follows (modifications are shown *in italics*):

“15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004. *Revised October 1, 2006 & May 1, 2010.*

All paragraphs in Section I of the Appendix will be re-numbered accordingly.

A revised Supplemental Letter no.2 on Performance and Monitoring Indicators is provided separately.

All the other terms and conditions of the Loan Agreement, as amended hereby, shall remain in full force and effect.

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

**CONFIRMED AND AGREED:
REPUBLIC OF BULGARIA**

By : /s/ Simeon Djankov

Name: Simeon Djankov

Title : Deputy Prime Minister and
Minister of Finance

Date : May 17, 2011

SCHEDULE 2

(Withdrawal of the Proceeds of the Loan)

Category	Amount of the Loan Allocated (Expressed in EUR)	Percentage of Expenditures to be Financed
(1) Consultants' services for Part A of the Project	<i>6,220,800</i>	80%
(2) Preparation of Master Plans under Part B of the Project	<i>12,960,000</i>	80%
(3) Works and goods for Parts C of the Project	<i>61,616,700</i>	80%
(4) Front-end Fee	202,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	<u>81,000,000</u>	