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RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
SOCIAL INCLUSION PROJECT  
LOAN  
NOVEMBER 4, 2008

TO THE  
REPUBLIC OF BULGARIA

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## ABBREVIATIONS AND ACRONYMS

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**BULGARIA**  
**SOCIAL INCLUSION PROJECT**

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## **SOCIAL INCLUSION PROJECT**

### **RESTRUCTURING PAPER**

## **SUMMARY**

This restructuring is reflecting a change in the implementation of the project, moving the responsibility for implementation from one unit under the auspices of the Ministry of Labor and Social Policy (MLSP) to another unit under the same ministry. MLSP, responsible for the project, requested this modification to the implementation arrangements for the project. According to the original arrangements the Social Investment Fund (SIF) was taking the role of a project management unit (PMU) for the project, on behalf of the MLSP. However, the Government proposed to Parliament in December 2009 the phasing out (closing) of SIF, as part of the Government's crisis response and planned cuts in overhead and administration. The closure took place in March 2010. Therefore, MLSP proposed that the project management function be taken directly by MLSP, through a directorate that is set as part of the staff structure of MLSP.

## **PROJECT STATUS**

This project has become effective in April of 2009, but there are no actual disbursements on substantive project activities. This is largely due to the Government's decision to propose a change to the implementation arrangements.

While the Government has taken all necessary steps to ensure continuity, as requested by the Bank in December 2009, it is now clear that the preparation of the modifications to the legal agreement and operational documents are leading to some delays in implementation.

However, progress should also be noted - at this point the new unit (department) at MLSP is already set up, and in the process of being staffed. Transfer of several key staff of SIF to the new unit is confirmed. The Borrower requested the specific changes in a letter to the Bank, and the Bank prepared a draft amendment to the Loan Agreement..

## **PROPOSED CHANGES**

- Institutional arrangements

As described in the summary, the original implementation arrangements for the project involved the Social Investment Fund (SIF), an autonomous governmental institution under the subordination of the MLSP, as the unit ensuring the administration of the project. As a result of the closing of SIF in March 2010, the Government has requested the transfer of the project administration to a designated directorate/department at MLSP.

Key staff from SIF responsible for project management are being transferred to the designated department. The change will not result in any changes to Development Objectives, indicators or other important project parameters. In fact, the change may even further improve the interministerial coordination and linkages to the European funds managed by MLSP. Below are the specific proposed modifications to the Legal Agreement to reflect the change in the implementation mechanism.

**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.

- Financial management  
MLSP remains responsible for managing the Loan. A financial management assessment of the Social Inclusion Project will be carried out.
- Procurement  
MLSP remains responsible for managing the Loan. A procurement assessment of the Social Inclusion Project will be carried out