

February 26, 2009

His Excellency  
Plamen Oresharski  
Minister of Finance  
Sofia, Bulgaria

Dear Mr. Minister:

***Bulgaria: Third Social Sectors Institutional Reform Development Policy Loan (SIR DPL 3) - Invitation to Negotiate***

I am pleased to invite the Government of the Republic of Bulgaria to send a delegation to the World Bank Country Office in Sofia, Bulgaria to negotiate the proposed Third Social Sectors Institutional Reform Development Policy Loan (SIR DPL 3) in the amount of US\$200 million equivalent. I propose that negotiations start on or about March 25, 2009 or upon authorization of the Bulgarian Parliament, at the World Bank Country Office in Sofia, Bulgaria and, as necessary, by videoconference with Bank Headquarters.

As you are aware, the proposed loan — the third phase in a three-phase program — would support the adoption and implementation of policies to (i) increase employment and lay the foundations for long-term productivity growth by providing incentives for job creation and improving quality of education; and (ii) promote fiscal sustainability through efficiency gains in the social sectors. We expect that the actions supported by the DPL series would contribute to increase the speed of convergence with EU policies and standards, enhance competitiveness through increased skills of the labor force and better investment climate, and more efficient health, education, and social assistance systems. Many of the policies are well placed to also improve the access to and quality of social services over the medium term, a secondary objective of the program.

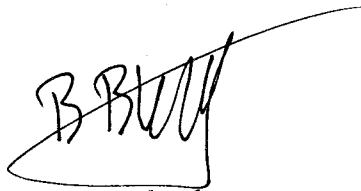
As part of the negotiations, the following points will be discussed: (i) the draft Loan Agreement and terms of the Loan; (ii) the Letter of Development Policy; and (ii) the Program Document.

As you know, it is World Bank policy to make the Program Document available to the public after the Loan has been approved by the Board of Directors, if the borrower has given its consent to such disclosure. We therefore request that such consent be provided to us, in writing, during the forthcoming negotiations. We ask that the delegation be prepared to identify any text or data in the Program Document that may be confidential or sensitive, or that may adversely affect relations between the Bank and the Republic of Bulgaria if disclosed. The Bank will take into account your delegation's comments in finalizing the document.

It is also the World Bank's policy to make the signed Letter of Development Policy publicly available after the loan or credit has been approved by the Board of Directors, if the borrower has given its consent to the proposed disclosure. We therefore request that the delegation be prepared to provide such consent in order to publish the Letter of Development Policy as an Annex to the Program Document.

I look forward to receiving confirmation of the proposed date for start of negotiations as well as the composition of the Government delegation.

Sincerely,

A handwritten signature in black ink, appearing to read 'B Blarel', enclosed within a simple rectangular box.

Benoît Blarel  
Acting Director

Central Europe and the Baltic Countries  
Europe and Central Asia Region

cc: H.E. Daniel Vultchev  
Deputy Prime Minister and Minister of Education and Science  
Ministry of Education and Science  
Sofia, Bulgaria

H.E. Emilia Maslarova  
Minister of Labor and Social Policy  
Sofia, Bulgaria

H.E. Evgeniy Zhelev  
Minister of Health  
Sofia, Bulgaria

Ms. Petia Vasileva  
Director  
EU Integration and Relations with IFIs Directorate  
Council of Ministers

Mr. Ruud Treffers  
Executive Director  
The World Bank

bcc: Bulgaria DL, ECSHD Sector Staff, ECACA Sector Staff, loa-eca, Bulgaria DPL  
Extended, Stoynova, Stamboliyska (ECCBG), Evgeniev, (ECSPF), Seiter  
(HDNHE)

Drafted by: Christian Bodewig/ext. 82387