

MEMORANDUM OF UNDERSTANDING
GOVERNMENT OF BULGARIA AND THE WORLD BANK
STEPPING UP COOPERATION IN THE DEVELOPMENT OF BULGARIA'S
INFRASTRUCTURE

Sofia, Bulgaria, this 10th day of August 2010





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STEPPING UP COOPERATION IN THE DEVELOPMENT OF BULGARIA'S INFRASTRUCTURE

The Government of Bulgaria and the World Bank have collaborated in the area of infrastructure policy and development since Bulgaria joined the World Bank in 1990. The two sides to this Memorandum agree to step up cooperation in the development of Bulgaria's infrastructure, recognizing the following challenges and opportunities and agreeing on the following actions.

Infrastructure challenges and opportunities

1. There is a significant need in Bulgaria for the development and maintenance of its transport, environment and municipal infrastructure to strengthen country competitiveness and foster economic crisis recovery. Three areas are of particular importance: (i) Road infrastructure: the development of highways linking Bulgaria's main cities and neighboring countries and the rehabilitation of the existing major road network, whose condition has worsened in recent years; (ii) Railways: the sector is a European Union priority but it has lost its competitive position in Bulgaria and has become a financial drain on the state; (iii) Environment infrastructure: the protection and improvement of the condition of water resources and securing water supply for all users as well as the improvement of waste management are core priorities for Bulgaria and the European Union.

2. EU funds constitute a tremendous opportunity to expedite economic recovery and accelerate much needed investment in infrastructure. Bulgaria is a beneficiary of the European Union's Cohesion Policy aimed at achieving greater economic and social convergence within the EU. The main financial instruments to support such policy are the Structural Funds and the Cohesion Fund. Under the current EU financial perspective, covering the years 2007–2013, an amount of almost €7 billion in Structural Funds and Cohesion Fund has been allocated to Bulgaria.

3. The Government is determined to better absorb, manage and implement EU funds and to leverage these funds with the financing and support from International Financial Institutions such as EBRD, EIB and World Bank. So far, Bulgaria's ability to best use these resources is constrained, and significant strengthening of its capacity in policy and strategy formulation as well as sector and project planning, design, and implementation is urgently needed. Recently, Bulgaria has also been limited in its ability to provide its own budget resources to contribute to the financing of projects in these areas, given fiscal constraints.

Action Plan

4. In the light of these factors, the two parties have agreed that addressing these constraints and taking advantage of opportunities should be at the very heart of their cooperation at the present time and in the coming years. Therefore, they have agreed upon the following actions to support acceleration of investments in road and environment infrastructure, the railway sector and utilization of EU funds through technical advice and financial support.

4.1 Restructuring of existing World Bank financed transport and municipal infrastructure projects to leverage synergies with EU priorities and funds will be completed as soon as possible. In particular, the Road Infrastructure Rehabilitation Project will expand institutional development support to help with preparation, approval, implementation and disbursements of EU-funded projects under the 2007-2013 programming period as well as preparation of project pipelines for the 2014-2020 programming period. In addition, the World Bank is committed to provide support to the stabilization of the railway sector.



4.2 The World Bank continues to be willing to provide complementary resources for infrastructure investments. The Government and the World Bank will work together to prepare a program of infrastructure investments which would consist primarily of projects intended for financing by EU funds. World Bank resources could be utilized either for co-financing of projects or to finance Bulgaria's counterpart contributions. This program would cover the three priority areas noted above.

4.3 The Government wishes to see a stronger role for the World Bank as its technical adviser beyond that which would typically accompany its traditional project financing functions. This would include support for capacity building to the Government's Ministries and Agencies, especially in the area of sector policy, strategy and investment planning; support to implementation of the Government's investment program in the transport sector and environment infrastructure; and support to the preparation of plans and projects that could be supported under the next EU budget programming period beginning in 2014. The Government intends to explore with the European Union the mechanism for utilizing Operational Programmes to obtain these services from the World Bank.

4.4 The Government and the World Bank will further explore ways to increase synergies and leverage support from EU funds and other European Multilateral Financial Institutions and Multilateral Development Banks.

4.5 It is envisioned to explore opportunities for similar partnership arrangements in other sectors and Operational Programmes of priority to the Bulgarian Government.

Signed in Sofia, Bulgaria, this 10th day of August 2010

Government of Bulgaria

The World Bank

Boyko Borissov

Robert B. Zoellick

Prime Minister

President

Government of Bulgaria

The World Bank