

Operational Programme on Transport 2007 – 2013

ANNUAL REPORT 2008



Revision 17.08.2009

REPUBLIC OF BULGARIA

MINISTRY OF TRANSPORT

**COORDINATION OF PROGRAMMES AND PROJECTS
DIRECTORATE**

MANAGING AUTHORITY

OPERATIONAL PROGRAMME ON TRANSPORT 2007-2013

ANNUAL REPORT

2008



По-близо, по-близки...

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SUMMARY

The annual report on implementation of the Operational Programme on Transport for 2008 was prepared by the Managing Authority in pursuance of art. 67 of Council Regulation (EC) 1083/2006 and in compliance with the requirements of Commission Regulation (EC) No. 1828/2006. OPT takes the view that the report reflects the actual state and progress of OP Transport implementation in 2008. Actually, this is the first Annual Implementation Report that covers a full calendar year, as the 2007 one comprised a narrow number of activities only, implemented after the official approval of the programme.

Considering the fact that major infrastructure projects are mainly envisaged for implementation under OPT, and in order to render a clearer picture of the programme implementation, this report contains information by priority axes on the progress of preparation and implementation of each individual major project. Some delay in the preparation of the projects was observed in 2008 resulting from delays in the feasibility studies, from outdated environmental impact assessments (EIA), and lack of funding for performing of land acquisition procedures. In that relation OPT MA together with beneficiaries sought solution of existing problems through consultations with the European Commission, active cooperation with JASPERS for projects preparation. A positive example in that respect is the launching of the project for Sofia metro extension; tender procedures were conducted and contracts for construction and supervision were concluded in 2008. In addition the project application form was sent to the European Commission and its approval is expected shortly.

In financial aspect, the first technical assistance payments were made in 2008 totalling BGN 1.707 million. The programme implementation encountered some problems, the major ones of which are: restructuring of the Republican Road Infrastructure Fund, the lack of a functioning information system, and establishing the management and control systems. Solutions to those problems were sought at national as well as at MA and beneficiary level, and in the end of 2008 they were overcome to a considerable extent.

The Managing Authority recognizes the accumulated delay in projects preparation, which seriously reflects on OPT financial implementation. As the programme is comprised mainly major infrastructure projects it is necessary more time for their preparation connected to feasibility studies, cost-benefit analysis and EIA reports. For some of the projects preparation activities were carried out long before the start of the programme, so they have to be updated.

This leads to serious delay in the preliminary schedule for projects preparation and implementation. Possible remedial measures are to provide for funding under priority axis “Technical assistance” in order to update and prepare the necessary documentation for preparation and funding of projects from the indicative list, which are most mature.

In addition, there is shortage of financial resources in the budget of the most important beneficiary – the National Road Infrastructure Agency to complete land acquisition procedures and archaeological surveys in the phase of project preparation. There is also a gap of funding in the budget of the beneficiary for financing the activities before the official approval of the application form.

To provide greater clarity about the programme implementation the 2008 Annual Report was structured in six sections. **Section I** presents the physical and financial progress in 2008 at programme level and the achievement of Lisbon strategy goals. That section outlines also OPT implementation by priority axes, reporting the progress in preparation and implementation of all major projects, indicating the significant problems by priority axes and the measures undertaken to overcome them. **Section II** covers the activities in 2008 that ensure quality implementation of OPT: monitoring and evaluation activities; OPT Monitoring Committee meetings held and decisions taken; audits carried out; measures for strengthening the administrative capacity; implementation of communication plan and publicity measures. **Section III** includes the basic problems in OPT implementation and the measures undertaken for solving them. **Section IV** discusses the changes that have occurred in the context of OPT implementation such as synchronization of Bulgarian and Community legislation and changes in the national legislation having relation to OPT implementation. Horizontal issues are presented in **Section V**. The collaboration of MA with non-governmental organizations and horizontal experts is also described. The last **Section VI** outlines the complementarity of OPT with other Community policies.

ACRONYMS

AEUFD – Audit of EU Funds Directorate

EAAEUAF – Executive Agency Audit of EU Funds

AFCOS – Anti-Fraud Co-ordination Service

BPIC – Bulgarian Ports Infrastructure Company

BTC – Bulgarian Telecommunications Company

BULRIS – Bulgarian River Information System

CCU – Central Coordination Unit

CEECs - Central and Eastern European Countries

CF – Cohesion Fund

CM – Council of Ministers

CMD – Council of Ministers Decree

Commission – European Commission

CP – Communication Plan

CPPD – Coordination of Programmes and Projects Directorate

DG – Directorate General

DSDP – Detailed Site Development Plan

EA – Executive Agency

EAMA – Executive Agency “Maritime Administration”

EBRD – European Bank for Reconstruction and Development

EC – European Communities

EIA - Environmental impact assessment

EIB – European Investment Bank

EIF – European Investment Fund

EPA – Environmental Protection Act

ERDF – European Regional Development Fund

ERTMS – European Railway Traffic Management System

EU – European Union

IFIs – International Financial Institutions

IS – Information Services PLC

ISPA – Instrument for Structural Policies for Pre-Accession – a programme which is a basic EU pre-accession financial tool

JASPERS - Joint Assistance to Support Projects in European Regions - a joint initiative of the European Commission, EIB and EBRD for providing technical assistance

LOTHAR – system for forecasting and monitoring of the financial implementation of operational programmes in Bulgaria

MA – Managing Authority

MC – Monitoring Committee

MF – Ministry of Finance

MOEW - Ministry of Environment and Water

MRDPW - Ministry of Regional Development and Public Works

MS – Metro station

MT – Ministry of Transport

MW - Motorway

NRIA - National Road Infrastructure Agency

NF – National Fund

NGO – Non-governmental organization

NIMC – National Institute for the Monuments of Culture

NRIC – National Railway Infrastructure Company

NSRF – National Strategic Reference Framework

OASPPC - Ordinance for the award of small public procurement contracts

OP – Operational Programme

OPT – Operational Programme on Transport

PHARE – a programme which is a basic EU pre-accession financial instrument for cooperation with the Central and Eastern European Countries

PIU – Project Implementation Unit

PPA – Public Procurement Agency

RIEW – Regional Inspectorate of Environment and Water

RIS – River Information System

NRIF – National Road Infrastructure Fund

SAP – Software Accounting System

SDL – Spatial Development Law

SG – State Gazette

SMC – Sofia Municipal Council

TEC – Technical Expert Council

TEN-T – Trans-European transport network

UIP – Unified information portal (www.eufunds.bg)

UMIS – Unified Management Information System – information system for management and monitoring of the resources from EU Structural Funds and the Cohesion Fund

VTMIS – Vessel Traffic Management Information System

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IDENTIFICATION

| | |
|------------------------------|--|
| OPERATIONAL PROGRAMME | Objective concerned: Convergence |
| | Eligible area concerned: Bulgaria |
| | Programming period: 2007-2013 |
| | Programme number (CCI No.): 2007BG161PO004 |
| | Programme title: Operational Programme on Transport |
| ANNUAL IMPLEMENTATION REPORT | Reporting year: 2008. |
| | Date of approval of the annual report by the Monitoring Committee: 09.06.2009 |

I. OVERVIEW OF OPT IMPLEMENTATION IN 2008

1. Analysis of the progress and the achievements

In 2008 OPT MA focussed its efforts to several major issues related to project preparation and cooperation with beneficiaries and JASPERS; establishment of functioning management and control systems as well as setting up of the information system for management and monitoring of the resources from EU Structural Funds and the Cohesion Fund (UMIS). There is a certain delay from the preliminary schedule in preparation, submission of application forms and project implementation, where the basic reasons could be summarized to underestimation of the necessary time for preparation of major infrastructure projects; lack of financial resources in beneficiaries' budgets to finance projects before the official approval of application forms; as well as outdated documentation used in project preparation. This problem can't be solved in short terms but the possible solution is to launch projects which are most mature and where additional preparatory activities are not necessary to be done. The main problems related to OPT implementation in 2008 have been included in section III "Significant problems encountered and measures taken to overcome them" and in the chapter of programme implementation by priority axes – section I, 3. There is a real progress only in the project for Sofia metro extension, where contractors were selected and construction works started effectively.

Certain progress was made to UMIS setting up, which is functioning since the beginning of 2009. More information about the problems encountered with the information system has been included in sections II, 1 and III, 2. Establishment of management and control systems is linked to functioning UMIS. As a result of both internal for OPT shortcomings and not-functioning of other external for the Ministry of transport bodies and systems, at the end of 2008 OPT did

not receive a positive compliance assessment. Detailed information on this issue is included in section III, 3.

Separate chapter of the report is dedicated to preparation and physical implementation of major projects by priority axes, where tables with quantifiable indicators have been presented. As of 31.12.2008 their values didn't change, compared to their baselines, with few exceptions for projects whose implementation started under PHARE and some indicators of priority axes "Technical assistance".

Table 1 presents summary information on OP Transport core indicators

Table 1: OP Transport Core indicators

| Indicators | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|-------------|------|------|------|-------|------|------|------|------|-------|-------|
| Transport projects (number) | Achievement | 0 | 0 | | | | | | | 15 | |
| | Target | | | | | | | | | | |
| | Baseline | 0 | | | | | | | | | |
| New roads (km) | Achievement | 0 | 0 | | 81.7 | | | | | 248.9 | |
| | Target | | | | | | | | | | |
| | Baseline | 0 | 0 | | | | | | | | 0 |
| New TEN roads (km) | Achievement | 0 | 0 | | 81.7 | | | | | 248.9 | |
| | Target | | | | | | | | | | |
| | Baseline | 0 | 0 | | | | | | | | |
| Reconstructed roads (km) | Achievement | 0 | 0 | | 290 | | | | | 880 | 0 |
| | Target | | | | | | | | | | |
| | baseline | 0 | 0 | | | | | | | | |
| Value for time savings in Euro(roads) (million of Euro per day) | Achievement | | | | | | | | | | |
| | Target | | | | 0.4 | | | | | 1.23 | |
| | Baseline | 0 | | | | | | | | | |
| New railroads (km) | Achievement | 0 | 0 | | | | | | | | 0 |
| | Target | | | | 11.9 | | | | | 36 | |
| | Baseline | 0 | 0 | | | | | | | | |
| TEN railroads (km) | Achievement | 0 | 0 | | | | | | | | |
| | Target | | | | 269.6 | | | | | 817 | |
| | Baseline | 0 | 0 | | | | | | | | 0 |
| Reconstructed railroads (km) | Achievement | 0 | 0 | | 269.6 | | | | | 817 | 0 |
| | Target | | | | | | | | | | |
| | Target | | | | 269.6 | | | | | 817 | |

1.1. Financial implementation of OP Transport in 2008

Table 2 shows the breakdown of EU assistance in Euro by priority axes.

The financial plan of the OP Transport is based on the financial plan of the National Strategic Reference Framework (NSRF) of the Republic of Bulgaria for 2007-2013 and the estimations have been made in order to respond to the priority needs for development of the national transport infrastructure.

Table 2: Breakdown in EUR of the EU assistance by priority axes

| Priority axis –EU Fund | Community Funding | National co-Financing | National co-financing | | Total funding | Rate of EU Funds Contribution | For information | |
|---|-------------------|-----------------------|-------------------------|--------------------------|-----------------|-------------------------------|-----------------|---------------|
| | | | National public funding | National private funding | | | EIB funding | Other funding |
| | (a) | (b) = (c) + (d) | (c) | (d) | (e) = (a) + (b) | (f) = (a)/(e) | | |
| Priority axis I „Development of railway infrastructure along the Trans-European and major national transport axes” – CF | 464 000 000 | 116 000 000 | 116 000 000 | 0 | 580 000 000 | 80 % | 0 | 0 |
| Priority axis II „Development of road infrastructure along the Trans-European and major national transport axes” – CF | 791 669 892 | 197 917 473 | 197 917 473 | 0 | 989 587 365 | 80 % | 0 | 0 |
| Priority axis III „Improvement of Inter-modality for passengers and freight” – ERDF | 179 429 731 | 31 664 070 | 31 664 070 | 0 | 211 093 801 | 85 % | 0 | 0 |
| Priority axis IV „Improvement of the maritime and inland-waterway navigation” – ERDF | 133 322 500 | 23 527 500 | 23 527 500 | 0 | 156 850 000 | 85 % | 0 | 0 |

| | | | | | | | |
|---|----------------------|--------------------|--------------------|----------|----------------------|------|----------|
| Priority axis V "Technical assistance" - ERDF | 56 057 500 | 9 892 500 | 9 892 500 | 0 | 65 950 000 | 85 % | 0 |
| TOTAL | 1 624 479 623 | 379 001 543 | 379 001 543 | 0 | 2 003 481 166 | | 0 |

According to the existing Regulations the contribution from the Funds for each priority can be subject to the following ceilings:

- Up to 80 % of the public expenditure co-financed by the Cohesion Fund
- Up to 85 % of the public expenditure co-financed by the European Regional Development Fund.

Table 3: Indicative breakdown in EUR of EU allocations by Funds and priority axes

| EU Funds | | National co-financing | EU Funds and national co-financing | % of total OPT Budget |
|---|----------------|-----------------------|------------------------------------|-----------------------|
| CF | ERDF | | | |
| 1 | 2 | 3 | 4=1+2+3 | 5 |
| Development of railway infrastructure along the Trans-European and major national transport axes | | | | |
| 464 000 000.00 | X | 116 000 000.00 | 580 000 000.00 | 28.95 |
| 80 % | X | 20 % | 100 % | |
| Development of road infrastructure along the Trans-European and major national transport axes | | | | |
| 791 669 892.00 | X | 197 917 473.00 | 989 587 365.00 | 49.39 |
| 80 % | X | 20 % | 100 % | |
| Improvement of intermodality for passengers and freight | | | | |
| X | 179 429 731.00 | 31 664 070.18 | 211 093 801.18 | 10.54 |
| X | 85 % | 15 % | 100 % | |
| Improvement of the maritime and inland-waterway navigation | | | | |
| X | 133 322 500.00 | 23 527 500.00 | 156 850 000.00 | 7.83 |
| X | 85 % | 15 % | 100 | |

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| | | Technical assistance | | |
|--------------------------|------------------------|-----------------------------|-------------------------|-------------|
| X | 56 057 500. 00 | 9 892 500. 00 | 65 950 000. 00 | 3.29 |
| X | 85 % | 15 % | 100 % | |
| Total: | | | | |
| 1 255 669 892. 00 | 368 809 731. 00 | 379 001 543. 18 | 2003 481 166. 18 | 100 |

1.2 Grant contracts concluded and payments made

Grant contracts were concluded in 2008 and payments were made for one project under priority axis I - **Development of railway infrastructure along the Trans-European and major national transport axes** and for eleven projects under priority axis V – **Technical assistance**.

Under priority axis I - **Development of railway infrastructure along the Trans-European and major national transport axes** the eligible expenditures on the project for which contracts have been concluded amount totally to 58 500 BGN (EUR 29 910.57) of which 46 700 BGN (EUR 23 877.33) were paid by 31.12.2008 including 37 360 BGN (EUR 19 101.86) from the Cohesion Fund and 9 340 BGN (EUR 4 775.47) national funding. For the 2007-2013 programming period the amount of total funding (national and CF) under this priority axis 1 134 381 400 BGN (EUR 580 000 000), i.e. 0,004 % of the resources planned for the whole programming period have been absorbed.

Under priority axis V “**Technical assistance**” contracts have been concluded for 11 projects amounting totally to 8 311 892.84 BGN (EUR 4 249 803.32), out of which eligible expenditures are 8 293 892.84 BGN. By 31.12.2008 payments made total 1 660 401.48 BGN (EUR 848 949.80), of which 1 411 341.26 BGN (EUR 721 607.33) are from ERDF, and national funding is 249 060.22 BGN (EUR 127 342.47).

6 633 491.36 BGN (EUR 3 391 650.28) remain to be paid under the concluded contracts. Planned total funding under priority axis V for the 2007-2013 period is 128 986 988. 50 BGN (EUR 65 950 000), i.e. approximately 1,29 % of the resources planned for the whole programming period have been absorbed in the reported period.

For that period the total amount of payments from MA to beneficiaries was 1 707 101.48 BGN (EUR 872 827.13), of which 1 448 701.26 BGN (EUR 740 709.19) was EU co-funding and 258 400.22 BGN (EUR 132 117.94) was national funding. The managing authority in MT received funding from the Certifying Authority (NF in MF) amounting to 1 715 678.51 BGN (EUR 877 212.49).

Table 4: Grant contracts and payments in Euro as of 31.12.2008

| Project | Total value of the project (Euro) | Total value of eligible expenditure (Euro) | Grant (Euro) | | Payments as of 31.12.2008 (Euro) | | |
|--|-----------------------------------|--|---------------------|-------------------|----------------------------------|-------------------|-------------------|
| | | | EU | National budget | EU | National budget | Total |
| Priority axis 1 | 35 892.70 | 29 910.57 | 23 928.46 | 5 982.11 | 19 101.86 | 4 775.47 | 23 877.33 |
| Technical assistance for the preparation of project „Electrification and Reconstruction of Svilengrad–Turkish border railway line” | 35 892.70 | 29 910.57 | 23 928.46 | 5 982.11 | 19 101.86 | 4 775.47 | 23 877.33 |
| Priority axis 5 | 4 249 803.33 | 4 240 600.07 | 3 604 510.06 | 636 090.01 | 721 607.33 | 127 342.47 | 848 949.80 |
| General Transport Master Plan | 3 592 950.30 | 3 592 950.30 | 3 054 007.76 | 538 942.54 | 509 001.29 | 89 823.76 | 898 825.05 |
| Conducting of a campaign for selection of a logo and a slogan of Operational Programme on Transport 2007-2013 | 52 765.32 | 52 765.32 | 44 850.52 | 7 914.80 | 44 850.52 | 7 914.80 | 52 765.32 |
| Holding of third regular session of the Monitoring Committee of the Operational Programme on Transport 2007-2013 | 8 180.67 | 8 180.67 | 6 953.57 | 1 227.10 | 6 953.57 | 1 227.10 | 8 180.67 |
| Preparation of project “Designing and | 55 219.52 | 46 016.27 | 39 113.83 | 6 902.44 | 17 010.17 | 3 001.79 | 20 011.96 |

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|---|-----------|-----------|-----------|----------|-----------|----------|-----------|
| Implementation of Geographical Information System (GIS) for the needs of National Railway Infrastructure Company" | 45 402.72 | 45 402.72 | 38 592.31 | 6 810.41 | 30 873.85 | 5 448.33 | 36 322.18 |
| Development and maintenance of internet site of Operational Programme on Transport 2007-2013 | 52 703.97 | 52 703.97 | 44 798.37 | 7 905.60 | 35 838.70 | 6 324.48 | 42 163.18 |
| Development of methodology for monitoring and assessment of the Communication Plan of Operational Programme on Transport 2007-2013 | 20 451.68 | 20 451.68 | 17 383.93 | 3 067.75 | 0.00 | 0.00 | 0.00 |
| Providing of financing to cover the expenses of OPT MA employees related to business trips and payment of participation fees for seminars, training courses and conferences in visits to EU member states | 15 338.76 | 15 338.76 | 13 037.94 | 2 300.82 | 13 037.95 | 2 300.81 | 15 338.76 |

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|--|--------------|--------------|--------------|------------|------------|------------|------------|
| Operational Programme on Transport 2007-2013 approved by the carried out on 17.12.200 | 378 188.57 | 378 188.57 | 321 460.29 | 56 728.28 | 64 041.28 | 11 301.40 | 75 342.68 |
| Providing additional monthly remuneration for experts performing management and control functions of the funds of Operational Programme on Transport 2007-2013 | 25 648.55 | 25 648.55 | 21 801.27 | 3 847.28 | 0.00 | 0.00 | 0.00 |
| Preparation and realization of public events for popularization of Operational Programme on Transport 2007-2013 | 2 953.26 | 2 953.26 | 2 510.27 | 442.99 | 0.00 | 0.00 | 0.00 |
| Holding of fourth, session of the Monitoring Committee of the Operational Programme on Transport 2007-2013 | 4 285 696.03 | 4 270 510.64 | 3 628 438.52 | 642 072.12 | 740 709.19 | 132 117.94 | 872 827.13 |
| Total | | | | | | | |

Table 5: Financial implementation in EUR of OPT for 2008 by priority axes and source of funding

| | Expenditure paid out by the beneficiaries included in payment claims sent to the Managing Authority | Corresponding public contribution | Private Expenditure (1) | Expenditure paid by the body responsible for making payments to the Beneficiaries | Total payments received from EC |
|--|---|-----------------------------------|-------------------------|---|---------------------------------|
| Priority axis I „Development of railway infrastructure along the Trans-European and major national transport axes” | 23 877.33 | 4 775.47 | | 23 877.33 | 0.00 |
| - CF | 19 101.86 | | 0.00 | 0.00 | 0.00 |
| - ERDF | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Priority axis II „Development of road infrastructure along the Trans-European and major national transport axes” | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| - CF | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| - ERDF | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Priority axis III „Improvement of inter-modality for passengers and freight” | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| - CF | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| - ERDF | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Priority axis IV „Improvement of the maritime and inland-waterway navigation” | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| - CF | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| - ERDF | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

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| | Expenditure paid out by the beneficiaries included in payment claims sent to the Managing Authority | Corresponding public contribution | Private Expenditure (1) | Expenditure paid by the body responsible for making payments to the beneficiaries | Total payments received from EC |
|--|---|-----------------------------------|-------------------------|---|---------------------------------|
| Priority axis V "Technical assistance" | 848 949.80 | 127 342.47 | | 848 949.80 | 0.00 |
| - CF expenditure | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| -ERDF expenditure | 721 607.33 | 0.00 | 0.00 | 0.00 | 0.00 |
| Grand Total (EU + NF) | 872 827.13 | 132 117.94 | 0.00 | 872 827.13 | 0.00 |
| - CF | 19 101.86 | | | | 0.00 |
| - ERDF | 721 607.33 | | | | 0.00 |
| Total in the grand total for regions eligible for temporary assistance | | | | | |
| Total in the grand total for regions ineligible for temporary assistance | | | | | |
| ESF type expenditure in the grand total where the Operational Programme is co-financed by the ERDF (2) | | | | | |
| ERDF type expenditure in the grand total where the Operational Programme is co-financed by the ESF(2) | | | | | |
| (1) Only applicable for operational programmes expressed in total cost | | | | | |
| (2) This field shall be completed where the operational programme is co-financed by the ERDF or the ESF where use is made of the option under Article 34 (2) of Regulation (EC) No 1083/2006 | | | | | |

(*) Only interim payments are included in column "Total payments received from EC"

Table 6: Analysis of amounts in EUR paid in 2008 in comparison to payment forecast by funds

| Objective | Fund | Provisional forecast of payments in 2008 (EU only) | likely forecast of likely payments in 2008 (EU only) | Paid in 2008 | Ratio forecast/ paid in 2008 (%) |
|--------------|------|--|--|--------------|----------------------------------|
| Convergence | CF | 52 602 796.00 | 19 101.86 | 0.04 | |
| Convergence | ERDF | 13 406 467.00 | 721 607.33 | 5.38 | |
| Total | | (*) 66 009 263.00 | 741 903.06 | 1.12 | |

(*) The main reason for not reaching the payment forecast for 2008 was the delay in project preparation, which caused delay of the expected deadlines for tendering, contracting and payments. Forecasts (both financial and in terms of projects preparation) were rather optimistic than realistic. The main reasons for delays of the individual projects are described in part I, 3 “Implementation of OP Transport by priority axes in 2008” and in part III “Significant problems encountered and mitigation measures undertaken”. In terms of improving financial forecast, compliance with other forecasts and targets should be achieved – for example with tendering schedules. It is also necessary that the management of beneficiaries observe for the accuracy of forecasts, when prepared.

Table 7: Proportion of the amounts in EUR paid by 31 December 2008 compared to the total funds for the period 2007-2013

| Priority axis | Funds envisaged for the period 2007 - 2013 | Amounts paid to beneficiaries by 31 December 2008 | % of amounts paid by 31.12.2008 from the total funds envisaged for the period 2007 - 2013 |
|---|--|---|---|
| I "Development of railway infrastructure along the Trans-European and major national transport axes" (CF) | 464 000 000.00 | 19 101.86 | 0.004 |
| II "Development of road infrastructure along the Trans-European and major national transport axes" (CF) | 791 669 892.00 | 0.00 | 0 |
| III "Improvement of intermodality for passengers and freight" (ERDF) | 179 429 731.00 | 0.00 | 0 |
| IV "Improvement of the maritime and inland-waterway navigation" (ERDF) | 133 322 500.00 | 0.00 | 0 |
| V "Technical assistance" (ERDF) | 56 057 500.00 | 721 607.33 | 1.29 |
| Total (CF+ERDF) | 1 624 479 623.00 | 740 709.19 | 0.05 |

1.3 Information about the breakdown of use of the two funds by category

Key according to Annex II, Part A of Regulation 1828/2006

Codes for priority themes

| Code | Priority theme |
|------|--|
| 17 | Railways (TEN-T) |
| 21 | Motorways (TEN-T) |
| 22 | National roads |
| 26 | Multimodal transport |
| 27 | Multimodal transport (TEN-T) |
| 28 | Intelligent transport systems |
| 32 | Inland waterways (TEN-T) |
| 85 | Preparation, implementation, monitoring and inspection |

Form of finance

01 – Non-repayable aid

Codes for Territorial dimension

00 – Not applicable

01 – Urban

Codes for the economic activity dimension

00 – Not applicable

11 – Transport

Codes for the location dimension

BG – Bulgaria

BG411 – Sofia (capital)

Table 8 provides information of allocations in EUR of the Community contribution to OPT by categories.

Table 8: Indicative breakdown of allocations in EUR of the Community contribution to OPT by category

| Combination of codes of dimensions 1 to 5 *** | | | | | |
|---|--|------------------------------------|--|-----------------------------------|---------------------|
| Code * Dimension 1 Priority theme | Code * Dimension 2 Form of finance | Code * Dimension 3 Territory | Code * Dimension 4 Economic activity | Code * Dimension 5 Location | Amount in EUR ** |
| 17 | 01 | 00 | 11 | BG | 464 000 000 |
| 21 | 01 | 00 | 11 | BG | 646 869 892 |
| 22 | 01 | 00 | 11 | BG | 144 800 000 |

| | | | | | |
|---|----|----|----|-------|----------------------|
| 26 | 01 | 01 | 11 | BG411 | 157 414 731 |
| 27 | 01 | 01 | 11 | BG411 | 22 015 000 |
| 28 | 01 | 00 | 11 | BG | 16 022 500 |
| 32 | 01 | 00 | 11 | BG | 117 300 000 |
| 85 | 01 | 00 | 00 | BG | 56 057 500 |
| Total | | | | | 1 624 479 623 |
| * The categories should be coded for each dimension using the standard classification | | | | | |
| ** Allocated amount of the Community contribution for each combination of categories | | | | | |

Table 9 provides information about the amounts paid in EUR of the Community contribution by categories in accordance with section C, Annex II of Regulation 1828/2006.

Table 9: Amounts paid (EUR) of the Community contribution to OPT by category for 2008

| Combination of codes of dimensions 1 to 5 *** | | | | | |
|---|--|------------------------------------|--|-----------------------------------|---------------------|
| Code * Dimension 1 Priority theme | Code * Dimension 2 Form of finance | Code * Dimension 3 Territory | Code * Dimension 4 Economic activity | Code * Dimension 5 Location | Amount in EUR ** |
| 17 | 01 | 00 | 11 | BG | 19 101.86 |
| 21 | 01 | 00 | 11 | BG | 0 |
| 22 | 01 | 00 | 11 | BG | 0 |
| 26 | 01 | 01 | 11 | BG411 | 0 |
| 27 | 01 | 01 | 11 | BG411 | 0 |
| 28 | 01 | 00 | 11 | BG | 0 |
| 32 | 01 | 00 | 11 | BG | 0 |
| 85 | 01 | 00 | 00 | BG | 721 607.33 |
| Total | | | | | 740 709.19 |
| * The categories should be coded for each dimension using the standard classification | | | | | |
| ** Allocated amount of the Community contribution for each combination of categories | | | | | |

1.4. Provided assistance by target groups

Not applicable.

1.5 Assistance repaid or re-used

(Information on the use made of assistance repaid or re-used following cancellation of

assistance as referred to in Articles 57 and 98(2) of Regulation (EC) 1083/2006).

There were no events leading to financial corrections in the Operational Programme in 2008.

1.6 Substantial modification pursuant to article 57 of Regulation (EC) 1083/2006 (if relevant)

By the time of reporting – 31 December 2008 there are not any substantial modifications pursuant to article 57 of Regulation (EC) 1083/2006.

Under art. 57 of Regulation (EC) 1083/2006 OPT MA ensures that an operation retains the contribution from the Funds, only if that operation does not, within five years from the completion of the operation in Member States which have exercised the option of reducing that time limit for the maintenance of an investment or jobs created by SMEs, undergo a substantial modification:

- a) affecting its nature or its implementation conditions or giving to a firm or a public body an undue advantage; and
- b) resulting either from a change in the nature of ownership of an item of infrastructure or the cessation of a productive activity.

2. Lisbon earmarking

Although Bulgaria is not legally required to undertake actions for setting activities to Lisbon earmarking, our country has decided to facilitate the verification of the process on the Lisbon agenda by quantitative determination of related activities according to allocated expenditures, in line with the classification in Annex IV of Regulation 1083/2006. For that purpose the National Strategic Reference Framework sets an indicative list of Lisbon related priorities by operational programmes. For OP Transport such priorities are: “Development of railway infrastructure along the Trans-European and major national transport axes”; “Development of road infrastructure along the Trans-European and major national transport axes”; “Improvement of intermodality for passengers and freight”, and “Improvement of the maritime and inland-waterway navigation”. From total of 1 624 479 623 EUR community funding under the Convergence objective for OPT, 1 423 622 123 EUR are Lisbon earmarking expenditures, which is 87.64 % of the Community funding for OPT. By 31.12.2008 (no funding was paid for OPT in 2007) 19 101.86 EUR were earmarked expenditures, or 0.001 % of the total commitment for the 2007 – 2013 period.

Table 10: Extract from the National Strategic Reference Framework of Lisbon related priorities under OP Transport

| Operational programme | Priority |
|-----------------------|--|
| Transport | Development of railway infrastructure along the Trans-European and major national transport axes |
| Transport | Development of road infrastructure along the Trans-European and major national transport axes |
| Transport | Improvement of inter-modality for passengers and freight |
| Transport | Improvement of the maritime and inland-waterway navigation |

Table 11: Lisbon earmarking by categories of expenditure under OP Transport 2007-2013

| Convergence objective | | | |
|---|---|--|---|
| Code (according to Annex IV of Regulation 1083/2006) | Priority themes (according to Annex IV of Regulation 1083/2006) | Community amount allocated to the category (EUR) | Share of category within the total Community allocation to this objective (%) |
| | Transport | 1 423 622 123 | 87,64 |
| 17 | Railways (TEN-T) | 464 000 000 | 28,56 |
| 21 | Motorways (TEN-T) | 646 869 892 | 39,82 |
| 26 | Multimodal transport | 157 414 731 | 9,69 |
| 27 | Multimodal transport (TEN-T) | 22 015 000 | 1,36 |
| 28 | Intelligent transport systems | 16 022 500 | 0,99 |
| 32 | Inland waterways (TEN-T) | 117 300 000 | 7,22 |
| Total Community financial allocation to earmarked categories | | 1 423 622 123 | 87,64 |
| Total Community financial allocation to Convergence objective | | 1 624 479 623 | 100,00 |

Table 12 shows the actual progress made towards the earmarked targets, through quantitative determination of related activities.

Table 12. Progress made towards the earmarked targets by the end of 2008

| Convergence objective | | | |
|--|---|--|--|
| Code (according to Annex IV of Regulation 1083/2006) | Priority themes (according to Annex IV of Regulation 1083/2006) | Community funding programmed to the respective category of expenditures (in EUR) | Share of the category within the total Community allocations (%) |

| | | | |
|-------|-------------------------------|-----------|-------|
| | Transport | 19 101.86 | 0.004 |
| 17 | Railways (TEN-T) | 0.00 | 0.00 |
| 21 | Motorways (TEN-T) | 0.00 | 0.00 |
| 26 | Multimodal transport | 0.00 | 0.00 |
| 27 | Multimodal transport (TEN-T) | 0.00 | 0.00 |
| 28 | Intelligent transport systems | 0.00 | 0.00 |
| 32 | Inland waterways (TEN-T) | 0.00 | 0.00 |
| Total | | 19 101.86 | 0.001 |

3. Implementation of OP Transport by priority axes in 2008

Four operational agreements were signed in 2008 for preparation, selection, management, realization, monitoring and control of projects/operations funded by OPT with the following programme beneficiaries:

- National Railway Infrastructure Company – operational agreement C-7/31.10.2008;
- Metropolitan EAD - operational agreement C-8/07.11.2008 ;
- Executive Agency for Exploration and Maintenance of the Danube River - operational agreement C-9/07.11.2008;
- Bulgarian Ports Infrastructure Company - C-10/18.11.2008.

On 21.01.2009 also operational agreement (C-1) was concluded with National Road Infrastructure Agency (NRIA).

3.1 Priority axis I – “Development of railway infrastructure along the Trans-European and major national transport axes”

Table 13: Physical progress of priority axis I – “Development of railway infrastructure along the Trans-European and major national transport axes” by quantifiable indicators

| Indicators | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|-------------|-------|-------|--------|------|------|------|------|-------|-------|
| Priority axis I – “Development of railway infrastructure along the Trans-European and major national transport axes” | | | | | | | | | | |
| Time savings (million of hours per year) | Achievement | 0 | 0 | | | | | | | 0 |
| | Target | | | 0.76 | | | | | 2.3 | |
| Savings (million of euros per year) | Baseline | 0 | 0 | | | | | | | |
| | Achievement | 0 | 0 | | | | | | | 0 |
| Average speed (km/h) | Target | | | 0.79 | | | | | 2.39 | |
| | Baseline | 0 | 0 | | | | | | | |
| Traffic capacity (trains/day) | Achievement | 0 | 0 | | | | | | | 0 |
| | Target | | | | | | | | | |
| Built rail tracks (km) | Baseline | 102.9 | 102.9 | | | | | | 114.2 | |
| | Achievement | 2270 | 2270 | | | | | | | 0 |
| Rehabilitated track (km) | Target | | | 2393.7 | | | | | 2645 | |
| | Baseline | 3648 | 3648 | | | | | | | |
| Electrified track (km) | Achievement | 0 | 0 | | | | | | | 0 |
| | Target | | | | | | | | | |
| Total | Baseline | 450 | 450 | | | | | | 1231 | |
| | Achievement | 0 | 0 | | | | | | | 0 |
| Total | Target | | | 3296.9 | | | | | 3321 | |
| | Baseline | 3285 | 3285 | | | | | | | |

The investment envisaged to finance projects under the first priority axis of OP Transport is to the amount of MEUR 580. The operations are co-financed by the EU Cohesion Fund. The main projects to be funded under priority axis I are as follows:

- „Electrification and Reconstruction of Svilengrad – Turkish border railway line”;
- „Modernization of Vidin - Sofia railway line”;
- „Modernisation of Sofia - Plovdiv railway line”;
- „Modernization of Sofia - Pernik - Radomir railway line”.

Beneficiary under this priority axis is the National Railway Infrastructure Company.

1. Project „Electrification and Reconstruction of Svilengrad–Turkish border railway line”

The railway section Svilengrad – Turkish border was initially set for implementation as part of the „Electrification and Reconstruction of Plovdiv- Svilengrad–Turkish border railway line” project funded by ISPA/CF 1164/94. At a later stage it was separated as an individual position and is funded under OPT.

The following major steps of that project preparation and implementation in 2008 may be noted:

- On 6.02.2008 MOEW issued a decision on the project’s impact on the protected areas under NATURA 2000, which was received by MT on 25.08.2008.
- Land acquisition procedures for the project were completed and promulgated in the State Gazette, and payment of compensations continues also in 2009.
- On 09.12.2008 the MA approved the tender documentation for selection of a contractor for design and construction as prepared by NRIC.
- On 17.12.2008 the public procurement invitation to tender for selection of contractor was promulgated in the State Gazette. By decision of NRIC the deadline for submitting of proposals was prolonged and set to 23.02.2009.
- Contract for technical assistance was concluded for the project preparation; the contract is funded by OPT. The technical assistance activities which include: preparation of a cost-benefit analysis and the application form for the investment project, were fulfilled under two separate contracts amounting totally to BGN 58 500.
- On 17.12.2008 the final version of the investment project application form was sent to MA for approval, and it will be approved after the contracts with contactors are signed.

- On 19.12.2008 approval was received from JASPERS - JASPERS Completion Note for preparation of the application form and annexes thereto.

Due to delays in drawing up the National Methodology for cost-benefit analysis regarding investment projects in the transport sector and due to modifications made in the Cost-Benefit Analysis Manual of DG Regional Policy, amendments had to be made in the final version of the investment project application form. Additional delay caused also unexpectedly long procedures of agreeing the investment project application form with JASPERS.

2. Project „*Modernization of Vidin-Sofia railway line*”

A technical assistance contract funded under ISPA, concluded in September 2007, is being implemented. In 2008 was adopted layout version for preparing a preliminary design for modernization. The technical assistance contract expires in the end of September 2009. No activities under OPT were carried out in 2008.

3. Project “*Modernization of Sofia-Plovdiv railway line*”

In January 2008 was concluded Contract for technical assistance under ISPA. The term of the contract is by the end of November 2009. It was agreed with the team of consultants that the preliminary design for Sofia - Elin Pelin and Septemvri – Plovdiv sections will be prepared with priority in order to launch a tender procedure under the Public Procurement Act in the third quarter of 2009 and conclude contracts for construction by the end of 2009.

4. Project „*Modernization of Sofia-Pernik-Radomir railway line*”

In August 2008 contract for technical assistance under ISPA was concluded. The term of the contract is by the end of April 2010. After the contract is completed activities for preparation of tender documentation and geologic, hydrologic and geo-technical studies; land acquisition and work design preparation.

The last three projects are planned for implementation under OPT after completion of the technical assistance projects implemented under ISPA.

3.2 Priority axis II – “Development of road infrastructure along the Trans-European and major national transport axes”

Table 14: Physical progress of priority axis II “Development of road infrastructure along the Trans-European and major national transport axes” by quantifiable indicators

| Indicators | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|-------------|--------|--------|------|-------|------|------|------|------|--------|-------|
| Priority axis II – “Development of road infrastructure along the Trans-European and major national transport axes” | | | | | | | | | | | |
| Time savings (thousand hours per day) | Achievement | 0 | 0 | | | | | | | | 0 |
| | Target | | | | 440.8 | | | | | 1336.4 | |
| Time savings (million of euros per day) | Baseline | 0 | 0 | | | | | | | | |
| | Achievement | 0 | 0 | | | | | | | | 0 |
| Operating cost (VOC) savings/1000 km | Target | | | | 0.4 | | | | | 1.23 | |
| | Baseline | 0 | 0 | | | | | | | | 0 |
| • for light vehicles | Achievement | 0 | 0 | | | | | | | | 0 |
| | Target | | | | 13.73 | | | | | 41.62 | |
| • for heavy vehicles | Baseline | 0 | 0 | | 32.46 | | | | | 98.39 | |
| | Achievement | 254.99 | 254.99 | | | | | | | | |
| Reduction of fatalities on road (number) | Achievement | 1006 | 1061 | | | | | | | | 0 |
| | Target | | | | | | | | | 585 | |
| Average speed on class I network | Baseline | 1171 | 1006 | | 1171 | | | | | | |
| | Achievement | 0 | 0 | | | | | | | | 0 |

Funding of projects under the second OPT priority axis amount to MEUR 990. The activities are co-financed by EU Cohesion Fund. The major projects planned for financing under priority axis II are as follows:

- „Construction of Struma Motorway”
- „Construction of Maritsa Motorway – from km 5 to km 72”
- „Connection of Hemus Motorway to Sofia ring road”
- „Kardzhali - Podkova”
- „Modernization of Vratsa - Botevgrad section of E-79 road (I-1)”
- „E-79 road, Vidin -Montana”

Beneficiary under this priority axis is the National Road Infrastructure Agency. As of 8 August 2008 the National Road Infrastructure Agency became a successor of the National Road Infrastructure Fund. The restructuring was made by an amendment of the Roads Law (promulgated in SG issue 69 of 05.08.2008) which regulates the structure of the Agency and specifies its functions and interaction with other state authorities.

1. Project „Construction of Struma motorway”

The project includes construction of 138 km of motorway divided into sections as follows: Lot 1 – Dolna Dikanya - Dupnitsa (16.780 km); Lot 2 – Dupnitsa - Simitli (45 km); *Lot 3 – Simitli - Sandanski (61 km) and* Lot 4 – Sandanski - Kulata (15 km).

- By Council of Ministers Decision dated 03.07.2008 the construction of LOT 3 was postponed for the next programming period – 2014-2020.
- The EIA was approved by the Supreme Expert Council on the Environment with the Minister of environment and water on 4.01.2008, and the formal decision of MOEW is dated 15.01.2008.
- In May 2008 the EIA report, the annex to the EIA report of the project and the respective decision of MOEW were sent to MF and JASPERS. In July additional materials related to the EIA report were sent to JASPERS.
- The technical project for Lot 4 was approved at NRIF technical meeting on 21.02.2008, and the Lot 1 technical project was approved on 21.03.2008.

- Compliance reports were prepared for the two lots as well as the technical project and compliance report for relocation of “Gen.Todorov - Kulata railway (Lot 4)”.
- Parcel plans for Lot 1 and Lot 4 of Struma Motorway are under preparation. After their completion it will be proceeded with property evaluation and adoption of Council of Ministers Decision for land acquisition of the necessary plots.
- In October and December 2008 two versions of the application form for technical assistance project were sent to MT in order to hire a consultant for preparation of the application form for lots 1, 2 and 4 of Struma motorway.
- Works haven't started yet due to the lack of funds in the Beneficiary's budget (beyond OPT co-financing) for 15 sites which are subject to archaeological surveys and excavations activities.

2. Project „Construction of Maritsa motorway – from km 5 to km 72”

This project includes construction of 67 km of motorway, starting from the completed section at km 5+000 and finishing at the town of Lyubimets at km 72+000.

- On 3.07.2008 at a Council of Ministers meeting was taken the decision to construct Maritsa motorway from km 5 to km 72 not in four lots but in one single lot. As a result in September 2008 technical and tender documentation for the project was completed.
- On 29.02.2008 the annex to the EIA for the project and the respective Decision of MOEW were sent to JASPERS. In the end of 2008 the application form for the project was in final phase. Its delivery to JASPERS for an opinion is expected in the beginning of 2009.
- The archaeological surveys and excavation works along the project layout were frozen due to lack of funding, estimated to approximately BGN 2 million.
- The land acquisition procedures were delayed due to the lack of funds in the Beneficiary's budget (apart from OPT co-financing) amounting at about BGN 3 million.

3. Project „Connection of the Hemus Motorway to the Sofia ring road”

The project consists of activities for completing 8.5 km motorway section which is to connect the existing Hemus motorway with Sofia ring road.

- On 15 January 2008 from MOEW was received certified declaration on NATURA 2000
- In January 2008 the tender procedures for construction and supervision were completed. By decision of the awarding authority from 11.01.2008 association “Hemus” was selected for contractor. Both tender procedures were appealed before the Commission for Protection of Competition (CPC); later the appeals were withdrawn.
- As a result of the audit carried out by directorate Internal Audit Unit within the Ministry of Transport and as a result of found violations in conducting the tender procedures MA of OPT took the decision not to finance the contracts concluded as a result of abovementioned procedures, in case the beneficiary submits application forms. The recommendations given by Internal Audit Unit directorate within the Ministry of Transport concerned used methodology in the tender documentation. Later on 08.05.2008 the tender procedures for construction and for supervision were annulled; the decision of the National Road Infrastructure Agency to cease the tender procedure for supervision was appealed before the Commission for Protection of Competition (CPC). After the decision was confirmed by CPC, an appeal was filed to the Supreme Administration Court (SAC). By decision from 22.12.2008 SAC rejected the appeal.
- In October 2008 a working group from NRIA started preparation of standard form of contracts for construction and for supervision, and preparation of standard methodology for evaluation of tender offers. In February 2009 the developed standard form of contracts were submitted to MT for agreement.
- Feasibility study, carried out in 2001 was updated in June 2008
- Cooperation with JASPERS continued for reviewing the application form and the cost-benefit analysis. Two draft application forms were submitted to JASPERS - on 15.01.2008 and on 16.07.2008. The last remarks by JASPERS were received on 25.11.2008 and by the end of 2008 they were under implementation.

- Land acquisition procedures were delayed due to lack of available resources at the amount of approximately BGN 24 million. Despite the CM decision of July 2008 for providing the necessary financial resources, by the end of 2008 the money was not available in the accounts of NRIA.

4. Project „Kardzhali - Podkova”

The project includes rehabilitation of 12 km class I road and construction of 16.5 km of two road sections – Kardzhali - Dzhebel and Dzhebel-Podkova. The project is provisionally divided into two lots: Lot 1 – 12 km rehabilitation, and Lot 2 – 16.5 km construction. The contract for construction is one and concerns the implementation of the whole project.

- The tender procedure for selection of supervisor was completed in January. “Transec group” was selected for engineer-consultant.
- The tender procedure for construction was completed in February 2008. “PSI AD – Bulgaria was selected for contractor”.
- As a result from the audit carried out by Internal Audit Unit directorate within the Ministry of Transport and due to found infractions in conducting the tender procedures MA of OPT took the decision not to finance the contracts concluded as a result from the abovementioned procedures in case the beneficiary submits application forms. The recommendations given by Internal Audit Unit directorate within the Ministry of Transport concerned the methodology set in tender documentation. The tender procedures for construction and for supervision were cancelled on 19.11.2008.
- In October 2008 a working group from NRIA started preparation of standard form contracts for construction and for supervision, and preparation of standard methodology for evaluation of tender offers.
- In March 2008 certified declaration of NATURA 2000 was received from MOEW.
- In 2008 the archaeological survey works along the project layout were frozen due to lack of funding.
- Land acquisition procedures were delayed due to lack of funding. Despite the CM decision from July 2008 for providing the necessary financial resources, by the end of 2008 the money was not available in the accounts of NRIA.

- In February 2008 a supplement to the EIA for the project and respective MOEW decision were submitted to JASPERS. On 20.10.2008 the draft application form was also submitted to JASPERS for reviewing and opinion.

5. Project „Modernization of Vratsa- Botevgrad section of E-79 road (I-1)”

The project envisages modernization of existing 31.5 km two-lane road into four-lane between the towns of Mezdra and Botevgrad along the route of E-79 and the trans-European transport network.

- The project preparation is funded under ISPA „Technical assistance for preparation of road projects along TEN-T located in Bulgaria” and on 15.12.2008 the implementation of the technical assistance project under ISPA was completed with the receiving of parcel plan and technical design.
- The application form for the project was prepared. The application form, the feasibility study and the cost-benefit analysis were sent to JASPERS in June 2008. The opinion is expected in the beginning of 2009.

6. Project „E-79 road, Vidin -Montana”

The project includes construction of 20.5 km class I road with new projection between Dimovo - Bela - Ruzhintsi along the route of road E-79 and corridor IV.

- The project preparation will be funded under ISPA after the Commission approves an amendment to the Financial Memorandum on technical assistance for preparation of road projects along TEN-T in Bulgaria. The proposal for amendment to the Financial Memorandum was sent to the Commission on 30.12.2008.

In 2008 delay was observed in the implementation process of the following road projects: “Construction of Struma Motorway”, “Construction of Maritsa Motorway – from km 5 to km 72”, “Connection of Hemus Motorway to Sofia ring road”, and “Kardzhali-Podkova”.

The main reasons for delay of individual projects under Priority Axis II can be summarized as follows:

- Lack of available funding to complete land acquisition procedures;
- Lack of available funding to complete archaeological surveys;

- Outdated feasibility studies, cost-benefit analyses and EIA reports which need to be updated before using them in the application form;
- Invalidation of tender procedures for construction and supervision for two of the projects due to imperfections in the conducted public procurement procedures.

The following measures have been taken to overcome the delay:

- Preparation of standard documentation for public procurement;
- Speeding-up the preparation of the application form through intensified cooperation with JASPERS;
- Consultations with DG Regional Policy and DG Environment of the European Commission and with MOEW regarding EIA reports.

3.3 Priority axis III – “Improvement of inter-modality for passengers and freight”

Table 15: Physical progress of priority axis III – “Improvement of inter-modality for passengers and freight” by quantifiable indicators

| Indicators | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|--|---|-------|-------|------|------------------------------|------|------|------|--------|-------|
| | Priority axis III – “Improvement of inter-modality for passenger and freight” | | | | | | | | | |
| Time savings (thousands hours per day) | Achievement | 0 | 0 | | | | | | | 0 |
| | Target | | | | 19.9 (28.6) ¹ | | | | 60.5 | |
| | Baseline | 0 | 0 | | | | | | | |
| Time savings (millions Euro per day) | Achievement | 0 | 0 | | | | | | | 0 |
| | Target | | | | 4.2 | | | | 12.8 | |
| | Baseline | 0 | 0 | | | | | | | |
| People using the metro (number) | Achievement | 0 | 0 | | | | | | | 0 |
| | Target | | | | 132700 (294600) ² | | | | 260000 | |
| | Baseline | 70000 | 70000 | | | | | | | |
| Number cargo handled (TEU/week) | Achievement | 0 | 0 | | | | | | | 0 |
| | Target | | | | 1000 | | | | 1000 | |
| | Baseline | 100 | 100 | | | | | | | |
| Average travel speed for urban transport on central itineraries (km/h) | Achievement | 0 | 0 | | | | | | | 0 |
| | Target | | | | 22.5 | | | | 40 | |
| | Baseline | 14 | 14 | | | | | | | |
| Capacity of metro system (number of wagons) | Achievement | 0 | 0 | | | | | | | 0 |
| | Target | | | | 65 | | | | 102 | |
| | Baseline | 48 | 48 | | | | | | | |

¹ The value in brackets is considered after metro diameter I, currently under construction, is commissioned to Mladost residential complex in 2009-2010

² The value in brackets is considered after metro diameter I, currently under construction, is commissioned to Mladost residential complex in 2009-2010

Funding for projects under OPT priority axis III amounts to MEUR 211. The activities are co-financed by the European Regional Development Fund.

Two projects are envisaged for funding under this priority axis:

- „Extension of the subway along the following sections: Nadezhda road junction – Central Railway Station – St. Nedelya Sq. – Cherni Vrah Blvd. and Mladost residential complex – Druzhba residential complex – Sofia Airport” with indicative budget of MEUR 185.19.
- “Construction of an Inter-modal Terminal in Sofia” with indicative budget of MEUR 25.900.

Progress

1. Project „Expansion of Sofia subway, stage I “Nadezhda road junction – Central Railway Station – St. Nedelya Square – Cherni Vrah Blvd”

Under this project will be constructed the central section of second metro diameter 6.5 km long with 7 metro stations, including 1.05 km of tunnel and 2 metro stations with already built structures.

Only the first stage - Nadezhda road junction – Central Railway Station – St. Nedelya Sq. – Cherni Vrah Blvd – will be financed under OPT within the current programming period. The project funding is distributed by sources as follows:

From OPT:

- European co-funding 185 193 801 (BGN 362 207 592)
- National funding – EUR 27 779 070 (BGN 54 331 141)

Sofia Municipality funding – EUR 61 952 336 (BGN 121 168 237)

On 11.09.2008 Sofia Municipal Council took a decision for providing of BGN 121 168 237 (EUR 61 952 336) from the budget of Sofia Municipality over the next four years in order to cover the funding shortage. Stage II - Mladost residential complex – Druzhba residential complex – Sofia airport is included in the short-term programme of Sofia Municipality, and section I from Mladost residential complex to Tsarigradsko Shose Blvd. will be constructed with a loan from EIB in the period 2009 – 2012.

- Cooperation with JASPERS continued in 2008 for reviewing the application form and cost-benefit analysis. Preparation of the application form was completed in September 2008. After it was approved by OPT Managing Authority on 20.10.2008, and after the comments of Management of EU Funds Directorate in MF were taken into account, in the beginning of December 2008 the application form was sent to the European

Commission for assessment and approval. OPT Managing Authority recommended that the decision of Sofia Municipal Council to provide additional funding for the project implementation was enclosed with the application for grant.

- In the first half of 2008 were conducted tender procedures for selecting Engineer and a design and construction contractors. Due to the construction technology the layout was divided into two sections: **Differentiated position I:** Nadezhda road junction – Central Railway Station – St. Nedelya Sq. – Patriarch Evtimiy Blvd. of 3.8 km length and with 4 metro stations, and **Differentiated position II:** Patriarch Evtimiy Blvd.- National Palace of Culture - Cherni Vrah Blvd of 2.6 km length and with 3 metro stations.
- The submitted tenders were opened on 4.01.2008 in the building of Sofia Municipality in the presence of media and tenderers (second stage of the procedure). As all tenders exceeded the financial resource envisaged for designing and construction of the section (BGN 400 million for Position I and BGN 155 million for Position II) the tender competition announced in 2007 for selection of a contractor was cancelled according to art. 30, paragraph 1, item 3 of PPA. New tender procedure for construction, design and implementation was launched on 28.03.2008. As a result contractors were selected on 21.07.2008 and contracts for design and construction works were signed on 27.08.2008 as follows:
 - For differentiated position № 1 - Dogus Insaat Ve Ticaret A.S., for the amount of BGN 329.133 million
 - For differentiated position № 2 – METRO TRACE, for the amount of BGN 141.960 million.

The time limit for completion of construction works under both contracts is 45 months considered from 1.12.2008.

As a result of the repeated tendering procedure, and better financial proposals the cost of the section was decreased by BGN 84 million.

- An open procedure under the Public Procurement Act for engineer consulting services for construction was announced on 24.01.2008. Two proposals were submitted and on 16.04.2008 the SISTRA - Infraproject Consult- Metroconsult BG consortium was selected and awarded of the public procurement contract. The cost of the contract between the consortium and Metropolitan EAD is BGN 12 280 968 without VAT, and its term is 46 months after the design and construction contract enters into force.

- On 11.09.2008 at a meeting of Sofia Municipal Council was taken the decision to provide the funding which was in shortage for the project at the amount of BGN 121.1 million from the Sofia Municipality budget in the course of next four years, and to provide in 2008 advance payments on the contracts to the amount of BGN 57.3 million so that the works can actually start.
- Information billboards, a brochure and invitation to the event were prepared. The formal ceremony for launching the project works was conducted on 14.12.2008 in the presence of Vice Prime Minister Ms. Meglena Plugchieva, The Minister of Transport Mr. Peter Mutafchiev, and the Mayor of Sofia Mr. Boyko Borisov, the Head of EC Representation in Sofia Ambassador Ms. Zinaida Zlatanova and other official guests and media representatives.
- The beneficiary made advance payments according to contracts as follows:
 - For Differentiated position No. 1 - with Dogus Insaat Ve Ticaret A.S – 10%, or BGN 32.913 million;
 - For Differentiated position No. 2 – with Metro Trace Group – 10%, or BGN 14.196 million; SISTRA- Infracproject Consult- Metroconsult BG Consortium – 5%, or BGN 614 048.

2. Project „Construction of Inter-modal Terminal in Sofia”

- On 1.02.2008 the prepared projects for detailed site development plan (DSDP) were promulgated in the State Gazette.
- On 15.04.2008 the DSDP projects were discussed by the TEC of Sofia municipality and approved with a written statement dated July 2008. In July 2008 they were agreed and by resolution of Sofia Municipal Council on 6.10.2008 submitted for approval by the National Expert Council with the Minister of Regional Development and Public Works. DSDP was approved by the Minister of Regional Development and Public Works by an order dated 11.11.2008. On 12.12.2008 an appeal was filed against the issued DSDP approval order and it is expected that MRDPW states its official position on that appeal.
- The delay of approval of DSDP projects is the reason for the work project not to be finalized by the end of 2008.

- In May 2008 MA of OPT received an updated standard model of cadastre which was later delivered to the designer
- To achieve a better preparation of phase 1 of the investment project the activities on the land acquisition procedures were included as individual stages of a technical assistance project. An application form for funding has been prepared for the project and sent to MA in July 2008. It was approved by the Commission as administratively admissible by a letter dated 08.12.2008.
- For 2008 the indicative financial resources needed for land acquisition of terrains envisaged for constructing the terminal amount to BGN 4.2 million, and they were provided to the National Railway Infrastructure Company account.
- A technical assistance contract is under implementation under which idea project, work design and tender documentation for selection of contractor for the terminal construction will be prepared.

3.4 Priority axis IV – “Improvement of the maritime and inland-waterway navigation”

Table 16: Physical progress of priority axis IV – “Improvement of the maritime and inland-waterway navigation”

| Indicators | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total | |
|---|--|------|-----------------|------|------|------|------|------|-------|-------|----|
| | Priority axis IV – “Improvement of the maritime and inland-waterway navigation” | | | | | | | | | | |
| Part of sea travel along Bulgarian coast covered by safety system (%) | Achievement | 0 | 18 ¹ | | | | | | | | 18 |
| | Target | | | 39.9 | | | | | 100 | | |
| | Baseline | 10.3 | 10.3 | | | | | | | | |
| Part of river travel along Bulgarian banks covered by safety system (%) | Achievement | 0 | 0 | | | | | | | | 0 |
| | Target | | | | 36.4 | | | | 100 | | |
| | Baseline | 5.10 | 5.10 | | | | | | | | |
| Cost saving for modal shift from rail to IWT per km (euro) | Achievement | 0 | 0 | | | | | | | | 0 |
| | Target | | | | 0.01 | | | | 0.03 | | |
| | Baseline | 0 | 0 | | | | | | | | |
| Supervised coast length (nautical miles) | Achievement | 0 | 35 ² | | | | | | | | 35 |
| | Target | | | | 95 | | | | 238.4 | | |
| | Baseline | 24.7 | 24.7 | | | | | | | | |
| Supervised river | Achievement | 0 | 60 ³ | | | | | | | | 60 |

¹ As a result from following the remarks on project VTMS– phase 2 under PHARE programme, the radar monitoring was expanded by 7 additional radars, which enhanced the monitoring system

² As a result from following the remarks on project VTMS– phase 2 under PHARE programme, the radar monitoring was expanded by 7 additional radars and TV cameras

³ As a result from introducing of additional functions in Rousse test centre a capacity was created for receiving of signals from on-board AIS transponders and monitoring of the river section near the ton of Rousse. The modernization was funded by the Bulgarian Ports Infrastructure Company

The following three main projects are to be financed under the priority axis IV:

- „Improvement of the navigation on the Danube River in joint Bulgarian - Romanian parts: from km 530 to km 520 - Bathin and from km 576 to km 560 - Belene”; the indicative cost of the project is 138 MEUR
- „Establishment of River Information Services System in the Bulgarian part of the Danube River” with indicative budget of 15 MEUR
- „Vessel Traffic Management Information System – phase 3” with indicative budget of 3.85 MEUR

Under this priority axes beneficiaries are:

- The Executive Agency for Exploration and Maintenance of the Danube river - Ruse
- Bulgarian Ports Infrastructure Company

After the amendment in 2008 of art. 244 a, paragraph 1 of the Commercial Navigation Code the beneficiary of the projects „Establishment of River Information Services System in the Bulgarian part of the Danube River” and „Vessel Traffic Management Information System – phase 3” was changed and – Executive Agency “Maritime Administration” was replaced by Bulgarian Ports Infrastructure Company (BPIC).

By MA of OPT letter No. 30-05-61 dated 18.09.2008 the European Commission was notified about that administrative change of the beneficiary under the two projects.

Progress

1. Project *„Improvement of the navigation on the Danube River in joint Bulgarian - Romanian parts at the Bathin and Belene islands”*

- The project is under preparation. It is expected that feasibility study and EIA will be ready in the beginning of 2009 as part of the project “Technical assistance for improvement of navigation on the Danube River in joint Bulgarian-Romanian parts, and relevant surveys” financed under ISPA - Romania.
- It is envisaged to initiate additional surveys of the Bulgarian river bank, financed under OP Transport, which would supplement the results from the Romanian technical assistance project.
- Representatives of the Bulgarian beneficiary - Executive Agency for Exploration and Maintenance of the Danube river – were nominated as members of the steering committee of the project funded under ISPA – Romania.

- At this stage the work of JASPERS is focused on assisting the consultants from Romanian side.
- A problem is the lack of a project for improving the navigation in the Romanian section of Danube River and the lack of financial resources in the Romanian Operational Programme on Transport.

2. Project „Establishment of River Information Services System in the Bulgarian part of the Danube River”

The project envisages establishment of 12 radio centres and other communication systems. In 8 of them the telecommunication infrastructure of BTC will be used, i.e. at such spots the beneficiary is to carry out only installation works. In the other four – Florentin, Gorni Tsibar, Vavel and Oryahovo – the beneficiary has to construct own telecommunication infrastructure. The terrains at the sites were specified and financing has been allocated from the budget of Bulgarian Ports Infrastructure Company (BPIC) for the land acquisition procedures. As those four sites are located in the west section of Danube River after the town of Svishtov, the beneficiary has taken a decision to start establishing RIS from Silistra to Svishtov so as to meet by 2009 the minimum requirements of Directive 2005/44/EC of the European Parliament and the Council regarding provision of harmonised river information services on inland waterways in the Community.

- In March 2008 was signed a framework contract with BTC for using their existing telecommunication equipment, and the beneficiary is to pay rent for using the equipment. Resources for rent will be provided from the beneficiary’s budget.
- The application form is to be revised in line with the organizational changes in BPIC.
- A licence has been issued by the Communications Regulation Committee to establish the system – Permit No. 00837/31.07.2008 in the name of EAMA.
- The Agency for Exploration and Maintenance of the Danube River (AEMDR) prepared digital navigation map for the needs of the River Information System (RIS) and the map is available to BPIC.
- The construction of a reference station located at a distance of 30 km from Ruse, for the needs of RIS started.

3. Project „*Establishment of Vessel Traffic Management Information System (VTMIS) – phase 3*”

- The first two phases of establishing the vessel traffic management system were funded by two national PHARE programmes. The certificate of final project acceptance was signed in the end of October 2008.
- A national AIS serves was developed and commissioned in line with the requirements of Directive 2002/59/EC.
- Designing of two traffic towers (in the towns of Varna and Burgas) started in the end of 2008, and the necessary funding for design were provided.

3.5 Priority axis V – „Technical assistance”

Table 17: Physical progress of priority axis V – „Technical assistance” by quantifiable indicators

| Indicators | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|--|-------------|-------------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Priority axis V - Technical Assistance | | | | | | | | | | | |
| General transport master plan (number) | Achievement | 0 | 0 | | | | | | | | 0 |
| | Target | | | | 1 | | | | | | 1 |
| Strategic business plan for development of the railway transport (number) | Baseline | 0 | 0 | | | | | | | | |
| | Achievement | 0 | 0 | | | | | | | | 0 |
| Strategic business plan for development of the railway transport (number) | Target | | | | 1 | | | | | | 1 |
| | Baseline | 0 | 0 | | | | | | | | |
| Communication plan implementation (number) | Achievement | 0 | 1 ¹ | | | | | | | | 1 |
| | Target | | | | 1 | | | | | | 1 |
| General plan for monitoring of the environment and its implementation (number) | Baseline | 0 | 0 | | | | | | | | |
| | Achievement | 0 | 0 | | | | | | | | 0 |
| General plan for monitoring of the environment and its implementation (number) | Target | | | | 1 | | | | | | 1 |
| | Baseline | 0 | 0 | | | | | | | | |
| Trained people according to training programmes (%) | Achievement | 0 | 4.2 | | | | | | | | 0 |
| | Target | | | | 100 % | | | | | 100 % | |
| Publicity actions at national level (number) | Baseline | 0 | | | | | | | | | |
| | Achievement | 4 | 7 | | | | | | | | 11 |
| Publicity actions at national level (number) | Target | | | | 9 | | | | | | 24 |
| | Baseline | 0 | 4 | | | | | | | | |

¹ Approved – currently under implementation

1. Project “*Designing and implementation of Geographical Information Systems (GIS) for the needs of NRIC*”

A grant contract was signed on 31.10.2008 between MA of OPT and NRIC for technical assistance for project preparation. Under the contract were prepared technical specifications, tender documentation for selection of contractor in accordance with the Public Procurement Act, and an application form. The application form for design and construction of GIS was submitted to MA on 28.10.2008 and was approved on 21.11.2008. A grant contract for providing of BGN 10 000 000 was concluded on 06.01.2009 and shall enter into force after the contract is signed with the contractor.

2. Project „*Elaboration of General Transport Master Plan*”

A contract for the preparation general transport master plan was signed on 10.03.2008 with Faber Maunsell LTD - Bulgaria branch for the amount of BGN 7 027 200. The contract is currently being implemented. In 2008 the contractor worked on Stage 1 which includes:

- Preparation of a report on the existing transport system and identification of its weaknesses which need correcting;
- Analysis of future transport demand;
- Transport modelling report.

All planned road studies were completed.

3. Project „*Preparation of Strategic Business Plan for the Development of Railway Transport*”

In November 2008 was formed a commission to prepare tender documentation for participation in open procedure for awarding a public procurement contract with subject: “Preparation of strategic business plan for the development of Railway Transport”. The public procurement procedure started on 08.12.2008.

II. ACTIVITIES TO ENSURE QUALITY IMPLEMENTATION OF OP TRANSPORT

1. Monitoring and evaluation

1.1 Information system for management and monitoring of the resources from EU Structural Funds and the Cohesion Fund (UMIS, Unified Management Information System)

The requirements to the member states' information systems are stipulated in Regulation 1083/2006 and Regulation 1828/2006. The information system for management and monitoring EU structural instruments in Bulgaria (UMIS) reflects also the requirements of Bulgarian regulations and the procedures developed by the managing authorities of the operational programmes. The provisions, order and mechanism of UMIS functioning are specified by Council of Ministers Decree No. 322 dated 19.12.2008. The Central Coordination Unit within the Ministry of Finance took the obligations for centralized development of the system and its putting into operation. As a result of delay resulting from a previous unsuccessful contract with a Hungarian contractor, stage by stage approach for developing the system was adopted. The basic functionality of UMIS covering a large part of the main requirements of the regulations was developed and put into operation in July 2008. The modules in UMIS basic functionality are as follows:

- System information module
- Parameters module
- Registration module
- Project appraisal module
- Contract management module

For realization of the second stage of UMIS development, MF organized and conducted a tender procedure to award the service implementation, and as a result a contract was signed on 17 September 2008 with Information Services PLC (IS PLC) to provide services for development of the information system for management and monitoring EU structural instruments in Bulgaria. The basic UMIS functionality includes interface with SAP accounting system. The term of contract with the contractor is approximately 3 years, and the contract provides for a continuous development and improvement of the information system in order to meet the needs of MA in Bulgaria to great extent.

The remaining modules of the expanded functionality is planned to be in operation in the beginning of 2009; they are as follows:

- Financial module
- Control and management of irregularities module
- Monitoring module

MA of OPT provided access to UMIS for its employees and for employees specified by the beneficiaries who are responsible to enter information in the system. The Ministry of Finance

organized training courses in stages for key users of the system, and MA experts started entering information into UMIS in the beginning of 2009.

1.2 LOTHAR

The LOTHAR system for forecasting and monitoring of the financial implementation of operational programmes in Bulgaria was introduced in 2008. It gives the possibility to monitor the absorption of EU funds in OP implementation. Forecast of contracts value and payments under OPT were entered into the system in June 2008 and recently new forecasts were prepared for the period June 2009 – June 2010. The information included in the tables often appears to be outdated even when submitted. It is suggested that the information correspond to other reporting tools – monthly reports, information provided during monthly progress meetings etc. The management of the beneficiaries should oversee the correctness of the data included in the tables. Thus the purpose of monitoring to ensure correlation between forecasts and actually paid funds could be achieved.

1.3 OPT indicative evaluation plan

In line with the recommendations of art.48 (1) of Regulation 1083/2006, the Managing Authority developed an Indicative Evaluation Plan for OPT covering the evaluation activities envisaged for the whole programming period. The first draft of the plan was prepared by MA in the beginning of 2008 and approved by MC of OPT in its fourth meeting held on 4 March 2008.

In the end of 2008 and beginning of 2009 the Indicative Evaluation Plan was revised by MA with the assistance of an international expert. MA plans to engage an independent external evaluator to carry out the evaluation activities envisaged in the plan. In accordance with the indicative schedule, the first evaluation is envisaged to be carried out in the second half of 2009. Its topic will be “Examination of Project Implementation Process at Final Beneficiary Level”. Main issues to be evaluated are effectiveness of implementation procedures; capacity of the Final Beneficiaries and identification of good practice and analysis of the scope for transferability.

In accordance with the Indicative Evaluation Plan, the following evaluations are going to be carried out in 2010 - “Evaluation of the OPT Monitoring System” and “Interim evaluation of progress and the overall programme performance”. The evaluation plan provides for the specific instances when ad-hoc evaluations will be carried out, namely where monitoring of the programme reveals a significant departure from the OP objectives initially set; where proposals are made for revision and on a specific request by OPT MC.

1.4 On-the-spot checks

In accordance with the Procedural Manual for Management and Implementation of OP Transport 2007-2013 OPT MA of drew up Annual plan for performing on-the-spot checks; the number and frequency of on-the-spot checks was determined on the basis of risk assessment methodology described in the Manual. Implementing the adopted 2008 annual plan for on-the-spot checks MA carried out on-the-spot checks on the following projects:

- Project for Sofia metro expansion of the subway – I-st stage “Nadezhda road junction (MS5-II) –Cherni Vrah Blvd (MS11-II)”;
- „Connection of Hemus Motorway to Sofia ring road”;
- “Construction of Kardzhali-Podkova road”;
- “Construction of Intermodal Terminal in Sofia”;
- „Electrification and Reconstruction of Svilengrad–Turkish border railway line”;
- „Establishment of River Information Services System in the Bulgarian part of the Danube River”;
- Preparation of project “Designing and Implementation of Geographical Information Systems (GIS) for the needs of National Railway Infrastructure Company”.

On-the-spot checks had the following general aims:

- Check the administrative capacity of the unit responsible for the project implementation;
- Check the established internal organization and procedures in preparing the OPT application form and accompanying documentation;
- Check the organization of documents circulation;
- Review the project documentation;
- Review the project progress.

The main recommendation made by MA to all beneficiaries was actively to participate in the process of compiling a procedural manual for OPT implementation by the consultant under contract “Technical assistance for strengthening the administrative capacity of the transport sector in the Republic of Bulgaria” which was implemented under ISPA, and later to adapt the final version of the manual to their concrete needs.

Weakness of the administrative capacity was found At NRIC, BPIC and NRIA. It was recommended that they undertake urgent measures to maintain their available human resources and fill the vacancies employing specialists who have the necessary professional qualification.

2. Monitoring Committee meetings in 2008

In 2008 the Monitoring Committee of OPT had two meetings and one technical session as follows:

Fourth meeting of OPT MC

The fourth (extraordinary) meeting of the MC of OPT was held on 4 March 2008. At that meeting were discussed and adopted Detailed Project selection, and amendments to the Rules of Procedure and Code of Conduct. Rules of Procedure for selecting NGO representatives in the MC of OPT, and Rules of Procedure for selecting of experts competent in horizontal issues in the MC were also adopted. The OPT communication plan and indicative evaluation plan were discussed and approved.

Technical meeting

On the initiative of the Deputy Prime Minister Meglena Plugchieva a technical meeting of OPT MC was held on 12 June 2008. The meeting was organized in order to inform the members of OPT MC about the progress of OPT implementation, major problems in the absorption of EU funds, and the measures taken to improve communication and coordination between the different authorities. No concrete decisions directly concerning OPT were taken.

Fifth meeting of OPT MC

The fifth meeting of OPT MC was held on 26 November 2008. It reviewed the implementation of OPT in 2008; observer from non-governmental organizations and horizontal experts were introduced. The MC members were informed about the documents approved by the Commission (Communication Plan; Annual Report on OPT Implementation); about the audits carried out; the preparation and implementation of projects under OPT; cooperation with JASPERS, and the status of LOTHAR and UMIS systems.

3. Publicity and communication measures

3.1 Implementation of the Communication Plan

The Communication Plan of Operational Programme on Transport 2007-2013 (CP) was developed according to the requirements of Regulation 1083/2006 and Regulation 1828/2006 and was officially approved by the Commission on 13.08.2008. In implementation of the Communication Plan, a methodology for monitoring and evaluation of its implementation and individual communication activities under OP Transport was developed and was approved by the Head of the OPT Managing Authority.

Realizing the information and publicity measures, MA of OPT carried out the following basic activities in 2008:

- Communication plan – approved by the Commission on 13.08.2008
- Methodology for monitoring and evaluation of the communication plan – approved by the Head of OPT MA on 14.11.2008.
- Communications sent to the media and published on the OPT website – 31
- Total of 6160 publications in the media in the period January- November 2008 (TV and radio -654; newspapers, news agencies, online publications - 5506). 28 % of the publications and releases have positive message to the audience; 45 % are neutral and 27 % have negative message. 46 % of all materials that have negative suggestion are closely related to the problems with NRIA. Implementation of publicity and communication measures under the Communication plan, aims at decreasing negative media publications and increasing information about OPT.
- A network consisting of information and publicity experts from the Managing Authority and the beneficiaries of OP Transport was established in May 2008.
- Two nationally representative sociological surveys were carried out in the period 29 April – 7 May and 20 -30 September 2008 to study the level of acquaintance.
- One regional sociological survey was carried out in the period 19-21 May 2008 in the region of Struma motorway.
- An internet website of OPT MA was created and is functioning.
- Logo and slogan of OP Transport were selected.

Table 18: Basic indicators for implementation of the Communication Plan in 2008

| Type | Indicator | Unit of measure | Initial data data - 2007 | Data for 2008 |
|-----------------------|--|-----------------|--------------------------|---------------|
| Output / quantitative | Created communication network between MA and the beneficiaries | Number | 0 | 1 |
| Output / quantitative | Created website | Number | 0 | 1 |
| Impact/ quantitative | Improved visibility and identifiability of OPT (“I have heard about OPT”) | % | 25 | 30 |
| Impact/ quantitative | Improved acquaintance of OPT and SCF (“I know that OPT is financed by EU”) | % | 11 | 20 |

| | | | | |
|-------------------------|-----------------------|---|----------------------|----|
| Impact/ quantitative | Improved trust in OPT | % | No data available | 35 |
|-------------------------|-----------------------|---|----------------------|----|

Table 19: Events initiated by MA of OPT in 2008:

| № | Date/period | Events | Target groups |
|----|-----------------------------|---|---|
| 1. | January – February | Last phase of the national campaign for selection of a logo and a slogan | General public; journalists; students; artists |
| 2. | 28 May, Sofia | Official ceremony for signing the operational agreement between MA and Metropolitan EAD | General public; journalists; students; beneficiaries |
| 3. | 27 August, Sofia | Official ceremony for signing contracts with selected contractors for the Sofia subway extension project | General public; journalists; students; Metropolitan EAD, business circles |
| 4. | 12-14 September, Saint Vlas | Training seminar for journalists on “EU Structural Funds and Cohesion Fund. Operational programme on transport” | Journalists; general public |
| 5. | 6 October, Sofia | OP Transport Open Doors Day | General public; journalists; beneficiaries |
| 6. | 13 November, Sofia | Information seminar for regional and local authorities and regional media in the North-West planning region | Local and regional authorities; journalists; general public |
| 7. | 7 December | Annual forum for presenting the progress in OP Transport implementation | General public; media; beneficiaries |
| 8. | 14 December | Official “turn the first sod” ceremony for the Sofia subway expansion | General public; media; European Commission representation in Bulgaria; Metropolitan EAD; Sofia Municipality representatives; Sofia citizens |

Level of satisfaction from the events organized by MA:

1. Open Doors Day (6 October 2008) – 96.6% of the respondents state the opinion that the open doors day is a suitable way for providing information on OPT.
2. Training seminar for journalists (12-14 September 2008) – the level of satisfaction from the usefulness of the event is 1.56 out of maximum rating 2.00.

Results – identifiability of OPT in 2008:

General public – 30% know about OPT

Target groups – 48% know about OPT

According to the comparative analysis of the 2007 survey and April 2008 survey there is a steady trend of improvement of OPT identifiability in the regions of projects construction – 1.77 times higher in a period of 15 months.

3.2 OPT web address and beneficiaries

Managing Authority:

Coordination of Programmes and Projects Directorate

Ministry of Transport

9-11 Dyakon Ignatiy st.

1000 Sofia

Web address: www.optransport.bg

OPT beneficiaries:

National Railway Infrastructure Company

National Road Infrastructure Agency

Agency for Exploration and Maintenance of Danube River

Bulgarian Ports Infrastructure Company

Metropolitan PLC

3.3 Information on the co-financed operations and amount of the corresponding public funds

In accordance with art. 7(2) (d) of Regulation 1828/2006 on the web-site of the Operational Programme on Transport, a special rubric “Projects, approved for Funding” was created (<http://www.optransport.bg/en/page.php?c=76>), where information on all approved operations and the amount of the corresponding public funds is published.

The information published under this rubric is updated on regular basis.

4. Audits carried out in 2008

The following audits on the Operational Programme on Transport 2007-2013 were carried out in the period 1 January 2008 – 31 December 2008:

- “Audit of the Structural Funds and Cohesion Fund management systems”. As a result from the system audit carried out for the period 1 January 2006 – 20 June 2008 in the

part for the Operational Programme on Transport 2007-2013 recommendations were grouped by subject areas as follows:

➤ **Programming:**

- It is necessary to introduce in due time and update the full volume of information regulated by CMD No.6/19.01.2007 in the unified information portal and the operational programme's official website. Following that recommendation MA regularly provides to MF information for publishing in the information portal. As the portal does not provide technical possibility for MA to publish data there, it is not possible to observe the requirement for independent entering and updating the respective information. The recommendation was followed also regarding the web page of OPT where information is regularly entered and updated.
- Timely updating and precise specification of the internal rules of MA in line with changes made in the regulations. Work is currently in process for following that recommendation and it is expected that the recommendation shall be fully observed by the end of April 2009. A working group was formed by order No.ПД-08-121/01.04.2009 of the Minister of Transport to update the Procedure Manual of the Operational Programme on Transport 2007-2013.
- Introducing a system providing full and authentic information on conducted training courses for employees for the purpose of developing efficient programmes for targeted and adequate training of personnel. That recommendation is currently being followed, MA provides to Human Resources Directorate in the Ministry of Transport information about conducted training courses for its employees so that they are bound also with the overall programme of the ministry.

➤ **Payments:**

- It is necessary to adopt procedures ensuring that beneficiaries and contractors maintain separate analytical accounting. In implementation of that recommendation necessary texts were added in the operational agreements signed between the beneficiaries of the Operational Programme on Transport 2007-2013 and MA.
- In the period 18 August 2008 – 2 September 2008 officers of Bank-service AD performed an audit in Coordination of Programmes and Projects Directorate on its capacity as Managing Authority of Operational Programme on Transport 2007-2013 The Audit was

about assessing the reliability of available computerised systems of accounting, monitoring and financial reporting in the managing and control authorities; compliance assessment these systems with the requirements of Regulation (EC) 1083/2006 and Regulation 1080/2006 and assessment of the measures taken to process and store information in the modules of the information systems which would be established in the Managing Authority in MT and the Certifying Authority “National Fund” in MF.

The audit carried out included review of available regulatory documents and procedures of the Managing Authority and on the spot interviews with responsible and competent officers as well as collecting of evidence for findings and conclusions.

- An audit assignment of the external auditing company Grant Thornton OOD was carried out in the period 19 May 2008 – 13 June 2008 according to a contract concluded between the company and the Ministry of Finance. The audit was carried out in line with the “Compliance Assessment Guidelines of the European Commission” and the form of Checklist for Compliance Assessment as approved by the Commission, as well as taking into account the stipulations of art. 71 in relation to art. 58 to 62 of Regulation (EC) 1083/2006, art. 25 of Commission Regulation (EC) 1828/2006 of 8 December 2006 and European Parliament and Council Regulation (EC) 1080/2006 regarding ERDF. As a result from the compliance assessment audit on the management and control systems concrete recommendations were formulated to the OPTMA of, grouped by subject fields as follows:

➤ **MA personnel:**

Issues were discussed regarding the lack of clarity about the concrete number of employees needed to ensure adequate execution of MA duties on Operational Programme on Transport 2007-2013. To take into consideration that recommendation MA analysed the human resources needs. After the audit measures were undertaken to fill the vacancies, eleven new experts were employed, and currently the open vacancies in MA are only two.

➤ **Programming:**

In response to the recommendations made by the auditors MA took steps for developing of procedures for:

- Avoiding double funding;
- Preparing and publishing of indicative annual work programmes;
- Specifying a team to draw up application guidelines; etc.

➤ **Ex-ante control and public procurement**

In response to the recommendations made by the auditors MA undertook steps for developing of procedures for:

- Ex-ante control before publishing the application guidelines;
- Forming of an evaluation commission for project selection;
- Ex-ante control for assessing the compliance of draft contracts with the application guidelines; etc.

➤ **Payments**

The recommendations made concerned development of procedures for making advance payments; control on requests for advance/ interim/final payments; control on payments made by the beneficiary, etc. To observe the audit recommendations currently an interface is being developed for connection between UMIS and SAP. In the Procedural Manual were included A description of the accounting and information system and the chart of accounts and codes and approved standard accounting entries. In the operational agreements with beneficiaries were included texts on retention money and/or recovering of amounts wrongfully paid. The procedure of funds recovery was further detailed in the Procedural Manual, as well as of the procedure for initial reporting and follow up of irregularities was presented in table and diagram form.

➤ **Monitoring**

In order to observe the recommendations made by the auditors, MA made more accurate its methodology for performing on the spot checks, and prepared methodology for individual projects risk assessment. A mechanism is in place for follow- up of recommendations from on the spot checks. MA ensured its administrative capacity to carry out of on-the-spot checks and in order to use specific technical expertise during on the spot checks, in the beginning of 2009 was MA conducted tender procedure to select a consultant. The need for on-the-spot checks procedure was also addressed. When MA is beneficiary under OPT an external expert accountant is hired to verify the expenditures made and carry out on-the-spot checks. In the Procedural Manual was also described the procedure for transfer of information from MA to CA (about on the spot checks carried out; annual plan for on-the-spot checks, etc.) including sequence and terms.

➤ **General issues**

- The audit report raised the issue of storing OPT documents, and especially the lack of a special register of documents. In that relation employees from each department of

MA were defined to be responsible for the storage of documents, and a procedure for keeping a special register was specified.

- The need for rooms and equipment for MA was analysed in response to another recommendation.

As a result from a recommendation of the audit report to undertake steps for increasing the numbers of internal auditors in the Ministry of Transport, and with view of implementing the audit strategy of the Internal Audit Unit, two more auditors were employed to work in auditing of EU funds.

5. Administrative capacity

The process of strengthening the administrative capacity of the Managing Authority and OPT final beneficiaries continued in 2008. Plans for training the employees of the Managing Authority and its beneficiaries were prepared on the basis of training needs detailed analyses. Training courses were conducted in the area of the Structural and Cohesion Funds for all MA employees, such as „Cohesion fund, major projects and communication activities in the transport sector”, “Rules for public procurements awarding. National and European standards for transparency”, “European public procurement: Sustainable awarding”, „Improvement of the results of the public investments in Bulgaria”, „Projects assessment and monitoring under the EU Structural Funds”, “Cost-Benefit Analysis”, “Financial management of the EU Structural funds”.

The number of personnel was increased and efforts were made to keep the employed experts and hire new for the vacant positions.

Concrete measures envisaged for improving the administrative capacity:

- Update of training plans for employees of the Managing Authority and its beneficiaries;
- Organization and conduct of training courses for the employees of the Managing Authority and the Beneficiaries (a tendering procedure was launched) under priority axis Technical Assistance in the field of:
 - EU policies and funds
 - Feasibility studies
 - Information and publicity
 - Monitoring and evaluation
 - Financial management and control

- Public procurements and ex-ante control
 - Establishment of PIUs within the administrations of the final beneficiaries, where such units were not been established;
 - Attract competent and qualified expert staff for the vacant positions with necessary skills;
 - Additional remuneration for personnel stimulation;

A project was implemented under ISPA programme – “Technical assistance for strengthening the administrative capacity in the transport sector in the Republic of Bulgaria”, within which manuals, methodologies, checklists and guidelines for filling in application forms were prepared for MA and programme beneficiaries.

6. Use of technical assistance

Financing under axis V “Technical assistance” as well as under axis I “Development of railway infrastructure along the major national and Pan-European transport axes for the following major activities:

Table 20: Technical assistance used

| Activity | Name of project | Priority axis | Project budget in BGN (national + EU) |
|--|--|--|---------------------------------------|
| Activities for preparation of projects and elaboration of strategies | Technical assistance for the preparation of project „Electrification and Reconstruction of Svilengrad–Turkish border railway line” | Priority axis I „Development of railway infrastructure along the Trans-European and major national transport axes” | 70 200.00 |
| | „ General Transport Master Plan” | Priority axis V „Technical Assistance” | 7 027 200 |
| | Preparation of project “Designing and Implementation of Geographical Information System (GIS) for the needs of National Railway Infrastructure Company” | Priority axis V „Technical Assistance» | 108 000 |
| | “Designing and Implementation of Geographical Information System (GIS) for the needs of National Railway Infrastructure Company” | Priority axis V „Technical Assistance” | 10 000 000 |
| OPT monitoring and evaluation activities | “Holding of third regular session of the Monitoring Committee of the Operational Programme on Transport 2007-2013” | Priority axis V „Technical Assistance” | 16 000 |
| | “Holding of fourth, extraordinary session of the Monitoring Committee of the Operational Programme on Transport 2007-2013” | Priority axis V „Technical Assistance» | 5 776.08 |
| | “Preparation of tender documentation and evaluation of proposals for assignments/projects under priority axis “Technical Assistance” | Priority axis V „Technical Assistance” | 80 000 |
| | Submitted application form for project “Providing of financial resources for holding of sessions of the Monitoring Committee of Operational Programme on Transport for the period November 2008 – December 2009” | Priority axis V „Technical Assistance” | 50 000 |

| | | | |
|---|--|--|------------|
| Activities related to OPT communication, information and publicity measures | “Conducting of a campaign for selection of a logo and a slogan of Operational Programme on Transport 2007-2013” at the cost of | Priority axis V „Technical Assistance” | 103 200 |
| | “Development and maintenance of an internet site of Operational Programme on Transport 2007-2013” | Priority axis V „Technical Assistance” | 88 800 |
| | “Development of methodology for monitoring and assessment of the Communication Plan of Operational Programme on Transport 2007-2013” | Priority axis V „Technical Assistance” | 103 080 |
| | “Preparation, carrying out and monitoring of the official presentation of Operational Programme on Transport 2007-2013 approved by the European Commission” completed on 17.12.2007 | Priority axis V „Technical Assistance” | 30 000 |
| | “Preparation and realization of public events for popularization of Operational Programme on Transport 2007-2013” | Priority axis V „Technical Assistance” | 50 164,20 |
| | “Providing additional monthly remuneration for officers performing functions for management and control of the funds of Operational Programme on Transport 2007-2013” | Priority axis V „Technical Assistance” | 739 672,56 |
| | “Providing of financing to cover the expenses of OPT MA employees related to business trips and payment of participation fees for seminars, training courses and conferences in visits to EU member states” | Priority axis V „Technical Assistance” | 40 000 |
| | “Providing of financing for the period 01.03.2009 – 31.12.2009 to cover the expenses for business trips to EU member states and payment of participation fees for seminars, training courses and conferences of OPT MA employees and employees other MT units whose functions are directly related to OPT management, monitoring and assessment” | Priority axis V „Technical Assistance” | 400 000 |
| | Improvement of the administrative capacity of MA’s and beneficiaries’ employees and additional incentives | | |

A methodology was adopted for defining additional obligations and the amount of remuneration of employees of the Ministry of Transport when manage projects under OP Transport 2007-2013. The methodology is in force as of 01.01.2009 in relation to CMD № 258. It describes in details the methods of assigning additional responsibilities to the employees as well as respective procedures for control of the additional work done by MT employees and their remuneration.

III. SIGNIFICANT PROBLEMS ENCOUNTERED AND MEASURES TAKEN TO OVERCOME THEM

1. Problems related to beneficiaries' activities

The most important beneficiary of OPT - National Road Infrastructure Agency with an indicative budget under the programme amounting at 990 million Euro, was restructured in 2008 due to suspicions on conflict of interests in awarding and implementation of public procurement contracts and corruption practices. Later by decision of the European Commission No.3990 of 23.07.2008 the payments on the projects managed by the National Road Infrastructure Fund were suspended.

As of 8 August the National Road Infrastructure Agency (NRIA) became a successor to the National Road Infrastructure Fund. The restructuring was realized through an amendment in the Law on Roads (promulgated in SG issue 69 of 5.08.2008) which regulates the structure of the agency and specifies its functions and interaction with the other state bodies. As a result from the legislative changes NRIA became directly subordinate to the Council of Ministers. After the restructuring the agency has the following management structure:

- Supervisory Board consisting of five members appointed and dismissed by the Council of Ministers by a proposal of the Prime Minister;
- Executive Director appointed by the Prime Minister

As an auxiliary body to the agency was established Expert Technical-economical Board. It discusses, approves, and proposes to the Executive Director for approval deliverables and projects for construction reconstruction and maintenance of the national roads.

New Rules on the structure, activities and work organization of the National Road Infrastructure Agency and its administration came into force on 9 September 2008 (promulgated in SG issue 79 of 09.09.2008). The Rules described in details the structure of the agency and its bodies, functions and operation organization. In relation to implementation of OPT projects was established "Implementation of projects under OPT and the Cohesion Fund" directorate. It organizes, realizes and coordinates the activities for preparation, awarding, management, monitoring, reporting and commissioning of road infrastructure projects funded by OPT and the Cohesion Fund (Regulation 1164/94).

A special chapter of the internal regulations of NRIA is devoted to prevention of conflict of interest and control; employees of the agency submit declarations about lack of conflict of interest, and can not be connected persons in the meaning of the Law on Commerce with a

businessman or partner who participate in public procurement or concession procedures conducted by the agency. Failure to meet those circumstances is considered a serious breach of the contract between the agency and the respective employee and is a reason for the agency to cease unilaterally its relations with the employee.

According to the agency's internal regulations the total number of its employees is 2272 persons, as follows:

- Central administration – grouped into 14 directorates with personnel of 350 persons of whom 20 work in “Implementation of projects under OP Transport and the Cohesion Fund” directorate, implementing projects financed under OPT and the Cohesion Fund (Regulation 1164/94)
- Specialized administration – 1922 persons, of whom 1549 work in the district road administrations of the agency.

In the second half of 2008 NRIA undertook the following major activities for improving the administrative capacity and functioning of the management and control systems:

- All job descriptions of the employees were amended concerning the obligation to report on irregularities; job descriptions are in force through conclusion of annexes to employment contracts concerning the change in NRIA's structure.
- Plan for filling the vacant positions in NRIA was approved.
- Ethics Code of NRIA and Professional Ethics Standards were adopted, referring to all employees in the central and specialized administration
- By order of the Deputy Prime Minister working group for ongoing control of activities carried out by NRIA for implementation of the Action Plan for EU funds management was established.
- Experts having international professional experience were attracted to support the executive director in introducing and applying EU standards in NARI management and control system.
- The following documents were approved: internal rules for human resources management in NRIA; instruction about training needs and organization of training courses for NRIA employees; short-term plan for training in order to improve NRIA financial management and control systems.

- NRIA management made a review of the projects included in OPT and proposed a revised implementation schedule related to them. However, in the context of the (n+2)/(n+3) rule, further efforts should be deployed to compensate the accumulated delays. This could be done through implementation of projects which appear to be most mature and could apply for reimbursement of expenditure in short term aspect.

2. Problems related to the establishment of the Information System for Monitoring and Management of EU structural instruments in Bulgaria (UMIS)

As the establishment of UMIS was behind, an approach of developing and launching the information system in stages was adopted. The basic UMIS functionality was developed covering a large part of the major requirements of the regulations and was in operation in July 2008. To elaborate the second stage of UMIS, MF organized and conducted a tender procedure to award a contract for the service, and the funding was provided under a project of Operational Programme Technical Capacity. Action plan with concrete terms for developing system components was adopted in order to complete the system on time. In addition interdepartmental working group with representatives of respective MAs, CCU, the Audit Authority and the Certifying Authority was established by order of the Minister of Finance. Meanwhile OPT MA provided access to UMIS for its employees and beneficiaries' employees responsible for entering the information.

Due to the delay of commissioning the full functionality of UMIS and the need for an information system for OPT management and implementation, the MA developed internet based application for managing and monitoring of OPT projects as a part of OPT web site. It is internet based, with access levels for MA and end beneficiaries' employees. Application forms, payment requests, various reports and other documents which are part of OPT projects implementation process, were received and entered electronically. That application was used until the respective UMIS modules and functionalities were brought into operation. All requirements of Regulation (EC) 1083/2006 and Regulation (EC) 1828/2006 regarding UMIS functionality were met in February 2009 and entering of information started. A possibility to complement and upgrade the system is envisaged for in case the managing authorities need that.

3. Problems related to the management and control systems

On 07.11.2008 through the SFC 2007 system MA submitted a description of OPT management and control systems to the Commission. By a letter of the Commission No. 11973 dated 11.12.2008 MA of OPT and the Audit Authority - AEUFD in MF were notified that the submitted documents were unacceptable due to the following reasons:

- Basic UMIS modules were not functioning;
- The system for performing of audits and audit operations in compliance with art. 1, items a) and b) of Regulation (EC) 1083/2006 was not satisfactory;
- Remarks regarding OPT activities related to:
 - the administrative capacity of all beneficiaries for implementing of projects under OPT;
 - the checklists to be used by MA for verification;
 - the role of MA in public procurement competitions conducted by the beneficiaries.

In that relation MA of OPT took actions to eliminate the weaknesses in the management and control systems, and additional activities and procedures were included in the Procedural Manual for OPT management and implementation:

Table 21: European Commission comments and actions taken for improving OPT management and control systems

| Commission comments | Actions taken by MA |
|--|---|
| 1. From the description of systems and the compliance assessment report it is not clear whether the current administrative capacity of all beneficiaries is sufficient for successful implementation of major projects under this programme. Additional information has to be provided in that respect (Commission Regulation (EC) 1828/2006) | Additional information has been provided regarding the existing administrative capacity of beneficiaries. Analysis of the training needs to improve beneficiaries' administrative capacity was made under project "Strengthening the administrative capacity of OPT MA". The Commission was informed about the results from the analysis and undertaken corrective action. |
| 2. The systems description does not indicate the checklists to be used by MA for verification, only references are made to the Procedural Manual. Reference to such checklists has to be made where necessary. | The Procedural Manual section concerning the financial mechanism gives detailed description so as to cover in full the financial management and control of OP Transport 2007-201. In relation to the new instructions of the Minister of Finance (DNF) regarding the operational programmes co-financed by the Structural Funds and the Cohesion Fund, Section 13 – Financial Mechanism – of the Procedural Manual is being corrected and |

| | |
|--|---|
| | supplemented. |
| 3. From the description of the systems it is not clear what work MA will do regarding the public procurement procedures conducted by beneficiaries. | The Procedural Manual for management and implementation of OPT specifies in details the major control activities performed by MA in awarding public procurement contracts according to the Public Procurement Act, and respective checklists were prepared. |
| In addition the aspect of verification of publicity measures is not mentioned in the systems description. Additional information in that respect has to be provided. | Regarding publicity measures verification procedures steps have been undertaken to specify in details a procedure for verification of the publicity measures; the procedure is under preparation. |

The improvement of the management and control systems in line with the recommendations of the Audit Authority and the Commission continues also in 2009. The status of the management and control systems will be regularly reported to the Commission in the process of implementation in 2009.

As the main weaknesses and Commission remarks concerned also other operational programmes and units beyond the Ministry of Transport, MA together with the other managing authorities, CCU, the Audit Authority and the administration of the Deputy Prime Minister undertook joint actions to eliminate these weaknesses. As it was already mentioned the following steps were taken regarding UMIS:

- a contract for further development of the information system was signed;
- interdepartmental group with representatives of all stakeholders for further development of the system was formed
- Action plan to bring into operation the non-completed UMIS modules was drawn up.

Resulting from the joint actions of experts from the managing authorities, CCU, NF, AEUFD and with the support of the administration of the Deputy Prime Minister in February 2009 UMIS covered all requirements of the regulations.

Regarding the weaknesses found in the Audit authority for EU Structural Funds and the Cohesion Fund the following measures were taken:

- By Council of Ministers Decree No. 305 of 11.12.2008 Audit of EU Funds Directorate within the Ministry of Finance was transformed into Executive Agency for Audit of EU Funds (EAAEUF) with the Minister of Finance. The following steps were taken to improve the administrative capacity and independence of Audit authority:
 - new EAAEUF director was appointed;

- AEUFD employees were transferred to EAAEUF by force of Council of Ministers Decree No. 346 dated 30.12.2008; functions and authorities of the agency were specified in its structural regulations.
- The description of the Audit Authority management and control systems was updated.
- Independence of the Audi Authority was ensured as regulated in the Law on Internal Audit in the Public Sector and the Structural Regulations of EAAEUF.

Measures were taken to improve the administrative capacity of the Audit Authority, which includes requirements for minimum professional experience of auditors; developed programme for training courses; a contract with leading companies in the field of audit was signed to support EAAEUF activities, including participation of international experts in joint teams with officers of EAAEUF.

4. EIA problems with some of the projects

A major problem identified in 2008 was connected to outdated EIA reports for part of the road projects under OPT. That caused considerable delays in the projects' preparation. As a result in the beginning of 2009 Regional Policy DG requested that EIAs to be carried out again for three road projects financed under OPT: "Connection of Hemus Motorway to Sofia ring road"; "Construction of Kardzhali - Podkova road", and "Construction of Maritsa Motorway – from km 5 to km 72". Through the Permanent Representation of the Republic of Bulgaria to the European Union a meeting was organized and held between DG Regional Policy, DG Environment, the Ministry of Transport, Ministry of Environment and Water, Ministry of Finance, the Council of Ministers, and the National Road Infrastructure Agency. The main conclusions were that the environmental impact assessments made before 01.01.2007 were not acceptable to the European Commission, and therefore Bulgarian authorities have to conduct those procedures again. DG Environment undertook to provide new instructions within reasonable period of time regarding the exact contents of the new EIA reports. The DG ENV comments were received in April 2009, the most important of them being a suggestion to repeat EIA only for the chosen alignment, not for all alternative routes. MOEW took the initiative to propose legislative changes that would make possible revision of EIAs already approved.

IV. CHANGES IN THE CONTEXT OF OPT IMPLEMENTATION

1. Synchronisation of Bulgarian and Community legislation

1.1 Amendments in the Public Procurement Law (PPL)

Dynamically changing economic environment in Bulgaria as well as the problems with the absorption of EU structural funds necessitated the development of new mechanisms of control, mostly in ex-ante control. In that relation amendments were introduced in PPA in 2008 and they are in force as of 01.01.2009. The purpose of the amendments was to improve the public procurement regulations keeping the conformity with EU regulations in that field (Directive (EC) 2004/18 and Directive (EC) 2004/17); to facilitate the players in conducting of procedures for awarding public procurement contracts; to establish an efficient system for ex-ante control, and improve the conditions for correct, precise and uniform application of the legislation, favouring the business climate in Bulgaria. PPT amendments which have impact on OPT implementation and control are the following:

- Prohibition of artificial division of public procurement cases aiming at applying an easier regime of procedure and evading the requirements of law;
- The awarding parties are obliged to adopt internal rules for awarding public procurement contracts, which rules shall include the order of planning and organization of procedures, and control on the implementation of concluded public procurement contracts. In that relation in the beginning of each year MA of OPT shall provide to the Public Procurement Agency (PPA) information about planned public procurement in OPT implementation in the respective year.
- The lower threshold limit of the cost of public procurement contracts awarded according to PPA was increased, and lower cost contracts may be implemented according to a simplified procedure as per OASPPC.
- A significant change of law was the introduced authority of PPA executive director to exercise, together with the Managing Authorities of the operational programmes, ex-ante control on the procedures of public procurement where the cost is equal to, or higher than that indicated in Commission Regulation issued on the basis of art.69 of Directive 2004/17(EC) and art.78 of Directive 2004/18(EC) and the procurement is fully or partially funded by EU funds. Unlike the previous version of the text now the amounts are not indicated in the law itself but reference is made to the Directive.
- Later new amendments to the Public Procurement Law were promulgated in its part covering ex-ante control. They envisage exercising ex-ante control on the procedures for public procurement funded partially or fully by EU funds, as follows:

- for construction of cost equal to or higher than the one indicated in the Commission Regulation issued on the basis of art.69 of Directive 2004/17(EC) and art.78 of Directive 2004/18(EC);
- for deliveries or services of cost equal to or higher than BGN 1 000 000; and where faults have been found within the beneficiary in the previous two years when conducting procedures for awarding under the public procurement, and when there is a penal decree, or a resolution of an appeal authority, which is in force.
- Ex-ante control covers:
 - the draft decisions for opening, and such notices or invitations for tender and documentation which are subject to approval with the decisions, regarding procedures for awarding of public procurement or for competition programmes;
 - the work of the committee conducting procedures for awarding of public procurement;
 - the written statements or reports on the committee’s work.
- Ex-ante control by PPA
 - The drawing up of a preliminary report on compliance with the Public Procurement Law requirements of a draft decision for opening, and the documents with it that are subject to approval: a notice or an invitation to tender, and documentation for public procurement procedures or competition programmes.
- Ex-ante control by MA
 - Drawing up a preliminary report on the compliance of the technical specifications in the documentation with:
 - the specific requirements of the respective regulation and PPL requirements;
 - the approved project under the operational programme.
- Participation of experts from the managing authorities of operational programmes or the respective intermediate body as members or observers in the committees conducting public procurement tenders. Issuing a statement on the minutes or the report of the committee’s work.
- Concerting of the draft decision on selecting a public procurement contractor.

1.2 Amendments of other laws and secondary legislation

| National legislation act | EU legislation act |
|--|---|
| <p>Ordinance No.32 of 1999 on periodical inspections for checking for good technical condition of road vehicles</p> <p>Ordinance on the conditions and procedures of charging for use of road infrastructure, for distance passed, for using certain facilities along national roads, and for specific use of national roads or sections thereof</p> <p>Civil Aviation Law</p> | <p>Directive 2007/38/EC of the European Parliament and the Council of 11 July 2007 on the retrofitting of mirrors to heavy goods vehicles registered in the Community</p> <p>Directive 2006/38/EC of the European Parliament and of the Council of 17 May 2006 amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures</p> <p>Regulation (EC) No 2320/2002 of the European Parliament and of the Council of 16 December 2002 establishing common rules in the field of civil aviation security and Commission Regulation (EC) No 1217/2003 of 4 July 2003 laying down common specifications for national civil aviation security quality control programmes</p> |
| <p>Ordinance No.1 of 16.01.2003 on aviation personnel licences</p> <p>Maritime Space, Inland Waterways and Ports Act of the Republic of Bulgaria, and Ordinance № 32 from 22.10.2008 on the technical requirements for vessels navigating on inland waterways</p> | <p>Directive 2006/23/EC of the European Parliament and of the Council of 5 April 2006 on a Community air traffic controller licence</p> <p>1. Directive 2006/137/EC of the European Parliament and of the Council of 18 December 2006 amending Directive 2006/87/EC laying down technical requirements for inland waterway vessels;</p> <p>2. Directive 2000/59/EC of the European Parliament and of the Council on port reception facilities for ship-generated waste and cargo residues;</p> <p>3. Directive 2006/87/EC of the European Parliament and of the Council of 12 December 2006 laying down technical requirements for inland waterway vessels and repealing Council Directive 82/714/EEC;</p> <p>4. Directive 2008/87/EC of 22 September 2008 laying down technical requirements for inland waterway vessels</p> |

2. Changes in the national legislation having relation to OPT implementation

2.1 Legislative changes related to the statute of beneficiaries

- Changes regarding the statute of NRIA
 - Amendment to the Law on Roads (promulgated in SG issue 69 of 05.08.2008)
 - By CMD No. 219 of 5 September 2008 (promulgated in SG issue 79/09.09.2008 the new regulations of NRIA were adopted, regulating the agency's structure, activities and work organisation and its administration; acts of the Council of Ministers connected with the application of the Law on Roads were amended and supplemented.
 - The Government adopted an Action Plan for improving the management and control systems of the National Road Infrastructure Agency (NRIA)
- Changes related to the statute of Bulgarian Ports Infrastructure Company

As a result from the amendment of the Commercial Navigation Code (SG, issue 71 of 2008) in its section V, art.244a (1) the Bulgarian Ports Infrastructure Company took over the implementation of projects under OPT from the Executive Agency "Maritime Administration".

2.2 Other legislative changes having relation to OPT implementation

- Appointing a Deputy Prime Minister responsible for management of EU funds
- Law on Prevention and Disclosure of Conflict of Interests

The Law on Prevention and Disclosure of Conflict of Interests was promulgated in SG on 31.10.2008 and it came into force as of 01.01.2009. The law stipulates the rules for preventing and disclosure of conflict of interests for persons at public positions. It introduces a prohibition for persons occupying public positions to exercise other functions or perform activities incompatible with such position. The law envisages imposing of money penalties in case declarations about lack of conflict of interests are not submitted.

The Law on Prevention and Disclosure of Conflict of Interests was amended in the beginning of 2009; the amendment concerns postponing the deadlines for submitting of declarations for lack of conflict of interests by persons occupying public office.

- Changes in the Audit Authority within MF

By Council of Ministers Decree No.305 of 11.12.2008 Audit of EU Funds Directorate in the Ministry of Finance was transformed into Audit of EU Funds Executive Agency (AEUFEA) with the Minister of Finance.

V. HORIZONTAL ISSUES

1. Appointing a Deputy Prime Minister in charge of EU funds management

By Council of Ministers Decree No. 104 of 17 May 2008 a deputy prime minister was appointed to perform overall coordination of planning, programming, management, monitoring and control of the funds from EU. The main role of that deputy prime minister is to coordinate the activities between the authorities, responsible for EU funds absorption, to supervise the attainment of goals and priorities of strategic programming documents for EU funds management, to request reports on the financial and physical implementation and control; to agree the proposals to the European Commission for approval of large projects; to manage the Council for fight against infringements (Anti-Fraud Coordination Service, AFCOS).

2. Partnership with non-governmental organizations and horizontal experts

In its work MA of OPT collaborates with partners from the non-governmental sector and horizontal experts who are included in the MC of OPT as observers with advisory powers. The Rules of Procedure regarding participation of non-governmental sector representatives and experts competent in horizontal issues were approved by the Monitoring Committee in its session of 4 March 2008. Later a procedure was performed for selecting NGO representatives to the MC of OPT; the advertisement was published in the OPT Internet site and in the portal of EU Structural Funds in Bulgaria. As a result NGO representatives were selected in the following five fields: environment, transport, social affairs, regional development, education and science. The horizontal experts are representatives of ministries, of the Commission for Protection of Competition (CPC) and PPA and are competent on one or several of the following four fields: sustainable development, equal opportunities, competition and public procurement.

3. Interdepartmental group for further development of UMIS

As mentioned in chapter III, item 2 an interdepartmental group was formed for the purpose of overcoming the delay in UMIS establishment and of system completion; it includes representatives of the managing authorities, CCU, the Auditing Authority and the Certifying

Authority. As a result from the group's activities and from setting of concrete time limits for completion of the individual modules, in the beginning of 2009 the system's functionality succeeded in meeting the requirements of Regulation No.1083/2006 and Regulation No. 1828/2006.

4. Steering group for evaluation of NSRF and the operational programmes

In order to improve the coordination between the managing authorities of operational programmes and CCU in MF a steering group for evaluation of NSRF and the operational programmes was established in 2008. The group includes experts exercising functions for NSRF and OP evaluation. The steering group held two meetings in 2008 where representatives of the individual operational programmes were informed about the progress in preparing evaluation plans for the operational programmes and NSRF, and on the other hand CCU experts reported on the subjects discussed at the meetings of the evaluation network of DG Regional Policy.

VI. COMPLEMENTARITY WITH OTHER COMMUNITY POLICIES

1. Cooperation with the European Investment Bank

1.1 Credit agreement for a structural program loan between the Republic of Bulgaria and EIB

Bulgaria negotiated with EIB the terms of a Credit Agreement for a Structural Programme Loan of 700 million Euro. These resources will be a part of national funding of major infrastructure projects, implemented under OP "Transport" and OP "Environment". On request by the Bulgarian Government they will also be used for other Operational Programs co-financed under the EU Structural and Cohesion Funds. The Ministry of Transport suggested the Ministry of Finance to expand the scope of the loan in order to guarantee payments before the official approval of application forms by EC.

1.2 Loan of Sofia municipality from EIB for metro construction

On 21.11.2008 Sofia municipality concluded a loan agreement with EIB amounting at 105 million euro which will ensure funding of MS1-II – MS5-II section, which makes the connection between the road junction Nadezhda and metro depot. Half of the necessary resources will be provided by a framework agreement with EIB and the other half - by the budget of Sofia municipality. It is expected that a Contractor will be selected by the end 2009

and construction works of this section is expected to be completed within 2012. Thus will be secured the connection between the part financed under OPT and the metro depot in Obelya. The section between “Mladost” and “Tsarigradsko chose” boulevard is also envisaged for financing with an EIB loan.

2. Cooperation with JASPERS

In 2008 MA of OPT continued its useful collaboration with the JASPERS initiative of EIB, EBRD and the Commission. The process of exchange of information and coordination regarding technical assistance for projects preparation was improved between MA and the institutions involved in the activities: the Central Coordination Unit in MF, JASPERS experts and the beneficiaries NRIC and NRIA.

In the beginning of January 2008 by proposal of the beneficiaries and after an analysis made by MA of OPT a plan for JASPERS initiative action in the transport sector for the current year was developed; on 10 January 2008 the plan was sent together with project fiches to the Central Coordination Unit. The list of the OPT MA proposal included the following projects:

1. Modernization of Vidin-Sofia railway line
2. Modernisation of Sofia-Plovdiv railway line
3. Modernization of Sofia-Pernik-Radomir railway line
4. Electrification and Reconstruction of Plovdiv- Svilengrad–Turkish border railway line
5. Struma motorway
6. Kardzhali-Podkova
7. Connection of Hemus MW to Sofia ring road
8. Maritsa MW – from km 5 to km 72
9. Modernization of Vratsa- Botevgrad section I-1 of E-79 road
10. Construction of ring-roads along TEN-T - phase I
11. Construction of Intermodal Terminal in Sofia
12. Expansion of Sofia subway along the section Nadezhda road junction – Central Railway Station – St. Nedelya Sq. – Cherni Vrah Blvd.
13. Improvement of the navigation on the Danube River in joint Bulgarian - Romanian parts:
from km 530 to km 520 - Bathin and from km 576 to km 560 - Belene

By Council of Ministers Decision No. 361 of 6 June 2008 a plan for action of JASPERS in the Republic of Bulgaria in 2008 was approved comprising the abovementioned projects.

As most successful case of collaboration can be mentioned the joint work of the experts from JASPERS, MA of OPT and Metropolitan EAD in preparing the project for Sofia metropolitan railway expansion which started in 2007. Positive opinion of JASPERS on the project of Expansion of Sofia metropolitan along the section Nadezhda road junction – Central Railway Station – St. Nedelya Sq. – Cherni Vrah Blvd. was received in the beginning of November 2008 through the Ministry of Finance. On 19 December 2008 JASPERS sent a positive opinion also on the project for Electrification and Reconstruction of Plovdiv – Svilengrad – Turkish border railway line.

The joint work of JASPERS and beneficiaries in collaboration with MA of OPT on reviewing the necessary documentation for preparing of application forms for non-repayable financial assistance under OPT has had a positive impact on the quality of projects preparation.

3. Development of ERTMS strategy in Bulgaria

In 2008 the issue of developing a strategy for ERTMS in Bulgaria was placed at the attention of the Ministry of Transport as well as of EA Railway Administration and National Railway Infrastructure Company. On 18.11.2008 the working group, formed by MT initiative, had a meeting to prepare terms of reference for selection of a consultant to be assigned the development of technical specification for ERTMS strategy. Currently the scientific circles in Bulgaria are not able to provide such a consultant service and therefore hiring an external consultant is necessary. Due to impossibility to formulate technical specification acceptable to all members of the working group, by the end of 2008 there was no progress in the elaboration of the technical specification for selecting a consultant to develop a strategy for ERTMS in Bulgaria.

4. Complementarily with EU pre-accession instruments PHARE and ISPA

- Implementation of technical assistance projects under ISPA for the projects “Modernization of Vidin-Sofia railway line”; “Modernisation of Sofia-Plovdiv railway line”; “Modernization of Sofia-Pernik-Radomir railway line” envisaged for implementation under OPT
- Preparation of a project under ISPA “Technical assistance for the preparation of road projects within TEN-T in the Republic of Bulgaria” of the project under OPT “Modernization of Vratsa-Botevgrad section of E-79 road (I-1)”, and it is envisage to

include in the same ISPA Financial Memorandum the preparation of the “E-79 road, Vidin -Montana” project.

- Within a technical assistance ISPA project the component “Environmental Impact Assessment” was developed, which includes “Instructions and guidelines for EIA and tender documentation for selecting a contractor for the project “Development of a Master Plan for monitoring the environment during OPT Implementation”. A procedure for awarding the public procurement contract will be conducted in 2009.
- Within the project “Technical assistance for strengthening the administrative capacity of the transport sector in the Republic of Bulgaria” under which manuals, methodologies, checklists, guidelines for filling in application forms were developed for MA and the programme’s beneficiaries.
- Implementation of phases 1 and 2 of the project for establishing a Vessel Traffic Management and Information System (VTIMS) under two national PHARE programmes, and implementation of phase 3 under OPT.