

REPUBLIC OF BULGARIA

March 17, 2000

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

Re: Loan No. 4538 BUL  
(Environment and Privatization Support Adjustment Loan)  
Financial Management

Dear Sirs:

We refer to the Loan Agreement of even date herewith between the Republic of Bulgaria (the Borrower) and the International Bank for Reconstruction and Development (the Bank) for the Environmental and Privatization Support Adjustment Loan (the Loan Agreement). Terms defined in the Loan Agreement shall have the same meaning when used in this letter.

1. The Borrower and the Bank hereby agree that the Borrower will perform the obligations set forth in Section 3.02 of the Loan Agreement with respect to the Deposit Account on an annual basis until six months after the date on which the Loan shall have been disbursed in full and, for the purposes of Section 3.02 of the Loan Agreement, the Bank's request shall be deemed to have been made at the end of each of the Borrower's financial years.

2. In addition the Borrower also agrees that the following provisions shall apply to the account or accounts to be opened by the Ministry of Finance and into which amounts will be paid from the central budget for the execution of the Framework Remediation Plans, referred to in this letter as the Remediation Account[s]:

The Borrower shall, for each fiscal year commencing with fiscal year 2000 until and including the fiscal year in which expenditures from the Remediation Account[s] are equal to or exceed the amount of the Loan:

(i) have the records and accounts for the Remediation Account[s] for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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 months after the end of each such year, an opinion on such records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

It is our understanding that, in making the Loan, the Bank may rely on the statements set forth or referred to in this letter.

Very truly yours,

REPUBLIC OF BULGARIA

By /s/ Muravei Radev  
Authorized Representative

