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**MEMORANDUM OF UNDERSTANDING
GOVERNMENT OF BULGARIA AND THE WORLD BANK
ON PARTNERSHIP AND SUPPORT IN THE IMPLEMENTATION OF THE EU
STRUCTURAL INSTRUMENTS**

Sofia, Bulgaria, this 22nd day of January 2012





MEMORANDUM OF UNDERSTANDING
BETWEEN THE GOVERNMENT OF BULGARIA AND THE WORLD BANK
ON PARTNERSHIP AND SUPPORT IN THE IMPLEMENTATION OF THE EU
STRUCTURAL INSTRUMENTS

I. PREAMBLE

1. WHEREAS the Government of Bulgaria and the World Bank (“Parties”) recognise the long standing good collaboration between the Parties in financing infrastructure investments and other development needs of the Republic of Bulgaria (Bulgaria) during its transition period, in the lead up to joining the European Union and during the global economic crisis;

2. WHEREAS the Parties acknowledge the Memorandum of Understanding between the Government of Bulgaria and the World Bank “Stepping Up Cooperation in the Development of Bulgaria’s Infrastructure” signed on August 10, 2010 which laid the foundation for expanded cooperation between Bulgaria and the World Bank, including through provision of services for projects financed under the EC Structural Instruments and wishing to further such cooperation in the areas outlined in this MOU;

3. WHEREAS the Parties recognise the importance of the relationship between Bulgaria and the European Commission, particularly since the 1 January 2007 accession of Bulgaria to the European Union;

4. WHEREAS the Parties recognise the great significance of the funding that Bulgaria is scheduled to receive through the European Fund for Regional Development (“ERDF”), the European Social Fund (“ESF”) and the Cohesion Fund (collectively “Structural Instruments”). This funding, amounting to 6.7 billion Euros for the Programming period of 2007-2013, represents an unparalleled opportunity for Bulgaria to expedite its recovery from the crisis and invest in the much needed improvements in basic transport and environment infrastructure, upgrading of skills, strengthening the foundation of future competitiveness and the development of an economy based on knowledge and innovation;

5. WHEREAS the Government of Bulgaria is determined to increase the rate and quality of absorption of the Structural Instruments through better management, leveraging and implementation. To leverage international experience, the Government has asked the World Bank to assist in this effort through strengthening the Government’s capacity in policy and strategy formulation, sector and project planning, design and implementation;

6. WHEREAS the value of the knowledge and advice that the World Bank can provide to Bulgaria is recognized as important and needed for Bulgaria both to successfully implement the projects to be financed by the Structural Instruments under the 2007-2013 Programming period, as well as to prepare Bulgaria well for the future 2014-2020 Programming period;



7. WHEREAS the World Bank is considered to be well qualified to assist Bulgaria in its development and financing needs. An understanding has been reached with the European Commission that it is appropriate for Bulgaria to use the Structural Instruments to finance the advice and assistance provided by the World Bank, ensuring the necessary procurement and financial management requirements are complied with;

8. NOW THEREFORE the Parties have agreed upon this Memorandum of Understanding as follows:

II. TYPES OF SERVICES TO BE PROVIDED

9. To fully support the Government's structural reform agenda and its intent to put the Structural Instruments' resources in the current, 2007-2013, Programming period, as well as in the forthcoming 2014-2020 period, to full and effective use in meeting the development needs of Bulgaria, it is anticipated that the World Bank support will focus on a number of specific substantive areas which will include, but not be limited to:

- a. Support for the development of sector strategies in key areas for investment. These strategies would elaborate strategic objectives for a 5-10 year period, and cover policies, institutional development and legal and regulatory issues;
- b. Support to the preparation and implementation of the already identified projects to be financed under the 2007-2013 Programming period, including the identification of consultant needs, operational support to the government's implementation agencies to enhance their project preparation and management capacity;
- c. Support for the identification of sector investment programmes for the upcoming 2014-2020 Programming period to translate the relevant sector strategies into action. These would be identified both in terms of sector investment targets as well as the identification of individual projects and their costs;
- d. Identification of governance issues affecting the public institutions in the sector(s) and support to the implementation of governance reforms;
- e. Capacity enhancement and building of the public administration and sector institutions. Such capacity building would be both through training and development of sector staff, but also through the provision of additional capacity to ministries and public institutions and companies to enhance the absorption of the Structural Instruments in the short term; and
- f. Support to the monitoring and evaluation of the programmes and projects implemented through the Structural Instruments.



III. AREAS OF WORLD BANK KNOWLEDGE AND ADVISORY SERVICES

10. The following sectors have been identified by the Government of Bulgaria at the time of signing this MOU as the most urgent ones requiring the World Bank technical expertise and support to enhance the absorption of the Structural Instruments: (i) roads sector; (ii) environment (incl. water) sector; (iii) railways sector; (iv) innovation; (v) business regulatory environment; and (vi) Roma inclusion.

11. Advisory Services Agreements outlining the exact scope of services to be provided by the World Bank will be signed with the relevant Beneficiaries of the respective projects. For the purposes of this MoU, the Beneficiaries are defined as public bodies of Bulgaria, responsible for initiating or initiating and implementing operations, carrying out an individual project and receiving Funds from the Structural Instruments. The Beneficiary, as defined in the respective Operational Programs, will be the World Bank's counterpart in the Advisory Services Agreements.

12. This MOU covers World Bank knowledge and advisory services financed through the Structural Instruments applicable for the Republic of Bulgaria.

13. The agreed details and modalities of the requirements for sound financial management constitute the Appendix to this MoU.

14. At any time prior to the termination of this MOU, the Government of Bulgaria may approach the World Bank with a request for services in any other sector or area. Subject to appropriate expertise and availability of staff and conformity with its mandate, the World Bank will make every effort to proactively respond to the Government's request.

IV. OBLIGATIONS OF THE PARTIES HERETO

15. The Government of Bulgaria, represented by the Minister of EU funds management, will take the lead in coordinating the World Bank's support. The World Bank commits to cooperate with the Government in the coordination effort, provide any information necessary and to be available for periodic coordination meetings. The implementation of this MOU will be monitored through coordination meetings, to be chaired by the Minister of EU funds management every three months, unless either Party requests an *ad hoc* meeting to address a specific issue that arose in the implementation of this MOU.

16. The Parties hereto intend to make every effort to avoid any duplication with projects and/or initiatives financed through any source of technical assistance, be it bilateral or multilateral, including through the JASPERS facility.

17. The World Bank will be contracted by the Beneficiaries of the Structural Instruments for the stated purposes in accordance with the relevant EU and Bulgarian legislation, following the principles of efficiency, effectiveness, economy and in accordance with the World Bank



applicable policies. Any procurement carried out by the World Bank for the purposes of service provision would be carried out using the World Bank's own policies and procedures.

18. For each Advisory Services Agreement, the World Bank, in consistency with its policies and procedures, will provide the Beneficiary with all the necessary information and documentation to allow it to comply fully with all the sound financial management requirements under the Structural Instruments requirements, as further specified in the Appendix and in the respective Advisory Services Agreement.

V. TIMEFRAME AND TERMINATION

19. It is intended that the services provided to the Government of Bulgaria by the World Bank covered by this MOU will be financed through the resources of the Structural Instruments allocated to Bulgaria. This MOU will thus terminate at the end of the disbursement period of the Structural Instruments under the Programming Period 2007-2013, currently foreseen to be 31 December 2015.


20. If, at any time prior to the termination date, either Party hereto believes that the purposes of this MOU cannot be effectively or appropriately carried out this MOU can be terminated by giving the other Party three months prior notice.

21. Any bilaterally concluded agreements and memoranda, referred to in Section IV above will not be affected by the termination of this MOU as specified in Sections 19 and 20.

22. Limits to Agreement: (i) This MOU does not constitute a legally binding agreement and does not commit the World Bank to provide support for any specific activity or project; (ii) Nothing in this MOU shall be construed as creating a joint venture, an agency relationship, or a legal partnership between the Parties; and (iii) Nothing in this MOU is intended to be, or should be construed as a waiver of the privileges and immunities of either Party or its officers and employees, which privileges and immunities are hereby specifically reserved.

Signed in Sofia, Bulgaria, this 22nd day of January 2012

Government of Bulgaria


Tomislav Donchev
Minister of EU funds management
Government of Bulgaria

The World Bank


Philippe H. Le Houérou
Vice President
Europe and Central Asia Region
The World Bank



APPENDIX

**MEMORANDUM OF UNDERSTANDING BETWEEN
THE GOVERNMENT OF BULGARIA AND THE WORLD BANK
MEETING SOUND FINANCIAL MANAGEMENT REQUIREMENTS**

I. Background

1. The Memorandum of Understanding (MOU) to which this is an Appendix provides for the provision of services by the World Bank to the Government of Bulgaria, with the costs of such services being significantly covered by the European Union Structural Instruments.
2. In this regard, it will be the responsibility of the Bulgarian Managing Authorities in charge of the relevant Operational Programmes under the Structural Instruments to ensure legality and regularity of the use of the EU Funds and that Bulgaria complies with all the sound financial management requirements of the Structural Instruments' regulations and meets all the reasonable requests of the European Court of Auditors and Bulgarian Audit Authorities.

II. Eligible Costs to be Covered under the Advisory Services Agreements

3. It is agreed that the costs related to the carrying out of activities by the World Bank under the Advisory Services Agreements will be invoiced to the respective Beneficiary using unitary personnel rates as the basis, including the costs of travel and accommodation, all on the basis of cost recovery.

III. Payments process

4. For each Advisory Services Agreement, and in accordance with the provisions in said Agreement, the World Bank will provide the Beneficiary with invoices, indicating the total costs under the Advisory Services Agreements, and supporting documentation to substantiate charges in respect of the activities being financed under the respective Advisory Services Agreement, all in accordance with the World Bank's policies and applicable privacy and staff rules.
5. The payments from the Beneficiary to the World Bank will be executed upon receipt and confirmation by the Beneficiary of invoices and supporting documentation, proving amounts invoiced under the respective Advisory Services Agreement. The details of the payment process



will be specified in the respective Advisory Services Agreements with the relevant Beneficiaries of the respective services.

6. Before the payment is made, the Beneficiary may request the World Bank for some additional clarifications on the agreed set of invoices, accounting and other supporting documents, in accordance with the process set forth in the respective Advisory Services Agreement.

IV. Record Keeping and Financial Management Reporting

7. The World Bank will maintain records of such documentation for a period of 7 years after the end of the World Bank's fiscal year to which the record pertains in accordance with currently applicable World Bank policies on document retention. In the event such policies were changed or amended during the life of the Advisory Services Agreement, the World Bank will inform the Beneficiary of such changes and discuss ways to help the Beneficiary comply with EU policies in this area. In order to satisfy the provisions on document retention pertaining to EU funded projects, the World Bank Bulgaria Country Office would retain copies of relevant documentation 7 years after the completion of the respective projects.

8. The World Bank will also provide its institution's annual audit, comprising a management assertion together with an attestation from its external auditors concerning the adequacy of internal controls, and an audited financial statement.

9. In conformity with the European Union Financial Regulations, the European Commission or the Bulgarian audit authorities may undertake reviews of progress, including on-the-spot checks of the Beneficiary related to the Projects and activities financed by EU Structural Instruments. In the event the World Bank provided services with respect of said Projects which were financed by EU Structural Instruments, the World Bank will be ready to provide appropriate support to the Beneficiary to satisfy such checks, in accordance with the World Bank policies.

V. Verification

10. The World Bank will provide, upon request by the Government of Bulgaria, the European Commission or the European Court of Auditors, World Bank-certified copies of the invoices and all other relevant supporting documentation provided to the Government of Bulgaria pursuant to the respective Advisory Services Agreement in order to allow the National Authorities, the European Commission and the European Court of Auditors to verify the use of Community funds by Republic of Bulgaria, including their legality and regularity.

11. The purpose of such verification would be to allow officials of the National Authorities, the European Commission and the Court of Auditors to confirm the veracity of claims submitted

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by the respective institutions in Republic of Bulgaria. It is understood that any procurement carried out by the World Bank for the purposes of services provision would be carried out using the World Bank's procurement policies and procedures, including with respect to the record keeping. It is understood that such verification will be limited to information on the use of the financing provided by the European Commission from the Structural Instruments pursuant to a particular Advisory Services Agreement, and would not equate to an audit of the World Bank.

12. If a more extensive review is deemed necessary, an audit request could be formally submitted to the World Bank in accordance with the World Bank's procedures and policies for cooperation with Supreme Audit Institutions.