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TF 029111

Japanese Grant Agreement

(District Heating Project)

between

REPUBLIC OF BULGARIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

as Administrator of Grant Funds
provided by JAPAN

Dated December 22, 1995

Public Disclosure Authorized

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JAPANESE GRANT AGREEMENT

AGREEMENT, dated December 22, 1995, between Republic of Bulgaria (the Recipient) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as Administrator (the Administrator) of grant funds provided by JAPAN (Japan).

WHEREAS (A) pursuant to a letter agreement dated July 30, 1990 between Japan and the Bank and International Development Association (the Association), Japan has requested the Bank and the Association, and the Bank and the Association have agreed, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank and the Association, as the case may be, in accordance with the provisions of such letter agreement;

WHEREAS (B) Japan has agreed to make available to the Recipient a grant out of said grant funds (the Grant) to finance the cost of carrying out the technical assistance described in Schedule 2 to this Agreement (the Technical Assistance) on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04; and
- (x) Article XI.

(b) The General Conditions shall be modified as follows:

(i) the term "Bank," wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the International Bank for Reconstruction and Development acting as Administrator of the Grant pursuant to the letter agreement between Japan and the Bank and the Association referred to in Recital (A) of this Agreement, except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;

(ii) the term "Borrower," wherever used in the General Conditions,
means the Recipient;

(iii) the term "Loan Agreement," wherever used in the General Conditions, means this Agreement;

(iv) the term "Loan," wherever used in the General Conditions, means the Grant;

(v) the term "Loan Account," wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;

(vi) the term "Project," wherever used in the General Conditions, means the technical assistance described in Schedule 2 to this Agreement; and

(vii) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in yen; provided, however, that if the expenditures to be financed out of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth; and the following additional terms have the following meanings:

(a) "Implementation Agreement" means the agreement entered by the Recipient, through its Committee of Energy, and the Sofia District Heating Company and referred to in Sections 3.01 (b) and (c) of, and paragraph 2 (b) of Schedule 1 to, this Agreement;

(b) "Sofia District Heating Company" means the municipal joint stock company established pursuant to Protocol 16 of the Council of the Municipality of Sofia, dated October 7, 1992, as the same may be amended from time to time, and registered with the Court of the City of the Sofia on March 1, 1993;

(c) "Steering Committee" means the inter-agency steering committee established and maintained by the Recipient with composition agreed with the Bank and responsible for overseeing and coordinating the implementation of the Project; and

(d) "Yen" and "Y" mean the currency of Japan.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount of 63,600,000 yen (¥63,600,000).

Section 2.02. The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of carrying out the Project and to be financed out of the Grant.

Section 2.03. The Closing Date shall be January 31, 1997 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

Section 2.04. The Sofia District Heating Company is designated as representative of the Recipient for the purposes of taking any action referred or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient shall carry out the Project through the Sofia District Heating Company and the Steering Committee with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and accounting practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Recipient shall enter into an implementation agreement with the Sofia District Heating Company under terms and conditions which shall have been approved by the Administrator.

(c) The Recipient shall exercise its rights under the Implementation Agreement in such manner as to protect the interests of the Recipient and the Administrator and accomplish the purposes of the Grant, and, except as the Administrator shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Implementation Agreement or any respective provision thereof.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of the consultants' services required for the Project and to be financed out of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall and shall cause the Sofia District Heating Company to:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;

(ii) furnish to the Administrator as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

(iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(b) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

- (ii) retain, until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Administrator's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 3.04. Without limitation upon the applicable provisions of Article IX of the General Conditions, the Recipient shall:

(a) prepare, or cause to be prepared, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Administrator, a plan to ensure continued achievements of the objectives of the Project;

(b) afford the Administrator a reasonable opportunity to exchange views with the Recipient on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Administrator's comments thereon.

ARTICLE IV

Effectiveness; Termination

Section 4.01. This Agreement shall become effective on the date upon which the Administrator dispatches to the Recipient notice of its acceptance of evidence satisfactory to the Administrator furnished by the Recipient that the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action and that this Agreement is legally binding upon the Recipient in accordance with its terms.

Section 4.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE V

Representation

Section 5.01. Except as provided in Section 2.04 of this Agreement, the Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance

1040 Sofia

Bulgaria

Telex:

For the Administrator:

International Bank for

Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address:

Telex:

INTBAFRAD

197688 (TRT),

Washington, D.C.

248423 (RCA),

64145 (WUI) or

82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the day and year first above written.

REPUBLIC OF BULGARIA

By /s/ K. Roussinov

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION

AND DEVELOPMENT

as Administrator of the Grant

By /s/ Basil Kavalsky

Acting Regional Vice President

Europe and Central Asia

SCHEDULE 1

Withdrawal of the Grant

1. The table below sets forth the Categories of items to be financed out of the Grant, the allocation of the amount of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Amount of the

Grant Allocated % of

(Expressed in Expenditures

Category

Yen Equivalent)

to be Financed

Consultants' Services	63,600,000 100%
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TOTAL

63,600,000

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) expenditures under the Category of the table in paragraph 1 above unless the Administrator shall have communicated to the Recipient its acceptance of evidence furnished by the Recipient that the Implementation Agreement acceptable to the Administrator has been executed, and is legally binding upon, the Recipient and the Sofia District Heating Company.

3. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for services under contracts for employment of consulting firms not exceeding \$100,000 equivalent, and under contracts for employment of individuals not exceeding \$50,000, under such terms and conditions as the Administrator shall specify by notice to the Recipient.

SCHEDULE 2

Description of Technical Assistance

The objectiveness of the Technical Assistance are to facilitate the preparation of a district heating (Energy II) project capable of being financed by the Administrator which would: (i) assist with the rehabilitation and conversion to combined cycle operation of two Sofia District Heating Plants (the Sofia Plant and the Sofia East Plant) and the Republika Plant in Pernik; and (ii) assist with the rehabilitation of the transmission and distribution networks for heat.

The Technical Assistance consists of the following activities, subject to such modifications thereof as the Recipient and the Administrator may agree upon from time to time to achieve such objectives:

Part A: Development of Master Plans for the Rehabilitation of the Sofia and Pernik District Heating Plants

1.1. Performance of a complete review of the Sofia Plant, the Sofia East Plant and the Republic Plant in Pernik, including heat demand, condition of plants, transmission and distribution, water and heat losses, instrumentation and controls and efficiency of end users.

2. Preparation of rehabilitation plans for the plants and systems involved, based on the review outlined under Part A.1. above, with a view to optimize the heat supply chains, such plans to include estimate of costs, a financing plan including the required levels of tariffs and subsidies, time schedule for investments and procurement, project organizations and suggested improvements for organizational structure of the plants.

Part B: Studies for Pilot Project

Review of the potential for demand side management and preparation of proposals for pilot projects for reducing the large heat losses by consumers through demand side management activities.

SCHEDULE 3

Consultants' Services

Section II. Employment of Consultants

1. In order to assist the Recipient in carrying out the Project, the Recipient shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Administrator. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Administrator on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex time-based assignments, the Recipient shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Bank, the Recipient shall use other standard forms agreed with the Administrator.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Administrator review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Administrator, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

