**EVALUATION REPORT**

**Evaluation of the progress of Operational Programme “Transport and transport infrastructure” 2014-2020 and contribution to the EU Strategy**

***Contract Д-4/06.02.2020 “Evaluation of the impact and effects of the implementation of Operational Programme “Transport” 2007-2013 and evaluation of the progress of Operational Programme “Transport and transport infrastructure” 2014-2020 and contribution to the EU Strategy”***

**December, 2020**

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# **ABBREVIATION**

AF Application Form

AM Motorway

BoD Board of Directors

BPIC Bulgarian Ports Infrastructure Company

CBA Cost-benefit analysis

CCU Central Coordination Unit

CF Cohesion Fund

CW Construction works

DSDP Detailed Site Development Plan

EA Executive Agency

EA AEUF Executive Agency “Audit of European Union Funds”

EA EMD Executive Agency For Exploration And Maintenance Of The Danube River

EA MA Executive Agency Maritime Administration

EBRD European Bank for Reconstruction and Development

EC European Commission

ECs European Communities

EvC Evaluation Committee

EIA Environmental Impact Assessment

EIB European Investment Bank

EQ Evaluation questions

ERDF European Regional Development Fund

ESIF European Structural and Investment Funds

EU European Union

GA Grant Agreement

JASPERS Joint Initiative of EC, EIB and EBRD for provision of technical assistance in the preparation of major infrastructure projects

IFI International Financial Institutions

ITU Intermodal Transport Units

MA Managing Authority

MC Monitoring Committee

MF Ministry of Finance

MS Metro station

MTITC Ministry of Transport, Information Technology and Communications

NC National Company

NF National Fund

NRIC National Railway Infrastructure Company

OP Operational Programme

OPT Operational Programme “Transport” 2007-2013

OPTTI Operational Programme “Transport and transport infrastructure” 2014-2020

PA Priority Axis

PPA Public Procurement Agency

RIA Road Infrastructure Agency

RIS River Information System

SCF Structural and Cohesion Funds

SM Sofia Municipality

SPL Spatial Planning Law

SRR Sofia Ring Road

TEN-T Trans-European Transport Network

UMIS Information system for management and monitoring of EU funds in Bulgaria

VTMIS Vessel traffic management information system

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# **SHORT NAMES OF APPROVED PROJECTS**

| **Full name of the project** | **Short name of the project** |
| --- | --- |
| **PA1** | |
| Modernization of the railway section Septemvri-Plovdiv – part of the Trans-European railway network – construction of four overpasses | Four overpasses |
| Rehabilitation of Railway Infrastructure along Sections of the Plovdiv - Burgas Railway Line - reconstruction, repair and modernization of traction sub-stations Burgas, Karnobat and Yambol | Traction sub-stations Burgas, Karnobat and Yambol |
| Rehabilitation of Railway line Plovdiv – Burgas, Phase 2 | Railway line Plovdiv – Burgas |
| Modernization of railway section Elin Pelin-Kostenets | Railway Elin Pelin-Kostenets |
| Technical assisstance for preparation of project "Modernization of Sofia-Pernik-Radomir-Gyueshevo-border with Republic of Macedonia railway line | Preparation of railway line Sofia-Pernik-Radomir-Gyueshevo-border with Republic of Macedonia |
| **PA2** | |
| Struma Motorway – Lot 3.1, Lot 3.3 and Zheleznitsa Tunnel | Struma Motorway – Lot 3.1, Lot 3.3 and Zheleznitsa Tunnel |
| Preparations for the completion of the Black Sea Highway | Preparations of the Black Sea Highway |
| Construction of “Kalotina – Sofia” Motorway - Lot 1 “Western arc of the Sofia Ring Road (SRR)”, phase 2 | Western arc of SRR |
| Preparation of project AM Ruse — Veliko Tarnovo | Preparation of AM Ruse — Veliko Tarnovo |
| **PA3** | |
| Reconstruction of Poduyane, Iskar and Kazichene Railway Station Complexes | Poduyane, Iskar and Kazichene Railway Station Complexes |
| Reconstruction of Karnobat Railway Station Complex | Karnobat Railway Station Complex |
| Reconstruction of Stara Zagora and Nova Zagora Railway Station Complexes | Stara Zagora and Nova Zagora Railway Station Complexes |
| Sofia Metro extension project: Line 3, Stage I – section “Vladimir Vazov blvd. – Centre – Zhitnitsa str.” | Metro, Line 3, Stage I |
| Project for extension of Line 2 of the Metro in Sofia from MS James Bourchier to MS Vitosha – Phase 2 | Extension of Line 2 of the Metro |
| Metro extension project in Sofia, Line 3, Stage II - section "Zhitnitsa St.- Ovcha Kupel - Ring Road | Metro, Line 3, Stage II |
| **PA4** | |
| Development and implementation of Intelligent Transport System in the scope of Trakia Motorway | ITS Trakia Motorway |
| Technical assistance for preparation and implementation of „Delivery, Installation and Implementation of the port reception facilities (PRF) in the Bulgarian public transport ports of national importance“ project | Preparation of project for port reception facilities in ports |
| Territorial extension of the scope and upgrading of the vessel traffic management information system (VTMIS) – PHASE 4 | Vessel traffic management information system (VTMIS) |
| Design and construction of technical systems for risk prevention and security of the sea ports (RPSSP) | Risk prevention of the sea ports (RPSSP) |
| Feasibility study and preparation of a package of documents for project “Development and implementation of an integrated information system for coordination and management in real time of disaster and accident response operations in the bulgarian maritime responsible search and rescue region (BMRSRR)” | IIS for maritime disaster and accident response management |
| Modernization and optimization of the maintenance activities in the common BG-RO section of the Danube River through delivery of equipment | Modernization of the maintenance activities in the Danube river |
| Improvement of the navigational systems and topo-hydrographic measurements on the Danube River – Phase 2 | Navigational systems on the Danube River |
| Design and implementation of Train operation control system in NRIC including Dynamic Rolling Stock Parameters Measurement and Monitoring System | Train Operation Control System at NRIC |
| Development and implementation of an integrated information system for coordination and management in real time of disaster and accident response operations in the Bulgarian maritime responsible search and rescue region (BMRSRR) (with acronym BulMASS - Bulgarian Maritime Safety System) | BulMASS - Bulgarian Maritime Safety System |
| Project for design, delivery, installation and introduction of automatic vertical platform screen doors (PSD) for 12 stations of line 1 and line 2 of sofia metro | Platform screen doors (PSD) for 12 MS of Line 1 and 2 |
| Delivery, installation and commissioning of port reception facilities (PRF) in Bulgarian public transport ports of national importance | Delivery of port reception facilities (PRF) |
| **PA5** | |
| "Technical assistance for ensuring the performance of administrative and technical services and other costs associated with the implementation of the Operational Programme "Transport and Transport Infrastructure 2014-2020" | Administrative and technical services associated with the implementation of OPTTI |
| Organization and maintenance of existing archive projects under OPT 2007 - 2013 of "Road Infrastructure Agency" | Archive projects under OPT 2007 - 2013 of RIA |
| Providing financing for the payment of monthly salaries of employees in the Agency "Road Infrastructure" that perform functions related to the preparation, implementation and monitoring of the projects under Operational Programme "Transport and transport infrastructure" 2014-2020 and the successful completion of the Operational Programme "Transport 2007-2013 | Salaries of RIA employees |
| Preparation of project: Road I-1 (E-79) Vidin-Montana-Vratsa | Preparation of road |
| Providing financing for trainings and trips abroad and work meetings in the country for employees of Agency "Road Infrastructure" whose functions are directly related to the preparation, implementation and monitoring of projects under OP "Transport and Transport infrastructure "2014 - 2020 | Trips for RIA employees |
| Verification of project expenditure with beneficiary Managing Authority of OP "Transport" 2007-2013 and OP "Transport and Transport Infrastructure" 2014-2020 | Verification of expenditures under projects with beneficiary MA |
| "Promoting OPTTI for the general public throughout cooperation with electronic media (TV and radio stations) and conducting sociological surveys" | Promoting OPTTI and conducting sociological surveys |
| Quantitative risk assessment and improvement the efficiency of the Bulgarian public transport ports with national importance | Quantitative risk assessment of Bulgarian ports |
| Design and implementation of integrated information system (IIS) for planning and management of resources in Bulgarian ports infrastructure company | Information System for BPIC |
| Purchase of two new off-road motor vehicles for facilitating NRIC in monitoring and controlling OPTTI funded projects. | Purchase of two 2 off-road motor vehicles for NRIC |
| Technical assistance to cover the costs of the support provided by EIB to NRIC in the field of project preparation and management under OPTTI Priority axis 4 | TA from EIB for NRIC |
| Technical assistence for the capacity of NRIC as beneficiary under OP TTI years 2014-2020 by continuing the best practices identified during the previous period and the inclusion of new measures to achieve the required capacity for preparation, implementation, monitoring and control of projects funded by means of the ESIF | Technical assistence for the capacity of NRIC |
| "Feasibility Study for Development of Port Community System (PCS) in Bulgarian ports" | Port Community System – PCS |
| Specialized trainings to increase the capacity of the employees of the BULGARIAN PORTS INFRASTRUCTURE COMPANY(BPIco) as Beneficiary under Operational programme on Transport and Transport Infrastructure (OPTTI) 2014-2020 | Specialized trainings for BPICo |
| Increasing the administrative capacity of EA EMD regarding the implementation of projects under OPTTI 2014-2020 and improving the material and technical base of the Agency | Increasing the administrative capacity of EA EMD |
| Development of a Conceptual Design for branch of Line 3 of the metro, section "Shipka str. - Geo Milev str. - Assen Yordanov Blvd. - Tsarigradsko Shose Blvd." | Development of a Conceptual Design for branch of Line 3 of the metro |
| Providing the remuneration costs of staff of Metropolitan JSC involved in the management and/or the implementation of projects financed under the OPTTI. | Remuneration costs of staff of Metropolitan JSC |
| Strengthening the administrative capacity of the Managing Authority of Operational Programme "Transport and Transport Infrastructure", units and employees in MTITC, directly involved in OPTTI 2014-2020 activities | Strengthening the administrative capacity of the MA and employees in MTITC |
| Improvment of the material and technical conditions of Coordination of Programmes and Projects Directorate by performing reconstruction and equipment of the IV-th floor of MTITC building, 6 Gurko Street for the needs of Coordination of Programmes and Projects Directorate Managing Authority of Operational Programme "Transport and Transport infrastructure 2014-2020" | Reconstruction and equipment of the IV-th floor of MTITC building |
| Popularization of OPTTI by organizing public events, production of advertising and printed materials | Popularization of OPTTI by organizing public events |
| Expenditures for salaries of the MTITC officers (employees), performing functions of management and control on the financing from the European structural and investment funds | Expenditures for salaries of the MTITC officers, performing functions of management and control on the financing from ESIF |
| Development of Integrated Transport Strategy until 2030 | Development of Integrated Transport Strategy until 2030 |
| Technical assistance financing the expenses for delivery, installation and technical supply of office and technical equipment for OPPTI Managing Authority | Delivery, of office equipment for the MA |
| Technical assisstance for increasing the road safety | Increasing the road safety |
| Carrying out evaluations under OPTTI and OPT | Evaluations under OPTTI and OPT |
| Promotion and raising the awareness of OPTTI through audio- visial materials, website and media services | Promotion and raising the awareness of OPTTI through audio- visial materials, website and media services |
| Technical assistance for preparation of project "Modernization of railway line Sofia - border with Republic of Serbia" | Preparation of railway line Sofia - border with Republic of Serbia |
| Elaboration of a draft National Plan for the Development of the Combined Transport in the Republic of Bulgaria until 2030 | National Plan for the Development of the Combined Transport in the Republic of Bulgaria until 2030 |
| Technical assistance to cover the costs associated with managing, indexing, storing and implementation of electronic archive of EU-funded project documents | Electronic archive of EU-funded project documents |

# **INTRODUCTION**

Operational Programme "Transport and Transport Infrastructure" 2014-2020 (OPTTI) seeks continuity of what has already been achieved under OPT and sustainability in the medium and long term. The programme focuses on several strategic priorities for balanced economic growth and envisages the modernization and completion of areas in the transport sector that are at an advanced stage of implementation. A logical addition to these priorities are the planned investments in the implementation of intelligent traffic management systems, improving transport safety and security. Continuing the practice adopted during the previous programming period, the beneficiaries of the programme are pre-determined and the indicative list of infrastructure projects is pre-prioritized. The priority axes of the Programme are as follows:

Table I‑1 Priority axes of OPTTI

|  |  |  |
| --- | --- | --- |
| **Priority Axis** | **Objective** | **Beneficiary** |
| Development of railway infrastructure along the “core” and “comprehensive” Trans-European transport network | Increasing railway traffic of passenger and freight through improving the quality of the TEN-T railway infrastructure | National Railway Infrastructure Company |
| Development of road infrastructure along the „core” and “comprehensive” Trans-European transport network | Removal of bottlenecks in the TEN-T road network | Road Infrastructure Agency |
| Improvement of intermodal transport services for passengers and freights and development of sustainable urban transport | To increase the use of the metro and the potential for the use of intermodal transport along the Orient / East-Mediterranean corridor, section Sofia-Plovdiv-Burgas | National Railway Infrastructure Company and Metropolitan Jsc |
| Innovations in management and services - establishment of modern infrastructure for traffic management and transport safety improvement | Improving transport management through the introduction of innovative systems and improving the management of the railway network. | Executive Agency For Exploration And Maintenance Of The Danube River, Bulgarian Ports Infrastructure Company, Executive Agency Maritime Administration, Road Infrastructure Agency and National Railway Infrastructure Company |
| Technical Assistance | Establishment of necessary conditions for successful completion of OPT 2007-2013 and implementation of OPTTI 2014-2020, strengthening the administrative capacity and public awareness of OPTTI | MA of OPTTI and beneficiaries of the program |

*Source: OPTTI, all approved versions till the date of evaluation*

This report presents the evaluation of the progress of OPTTI 2014-2020 in implementation of contract No Д-4/06.02.2020 and in accordance with the provision of Article 56 of Regulation (EU) No 1303/2013, according to which, during the programming period, the MA carries out evaluations, including evaluations of the effectiveness, efficiency and impact of the programme on the basis of the developed evaluation plan.

The Evaluator's assessment of the programme's progress seeks changes related to the physical and financial implementation of the Programme, the results achieved, effectiveness and efficiency, the problems identified and impact factors identified.

On the basis of the information analysed and evaluations carried out by thematic area, recommendations for improving the quality, effectiveness and coherence of programming and management, both at operational programme and strategic level, are defined.

The evaluation thus aims to support stakeholders in their decision-making in shaping their strategies and provides an assessment of what has been achieved with the help of the ESIF.

An extended version of the evaluation is presented in Annex VII.5.

# **SUMMARY**

**INTRODUCTION**

**The present report** is a summary of the results of the prepared evaluation of the progress of Operational Program "Transport and Transport Infrastructure" 2014-2020 (OPTTI), carried out under the contract "Evaluation of the impact and effects of the implementation of the Operational Program "Transport" 2007- 2013 and evaluation of the progress under Operational Program "Transport and Transport Infrastructure" 2014-2020 and contribution to the EU Strategy” between the Ministry of Transport, Information Technology and Communications (MTITC) and Consortium "European Evaluations".

**The scope** of the evaluation includes the following evaluation questions (EQ):

1. At what stage is the financial implementation regarding the objectives at the level of OP and priority axes? Is there a significant delay in the process of funds absorption?

2. What obstacles and problems in the absorption of funds are identified?

3. What is the degree of physical progress in relation to the output and result indicators at the level of priority axes?

4. What are the factors that influence the progress?

5. What is the progress in achieving milestones for 2018 in terms of output indicators in the Performance framework?

6. What is the forecast for achieving the final targets set in the Performance framework by the end of 2023?

7. What is the contribution of OPTTI to the EU Strategy for Smart, Sustainable and Inclusive Growth?

8. What is the contribution of the program to the national strategic documents?

**OPERATIONAL PROGRAMME “TRANSPORT AND TRANSPORT INFRASTRUCTURE” 2014-2020**

Operational Programme "Transport and Transport Infrastructure" 2014-2020 (OPTTI) is the successor of the Operational Programme "Transport" 2007-2013. The budget of the programme is the largest among all eight operational programmes of the Republic of Bulgaria during the second programming period for the country and amounts to BGN 3,691,799,790.72 (15% of all European funds available in the country).



The programme focuses on several strategic priorities for balanced economic growth and envisages the modernization and completion of areas in the transport sector that are at an advanced stage of implementation. A logical addition to these priorities are the planned investments in the implementation of intelligent traffic management systems, improving transport safety and security. Continuing the practice adopted during the previous programming period, the beneficiaries of the programme are pre-determined and the indicative list of infrastructure projects is pre-prioritized.

The priority axes of OPTTI are as follows:

|  |  |  |
| --- | --- | --- |
| **Priority Axis** | **Objective** | **Beneficiary** |
| PA1 – Development of railway infrastructure along the “core” and “comprehensive” Trans-European transport network | Increasing railway traffic of passenger and freight through improving the quality of the TEN-T railway infrastructure | National Railway Infrastructure Company |
| PA2 - Development of road infrastructure along the „core” and “comprehensive” Trans-European transport network | Removal of bottlenecks in the TEN-T road network | Road Infrastructure Agency |
| PA3 - Improvement of intermodal transport services for passengers and freights and development of sustainable urban transport | To increase the use of the metro and the potential for the use of intermodal transport along the Orient / East-Mediterranean corridor, section Sofia-Plovdiv-Burgas | National Railway Infrastructure Company and Metropolitan Jsc |
| PA4 - Innovations in management and services - establishment of modern infrastructure for traffic management and transport safety improvement | Improving transport management through the introduction of innovative systems and improving the management of the railway network. | Executive Agency For Exploration And Maintenance Of The Danube River, Bulgarian Ports Infrastructure Company, Executive Agency Maritime Administration, Road Infrastructure Agency and National Railway Infrastructure Company |
| PA5 – Technical Assistance | Establishment of necessary conditions for successful completion of OPT 2007-2013 and implementation of OPTTI 2014-2020, strengthening the administrative capacity and public awareness of OPTTI | MA of OPTTI and beneficiaries of the programme |

**EVALUATION METHODOLOGY**

The scope of the analysis is based on the requirements and evaluation questions formulated by the MA of OPTTI. The approaches used are in line with established good practices in the EU to ensure the accuracy, consistency, transparency, independence and reliability of the evaluation results. Among the main methods used are **quantitative research among stakeholders, in-depth interviews and focus groups, statistical and econometric analysis, financial forecasting and others.** The evaluation is based on the following logical sequence:

**Recommendations**

**Conclusions**

**Statements**

**Analysis**

**Data**

**MAIN FINDINGS FROM THE ANSWERS TO THE EVALUATION QUESTIONS**

***At what stage is the financial implementation regarding the objectives at the level of OP and priority axes? Is there a significant delay in the process of funds absorption?***

As of the end of 2019, 83.32% of **the programme budget** has been **awarded, 39.96% has been verified and 29.96% has been certified.** The total number of supported projects is **56**, of which 7 projects are worth over EUR 50 million and are categorized as ***major projects*** within the meaning of Regulation (EC) 1083/2006.

The evaluation is based on data at the end of 2019, which is the penultimate year for negotiating the funds. The budget of the programme is distributed by years in the financing plan of OPTTI, as the annual distribution is relatively even. Given that the programming period is 7 years, in the 6th year (2019) the negotiation of funds should be at least 6/7 or a little over 85%. Therefore, it can be concluded that the level of negotiation of funds is relatively good, which is largely due to the overbooked budget under PА1 (103.52%) and the high degree of negotiation under PА3 (98.17%). Regarding the other axes the degree of negotiation is below 63%, which shows a different degree of negotiation under the different axes.

The implementation of the investment projects is about 3 years, due to which the absorption of the awarded budget must follow the negotiation by 3 years or by the end of 2019 at least 3/7 or 43% of the OPTTI funds should be actually used. However, the amount of verified funds shows a lag, as only in PA3 the verified expenditures have a high percentage - a total of 84.62% of the resource of the axis. For the other two priority axes with an important contribution to the programme, PA1 and PA2, the level of verification of expenditures relative to the axis budget is low (18.64% under PA1 and 35.43% under PA2). Nearly 50% of the financial performance of OPTTI is due to the projects for construction of the metro in Sofia. None of the major projects under the programme has been fully completed, due to which the projects completed as of 31.12.2019 contribute insignificantly to the implementation of the financial objectives of the programme. 98% of the resource is concentrated in projects that are still in progress.

The commitments under the OPTTI financing plan are such that the annual resource must be spent no later than three years after the respective budget year (rule N+3), and according to the mechanism for calculating the annual commitments, they are not evenly distributed for all years and increase sharply at the end of the period. If part of the mandatory resource is not paid in this period (up to N+3), then this amount reduces the total resource of the programme. Although at the end of 2019 the implementation under the N+3 rule amounts to 112%, the data for 2019 show that the level of disbursement of funds under the programme in this year is lower than in previous years. Therefore, in order not to lose funds under the programme due to non-fulfillment of commitments under the financing plan, it is necessary to significantly increase the rate of payment of grants for projects in the coming years (2020-2023).

***What obstacles and problems in the absorption of funds are identified?***

The results of the analysis of financial and physical progress under the priority axes of the programme show a significant delay in the implementation of projects under priority axes 1, 2 and 4 of the programme, as by the end of 2019 none of the major projects under the programme has been completed. **Nearly 99% of the PA1 budget** is concentrated in two main projects, one of which has a high risk of incompletion, which identifies PA1 as the most critical axis for the financial implementation of the programme. Within PA2, where the other major project for the construction of the Struma Motorway falls, there are also serious problems related to the withdrawal from the program of Lot 3.2, section "Krupnik - Kresna".

There are a number of unresolved issues from the previous programming period, related to lengthy appeals against tender procedures, complex coordination and land acquisition procedures, which lead to serious delays in project implementation (in some projects for years) and risk of failure to achieve the programme objectives.

The analysis shows that a large part of the projects included in OPTTI have a low degree of project maturity. This leads to serious delays and creates a risk of incompletion of the projects by the deadline when the costs for them should be reported (31.12.2023).

Financial corrections were imposed on all studied priority axes (1-4), as their total value amounted to BGN 72,458,339.18, which represents about 2% of the grants under the programme. The main reason for imposing financial corrections is a violation of the Public Procurement Act in the selection of contractors for projects.

The most relevant problems identified in the scope of the analysis are related to the continuation and appeal against public procurement procedures, as well as the length of land acquisition procedures. These are the problems leading to the largest amount of delays in project implementation. Most of the causes leading to these problems are not in the scope and powers of the beneficiaries and the MA and therefore have to be addressed to other institutions.

The MA and beneficiaries have taken corrective measures for most of the problems, which measures are evaluated as effective to a certain extend and it is expected that this will lead to resolution or mitigation of some problems during the next programming period.

***What is the degree of physical progress in relation to the output and result indicators at the level of priority axes?***

The degree of physical performance is measured in relation to the indicators set in the programme for progress and results, the achieved values of which at the end of 2019 are reviewed and analyzed under all priority axes of OPTTI. The analysis shows that out of 12 indicators for progress, only two have achieved the target values, one has a little over 50% progress, the rest are below 33% and for 5 of the indicators the level of progress as of 31.12.2019 is 0%. The main reason for not achieving the targets of indicators is the delay in the implementation of projects, which in many cases is close to or over 1 year.

The deadlines for implementation of some of the projects (under PА1, PА2 and PА4), which contribute to achieving the values of the indicators under the priority axes, are in 2023, i.e. close to the end of the programming period. This exposes at risk the achievement of the final targets of the indicators for both progress and results under each of these axes.

For the achievement of some indicators (under PA2 and PA4) there are no approved projects at the end of 2019 and therefore their implementation rate is 0%.

Regarding the achieved values of the result indicators, the analysis shows that their values will represent the effects of the funded projects at the end of the projects and the programme, i.e. after 2023. Therefore, and as a large part of the projects that contribute to the result indicators have not been completed as of 31.12.2019, the values of these indicators as of 31.12.2019 still cannot give a clear picture of the real effects of projects.

In addition to the analysis of the degree of implementation of the progress and result indicators, the evaluation also includes a detailed analysis of the physical progress of all approved projects. Based on it, two groups of projects significant for the pace of programme implementation are identified. These two groups of projects are presented in the table below.

|  |  |
| --- | --- |
| **Projects with high level of implementation (over 70%)** | **Projects with low level of implementation (under 30%)** |
| * + Traction substations Burgas, Karnobat and Yambol   + Four overpasses   + Western arc of Sofia Bypass   + Metro, Line 3, stage I   + Extension of Metro Line 2   + Metro, Line 3, stage II   + Danube navigation systems 2   + Vessel Traffic Management (VTMIS)   + Seaport risk prevention (RPSSP)   **Total budget 470 mln EUR** | * + Railway line Plovdiv - Burgas   + Railway line Elin Pelin - Kostenets   + All station complexes   + ITS Trakia Motorway   + Modernization of the Danube waterway   + Train operation management system in NRIC   **Total budget 663 mln EUR** |

The first group of projects is composed of projects with good implementation rate (over 70% physical implementation), and the second group includes projects whose implementation rate is below 30%. The evaluation shows that the total value of "risky" projects is higher than the total value of those with a high degree of implementation. In order to ensure a good level of implementation of the programme at the end of the period, under some of the risk projects described above, the MA and the beneficiaries undertake steps in 2020 to separate and phase them, as well as to provide additional/alternative projects.

***What are the factors that influence the progress?***

The factors influencing progress are numerous and diverse and they are assessed by the following criteria: **importance and frequency of occurrence** (taking into account the impact on physical and financial progress of the programme and the achievement of programme objectives and impact on absorption level) **and feasibility** - the possibility to apply realistic corrective/preventive actions in order to minimize the negative effect.

The following can be mentioned as with the highest priority:

* Delays and gaps in the preparation and initial stages of project implementation
* Unrealistic planning of the time frame for implementation of the projects and the activities envisaged
* Delays in the preparation and start of tender procedures
* Appeal against the tender documentation
* Appeal against the decision for selection of a contractor
* Delays and problems with the application of procedures under the SPL - Detailed development plans, conformity assessment, issuance of building permits
* Poor coordination between the various institutions involved in the approval of the project technical documentation
* Delays in construction phase
* Existence of unforeseen circumstances, incl. unexpected findings of archeological sites/artifacts in the construction phase, which lead to suspension and delay of construction and possible increase in the value of the sites
* Contingencies that exceed the amounts included in project budgetsLack of practice in some beneficiaries in financing and starting implementation activities prior to grant contracts’ signing, in order to avoid possible serious delays in the overall project implementation
* Need to provide a full EIA, appeal against an effective EIA decision or need to change an implemented EIA
* Underestimated value of tenders, incl. outdated prices at the time of tendering
* Difficulties in preparing technical specifications
* Insufficient administrative capacity of some of the beneficiaries

***What is the progress in achieving milestones for 2018 in terms of output indicators in the Performance framework?***

The milestones of a priority axis are considered achieved if all indicators on each of the axes have reached **at least 85%** of the value of their targets (by the end of 2018), which are pre-determined upon approval of the programme.

Under OPTTI for each of the axes it is determined to have two indicators: "financial indicator" and "key implementation step". Their achievement **at the end of 2018** by priority axes is shown in the next two figures.

The general conclusion in the review of the achievement of the milestones under OPTTI is that under two of the axes (PA1 and PA4) the targets (85%) have not been achieved, therefore the MA has taken the regulated actions to transfer the financial reserve from them to the other two priority axes in the programme. As a result, the programme has been amended and in 2019 version 4.0 of OPTTI was approved with changed amounts of funds under the individual priority axes.

***What is the forecast for achieving the final targets set in the Performance framework by the end of 2023?***

Based on the analysis of the level of implementation of the approved projects, the risks to their completion and the additional projects proposed by the beneficiaries for the remaining resource of the programme, a forecast for the achievement of the indicators under the programme **at the end of 2023** has been prepared. Up to three scenarios/variants for the implementation of each of the axes are considered, and the results are presented in the figures below. For PA4 there is no pre-determined indicator for reporting the physical progress of the programme, the entire PA5 is also not reported, therefore the forecast for financial implementation is made for PA1-PA4, and for physical progress only for the first 3 priority axes.

According to EU rules, "very good" performance is defined as all of the indicators have reached at least 85%. If the indicators achieved below 65% of their milestone values, it is considered that the priority axis and respectively the programme do not achieve their targets. This risk exists at priorities 1, 2 and 4, which shows a presence of risk not only of not using a significant part of the programme's resources, but also of imposing a sanction (financial correction) by the EU subsequently. In order to prevent such situation, as well as to ensure the balanced distribution of financial resources under the programme between the various modes of transport, additional projects are envisaged to be approved and implemented by the end of 2023.

For an accurate and up-to-date forecast, it is necessary to assess the degree of maturity of these alternatives and decide whether and which of the activities included in these projects to be financed with the OPTTI resource. In addition, a detailed analysis of the status of all projects is necessary, including an assessment of the risks that could lead to delays. On this basis, the activities that can be successfully implemented in the current programming period and those that should be divided into parts and shaped as future projects under TCP should be identified.

In order to reduce the risk of non-fulfillment of the final target of the financial indicator, it is necessary to perform the so-called *"overbooking"*, i.e. to approve projects with a grant exceeding the budget of the priority axes. Thus, in case of possible incompletion of some of the projects, the possibility of non-utilization of the programme budget will be reduced. The overbooking rate should correspond to the established savings rate. According to the prepared impact evaluation of OPT 2007-2013, the savings rate is over 25% for the railway projects and about 20% for road projects.

***What is the contribution of OPTTI to the EU Strategy for Smart, Sustainable and Inclusive Growth?***

Infrastructure investments have a crucial contribution to the creation of employment and achievement of higher economic growth in the short and long term. These investments are particularly important in times of economic crisis, which was observed both in 2009-2011 and in 2020. Given the expectations of a prolonged economic slowdown in the next few years, infrastructure projects will continue to have a key role for the socio-economic development of the country.

OPTTI has a tangible effect on real GDP, the labor market, the current account and others. Although infrastructure projects require significant national funding, the programme has a positive impact on the budget balance. The short-term positive effects are observed mainly on the Construction and Transport sectors, and the long-term effects are related to the improvement of competitiveness at local, regional and national level.

***What is the contribution of the program to the national strategy documents?***

OPTTI contributes to the achievement of the objectives of key strategic documents of the Republic of Bulgaria such as:

* The National Reform Program
* Partnership Agreement 2014-2020
* National Development Program: Bulgaria 2020
* Strategy for the development of the transport system of the Republic of Bulgaria until 2020.
* General Transport Master Plan (GTMP)

Although overall the program leads to significant improvements in transport infrastructure and the quality of transport services, Bulgaria lags significantly behind other EU Member States in this area. This implies the realization of more intensive, more efficient investments in transport and transport infrastructure.

# **METHODOLOGICAL APPROACH**

The methodological approach and analytical methods used to carry out this evaluation are in line with good international practices and the European Commission's Guidelines for The Evaluation of Socio-Economic Development EVALSED, which are well-established approaches and standards in the preparation of policy evaluations in the EU. In addition, the methods used to perform the evaluation follow the Concept for evaluation methodology approved by the Assignor on 18.08.2020.

The structure of the evaluation fully follows the topics of the assessment, with the methodology of work presented for each evaluation question in the table below. The visualization of the evaluation results is carried out through tables, dynamic graphs and infographics.

Table III‑1 Evaluation methods used for evaluation questions

|  |  |
| --- | --- |
| **Evaluation question** | **Methods used** |
| 1. At what stage is the financial implementation regarding the objectives at the level of OP and priority axes? Is there a significant delay in the process of funds absorption? | **Collection and processing of information and data**  **Desk research**   1. Review of relevant data and project implementation information 2. Aggregation of data at project, priority axis, programme level   **Evaluation methods**   1. Comparative analysis 2. GAP analysis - removal of deviations and analysis of their causes 3. Decomposition analysis – consideration of financial progress at programme, priority axis and project level 4. Descriptive analytical method, causal analysis and expert assessment to draw analysis’ results and conclusions |
| 1. What obstacles and problems in the absorption of funds are identified? | **Collection and processing of information and data**  **Desk research**   1. Review of relevant documents 2. Summary of major problems identified at the desk research stage   **Evaluation methods**   1. Structuring a complete list of identified problems that have been defined at desk research and GAP analysis 2. Addressing the problems identified in conducting quality surveys – structured interviews with stakeholders 3. Decomposition analysis 4. Descriptive analytical method, causal analysis and expert assessment to define analysis’ results, conclusions and proposals |
| 1. What is the degree of physical progress in relation to the output and result indicators at the level of priority axes? | **Collection and processing of information and data**  **Desk research**   1. Aggregation of data from the 2019 physical implementation reports on projects that contribute to the achievement of result and output indicators on each priority axis 2. Aggregation of data at programme level on result and output indicators from the 2019 OPTTI Performance Report   **Evaluation methods**   1. Comparative analysis 2. GAP analysis - identification of deviations 3. Decomposition analysis – consideration of physical progress at programme, priority axis and project level 4. Analysis of the reasons for the deviations and the main factors influencing the performance through quality studies - structured interviews and expert panels with representatives of all stakeholders 5. Descriptive analytical method, causal analysis and expert assessment to draw analysis’ results and conclusions |
| 1. What are the factors that influence the progress? | **Collection and processing of information and data**  **Desk research**   1. Overview and summary of information collected and analysed in the previous evaluation questions – 1, 2 and 3   **Evaluation methods**   1. Quantitative research - an online questionnaire among the stakeholders 2. Decomposition analysis – influence of factors at programme, priority axis and project level 3. Descriptive analytical method, causal analysis and expert evaluation for drafting analysis’ results and conclusions 4. Prioritising success factors by area of their impact – financial performance, physical progress, deviations from the time and resource implementation framework 5. Conducting a qualitative survey – interviews |
| 1. What is the progress in achieving milestones for 2018 in terms of output indicators in the Performance framework? | **Collection and processing of information and data**  **Desk research**   1. Review and summarize information collected and analyzed   **Analysis**   1. GAP analysis – deviations’ analysis 2. Decomposition analysis – consideration of deviations at programme, priority axis level 3. Descriptive analytical method, causal analysis and expert evaluation to define the analysis’ results, conclusions and proposals. |
| 1. What is the forecast for achieving the final targets set in the Performance framework by the end of 2023? | **Collection and processing of information and data**  **Desk research**   1. Review and summarize information collected and analyzed   **Evaluation methods**   1. Quantitative analysis and preparation of projections of the level of achievement of the targets set by 2023 2. Refine assumptions/factors that would support effective objectiives’ implementation on the basis of the model applied 3. Descriptive analytical method, causal analysis and expert evaluation to define analysis’ results, conclusions and proposals 4. Preparation of a qualitative assessment of how realistic the achievement of the objectives is within the programming horizon |
| 1. What is the contribution of OPTTI to the EU Strategy for Smart, Sustainable and Inclusive Growth? | **Collection and processing of information and data**  **Desk research**   1. Review and summarize information collected and analyzed 2. Aggregation and analysis of data 3. Analysis of results   **Evaluation methods**   1. Analysis of the contribution of the projects currently defined in the programme based on the possibilities to achieve the defined objectives 2. Descriptive analytical method, causal analysis and expert evaluation to define analysis’ results, conclusions and proposals |
| 1. What is the contribution of the program to the national strategy documents? | **Collection and processing of information and data**  **Desk research**   1. Review and summarize information collected and analyzed 2. Aggregation of data   **Evaluation methods**   1. Analysis of the contribution of the projects currently defined in the programme based on the possibilities to achieve the defined objectives 2. Descriptive analyticalmethod, causal analysis and expert evaluation to define analysis results, conclusions and proposals for action |

The proposed and used evaluation methods follow European practice in carrying out similar evaluations. The table below presents the methods used to carry out evaluations of EU-funded transport programmes in other European countries, compared with those used to prepare this report.

Table III‑2 Comparison of the methods used in carrying out evaluations of transport programmes in European countries and this evaluation

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Bulgaria** | **Czech republic** | **Greece** | **Romania** | **Spain** | **Poland** | **Estonia** |
| Evaluation of the progress of Operational Programme "Transport and Transport Infrastructure" 2014-2020 (OPTTI) and contribution to the EU Strategy | Evaluation of the implementation of OP Transport 2014-2020 | Evaluation of the implementation of OP Transport, Infrastructure, Environment and Sustainable Development 2014-2020 | Evaluation of transport support in the Large-Scale Infrastructure OP | Ex-post evaluation of ERDF support in the period 2014-2020 for transport in Spain – 2019 | Evaluation of transport and safety effects and investments under PO6 by OP Infrastructure and Environment (Part 1)[[1]](#footnote-1) | Evaluation of the impact of EU co-financed investments on transport in 2007-2013 and 2014-2020[[2]](#footnote-2) |
| **Desk research** | **Х** | **Х** | **X** | **X** | **Х** | **Х** |
| **Comparative analysis** |  | **Х** | **X** | **X** |  |  |
| **GAP analysis** |  |  |  |  |  |  |
| **Decomposition analysis** |  |  |  |  |  |  |
| **Desk research** |  | **Х** |  |  |  |  |
| **Causal analysis** |  |  |  |  | **X** |  |
| **Expert assessment** |  |  |  |  |  |  |
| **Surveys – online questionnaire** | **Х** |  | **X** |  | **X** |  |
| **Interviews** | **Х** |  | **X** |  | **Х** | **Х** |
| **Analysis of the causes of deviations/analysis of deviations** |  |  |  |  |  |  |
| **Factor analysis - Prioritising success factors** |  |  |  |  |  |  |
| **Focus Groups** |  |  | **X** |  |  |  |
| **Econometric analysis** |  |  |  |  | **X** |  |
|  |  |  | **Case studies** |  | **Case studies** |  |
|  | **Theory of change** |  | **Workshop with beneficiaries** |  | **Spatial analysis** |  |
|  |  |  | **Delphy study** |  | **Counterfactual analysis** |  |
|  |  |  |  |  | **Cost-benefit analysis** |  |
|  |  |  |  |  |  |  |

*Source: https://ec.europa.eu/regional\_policy/en/policy/evaluations/member-states-2000/?keywords=2014-2020&themeId=20&typeId=0&countryId=0&languageCode=en*

# **RESULTS OF THE EVALUATION QUESTIONS**

# ***At what stage is the financial implementation regarding the objectives at the level of OP and priority axes? Is there a significant delay in the process of funds absorption?***

* + 1. Objectives of the financial implementation of OPTTI

The allocated financial resource under OPTTI, which can be used in the period 2014-2023, amounts to **EUR 1,888 billion**. As of the end of 2019, **83.32% of these funds have been awarded, 39.96% verified and 29.96% certified.** Support is provided for **56 projects**, 7 of which are the so-called "major" projects within the meaning of Regulation (EC) № 1083/2006 (with budget exceeding EUR 50 million).

Given the easier verifiability and traceability of the data, the currency in this report is in EURO or BGN, depending on the source of the information.

In *Table IV.1‑1 IV.1‑2 awarded, verified and certified funds as of* 2019progress is presented in terms of the amount of awarded funds, verified and certified expenditures under each of the priority axes.

Table IV.1‑1 IV.1‑2 awarded, verified and certified funds as of 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Priority axes** | **Total value of funding**  **euro** | **Awarded funds euro** | **Verified expenditure**  **euro** | **Certified expenditure**  **euro** |
| **PA1** | 632 944 722.00 | 655 200 689.82 | 117 989 193.49 | 50 959 902.00 |
| **PA2** | 713 746 175.00 | 436 478 005.07 | 253 203 272.16 | 182 109 514.00 |
| **PA3** | 423 619 620.00 | 415 868 280.95 | 358 483 399.24 | 295 450 088.00 |
| **PA4** | 69 609 312.00 | 35 173 391.26 | 5 227 499.47 | 4 744 652.00 |
| **PA5** | 47 667 431.00 | 29 971 991.42 | 19 331 043.54 | 16 557 756.89 |
| **Total** | **1 887 587 260.00** | **1 572 692 358.52** | **754 234 407.89** | **549 821 912.89** |

*Source: OPTTI text, version 4.0, annual implementation reports of the programme and data from the MA*

The pace of contracting, verification and certification compared to the total budget (financial resource) of OPTTI for the period 2014-2019 is presented in the graphs below.

Figure IV.1‑1 2 OPTTI compared to the programme budget (in EURO and as a percentage)

|  |  |
| --- | --- |
|  |  |

*Source: Text of OPTTI, v. 4.0, annual implementation reports of the programme and data from the MA (the amount of verified funds)*

* + 1. Implementation of the OPTTI financing plan

The evaluation is based on data at the end of 2019, which is the penultimate year for negotiating the funds. The budget of the programme is distributed by years in the financing plan of OPTTI, as the annual distribution is relatively even. Given that the programming period is 7 years, in the 6th year (2019) the awarded funds should be at least 6/7 or a little over 85%. Therefore, it can be concluded that the level of awarded funds is relatively good, which is largely due to the overbooked budget under PA1 (103.52%) and the high degree of awarded grants under PA3 (98.17%). Under the other priority axes the degree of awarding of funds is below 63%, which shows a different degree of awarding of the funds under the priorities of OPTTI.

The implementation of the investment projects is about 3 years, due to which the absorption of the awarded funds must follow the awarding by 3 years or by the end of 2019 at least 3/7 or 43% of the OPTTI funds should be actually used. However, the amount of verified funds shows a lag, as only in PA3 the verified expenditures have a high percentage - a total of 84.62% compared to the resource of the axes. For the other two priority axes with an important contribution to the programme, PA1 and PA2, the level of verification of expenditures relative to the axis budget is low (18.64% under PA1 and 35.43% under PA2). If we compare with the level of implementation of the Operational Programme Transport 2007-2013 for the respective year (2012) it will be seen that with a total budget under OPT of 2 003 481 166 EUR, the verified expenditures at the end of 2012 are amounting to EUR 898,742,158.09 or 44.86% of the total budget of the programme, and certified expenditures - 869,813,905.72 or 43.42%. These data once again show that the implementation of the current programme is lagging behind.

The pace of financial implementation of the programme is presented graphically in the graphs below. The first graph shows the amount of funds to be spent each year under the financing plan, the awarded funds for each year (cumulative) and the amount of certified expenditures (annual, cumulative). The second graph shows the difference between the funds planned for each year and the actually paid and certified funds. As can be seen, the difference between them is increasing.

Figure IV.1‑3 Comparison between the OPTTI financing plan and actual implementation

|  |  |
| --- | --- |
|  |  |

*Source: OPTTI, v. 4.0 and annual implementation reports of the programme*

Controlling the difference between planned and paid funds is important in order to comply with the N + 3 rule, according to which the expenditures planned for the N + year must be used and certified by the end of the N + 3 year. Otherwise, the rule for automatic decommitment enters into force, which reduces the financial resource under the programme with the difference between the funds planned for N+3 and those paid in the same year.

According to data from the MA (annual report for 2019) by 2019 there is no risk of non-compliance with this rule and the target has been achieved in the amount of more than 112%. However, the data for 2019 show that the level of disbursement of funds under the programme in these years is lower than in previous years. If the trend of implementation remains unchanged and the average amount of certified costs of approx. EUR 110 million for the period 2016-2019 is applied, the analysis shows that there is a risk at the end of 2020 the certified costs to be lower than those of the financing plan under the N + 3 rule. In order to avoid this risk, the annual payments for the period 2020-2022 need to be at least EUR 200 million, and in 2023 - nearly EUR 640 million (according to the OPTTI budget, v. 5), when the advance payment under the programme at the beginning of the programming period must be taken into account.

* + 1. Contribution of the individual priority axes to the total level of awarding, verification and certification of the financial resource under OPTTI

The budget of the program is distributed in such a way that most funds are provided for PA1 and PA2, respectively 33.5% and 37.8%, which reflects the priority of the programme for investment in railway and road projects. Third place takes PA3 with a share of 22.4% for investments in intermodal and sustainable urban transport. The share of the fourth and fifth axes is significantly smaller, respectively 3.69% and 2.53%. This ratio remains unchanged to a large extend in the awarded funds as only in PA2 there is a more serious deviation as the share of awarded funds in PA2 of the total budget of the programme decreases to 23.12%. The picture has changed significantly when considering the verified and certified expenditures on the individual axes, as their share show the real rate of absorption of funds under the programme. The largest share in the absorption is under PA3, where the verified funds are nearly 50% of the total verified expenditures under OPTTI and 84.62% of the budget of PA3, and the certified exceed 50% of the certified expenditures under the programme and 69% of PA3 budget. Compared to the total budget, these funds are 18.99% (verified) and 15.65% (certified. This is mainly due to the timely implementation of the two projects for Line 3 of the metro in Sofia. Next in the absorption of funds of the programme is PA2, which has the largest budget. At the end of 2019, the share of verified and certified expenditures on the axis accounted for a little over 30% of the total verified and total certified costs and respectively 13.41% and 9.65% of the programme budget. The rate of absorption under PA1 is low despite the fact that there is an overbooking of the budget (awarded 103.52%) and amounts to 6.25% and 2.70% verified and respectively certified funds compared to the total budget of OPTTI. Regarding the amount of contracted funds with contractors (after tenders) compared to the total budget of the programme, the share of PA1, PA2 and PA3 is close (23.57% for PA1, 22.25% for PA2 and 21.84% for PA3).

The graphs below show in percentages the contribution of each of the priority axes to the total budget of OPTTI, as well as the share of awarded, verified, certified and contracted costs (the sum may not be 100%).

Figure IV.1‑4 Contribution of each of the priority axes to the total budget of OPTTI

|  |  |
| --- | --- |
|  |  |
|  |  |
|  | |

*Source: Own calculations based on information from annual reports of OPTTI and data from the MA (amount of verified funds)*

There are 51 approved projects under the programme as of 31.12.2019, of which 2 are terminated or 49 projects with contribution to the implementation of the programme. Of these, 10 projects with a total value of BGN 73,881,707.52 or 2% of the total planned OPTTI resource were fully completed with a paid grant.

Figure IV.1‑5 6 grant of completed versus projects in progress

*Source: UMIS 2020*

* + 1. Financial progress under PA1

**Development of railway infrastructure along the “core” and “comprehensive” Trans-European transport network**

The funds of the priority axis are divided into 5 projects, 2 of which are "major"[[3]](#footnote-3) projects, 4 are investment projects and 1 project is for technical assistance. Two of the small investment projects have been completed, while the major projects and the technical assistance project are in progress. For the approved 5 project proposals, a grant of EUR 655,200,690 or 103.55% of the axis budget was provided. Although the **awarded funds under PA1 exceed its budget (103.52%)**, at the end of 2019 the verified expenditures amount to nearly 118 million euros, which represents 18.64% of the total value of funding allocated to PA1, and the amount of certified costs is nearly 51 million or 8.05%. In *Table IV.1‑3 Financial progress under PA1* are presented data on the total value of financing under the axis, the amount of awarded funds, the amount of concluded contracts with contractors, as well as the amount of verified and certified costs as of 31.12.2019. It can be seen from this table that **financial implementation progress of PA1 is only 18.64%.** The reason for this low level of financial implementation is the delay in the implementation of the two major projects on the axis (*Railway line Plovdiv - Burgas and Railway Elin Pelin - Kostenets*). The high share of contracted funds with contractors under PA1 with a low percentage of verified / certified funds is due to the fact that at the end of 2019 three contracts worth nearly 350 million euros were concluded, on which no payments have been made yet.

Table IV.1‑3 Financial progress under PA1

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Priority axis 1** | **Total amount of funding** | **awarded grants** | **signed commercial contracts** | **verified expenditure** | **certified expenditure** |
| value in euro | 632 944 722.00 | 655 200 689.82 | 444 957 764.72 | 117 989 193.49 | 50 959 902.00 |
| percentage to the TOTAL financial resource under PA1 |  | **103.52%** | **70.30%** | **18.64%** | 8.05% |
| percentage to the AWARDED grants under PA1 |  |  | **67.91%** | 18.01% | 7.78% |

*Source: annual reports of OPTTI and data from the MA (amount of verified funds)*

* + 1. Financial progress under PA2

**Development of road infrastructure along the „core” and “comprehensive” Trans-European transport network**

The funds of the priority axis are divided into 3 projects, 2 of which are "major" projects and 1 project is for technical assistance. As of the end of 2019, a resource in the amount of EUR 436,478,005.07 has been awarded under Priority Axis 2, which represents **61.15% of the total value of the financing under PA2.** This shows that a significant part of the resource on the axis has not yet been contracted. The reason for the low negotiation level is related to the fact that the unused part of the resource was provided for financing a project for construction of the *Struma Motorway, Lot 3.2* and after its withdrawal no alternative projects were submitted. The amount of verified expenditures on the axis is a little over EUR 250 million or 35.48% of the axis budget. In *Table IV.1‑4 Financial progress under PA2* are presented data on the total value of financing under the axis, the amount of awarded funds, the amount of concluded contracts with contractors, as well as the amount of verified and certified costs as of 31.12.2019. It can be seen that **the financial progress of PA2 is 35.48%.**

Table IV.1‑4 Financial progress under PA2

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Priority axis 2** | **Total amount of funding** | **awarded grants** | **signed commercial contracts** | **verified expenditure** | **certified expenditure** |
| value in euro | 713 746 175.00 | 436 478 005.07 | 420 064 101.41 | 253 203 272.16 | 182 109 514.00 |
| percentage to the TOTAL financial resource under PA2 |  | **61.15%** | **58.85%** | **35.48%** | 25.51% |
| percentage to the AWARDED grants under PA2 |  |  | 96.24% | 58.01% | 41.72% |

*Source: OPTTI annual reports and data from MA (amount of funds verified)*

* + 1. Financial progress under PA3

**“Improvement of intermodal transport services for passengers and freights and development of sustainable urban transport”**

The funds of the priority axis are distributed in 6 projects, all are investment projects, 2 are "major". Three of the projects are aimed at investments in the Sofia metro, and the other three at the reconstruction of 6 railway station complexes. There is 1 fully completed project on the axis *(Extension of Line 2 of the Metro).*

As of the end of 2019, a resource in the amount of EUR 415,868,280.95 **has been awarded** under PA3, which represents **98.17%** of the total value of the financing under PA3. The amount of **verified expenditures** on the axis is a little over EUR 350 million or **84.62%** of the budget of the axis. In *Table IV.1‑5 Financial progress under PA3* are presented data on the total value of the financing under the axis, the amount of the awarded funds, the amount of the concluded contracts with contractors, as well as the amount of the verified and certified expenditures as of 31.12.2019.

Table IV.1‑5 Financial progress under PA3

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Priority axis 3** | **Total amount of funding** | **awarded grants** | **signed commercial contracts** | **verified expenditure** | **certified expenditure** |
| Amount in EUR | 423 619 620.00 | 415 868 280.95 | 412 258 415.58 | 358 483 399.24 | 295 450 088.00 |
| percentage to the TOTAL financial resource under PA3 |  | **98.17%** | **97.32%** | **84.62%** | 69.74% |
| percentage to the AWARDED grants under PA3 |  |  | 99.13% | 86.20% | 71.04% |

*Source: OPTTI annual reports and data from MA (amount of funds verified)*

The timely implementation of metro projects is the reason for the high degree of financial progress under the axis.

* + 1. Financial progress under PA4

**“Innovations in management and services - establishment of modern infrastructure for traffic management and transport safety improvement”**

The funds of the priority axis are distributed in 8 projects, as at the end of 2019 under PA4 a resource in the amount of EUR 35,173,391.26 has been **awarded**, which represents **50.53%** of the total value of funding under PA4. The amount of **verified expenditures** on the axis is just over EUR 5 million or **7.51%** of the budget of the axis. In *Table IV.1‑6 Financial progress under PA4* are presented data on the total value of the financing under the axis, the amount of the awarded funds, the amount of the signed contracts with contractors, as well as the amount of the verified and certified expenditures as of 31.12.2019.

Table IV.1‑6 Financial progress under PA4

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Priority axis 4** | **Total amount of funding** | **awarded grants** | **signed commercial contracts** | **verified expenditure** | **certified expenditure** |
| Amount in EUR | 69 609 312.00 | 35 173 391.26 | 14 428 316.58 | 5 227 499.47 | 4 744 652.00 |
| percentage to the TOTAL financial resource under PA4 |  | **50.53%** | **20.73%** | **7.51%** | 6.82% |
| percentage to the AWARDED grants under PA4 |  |  | 41.02% | 14.86% | 13.49% |

*Source: OPTTI annual reports and data from MA (amount of funds verified)*

Unlike Priority Axis 1-3, there are no major infrastructure projects in PA4 and the awarded resource for individual projects in comparison to the total budget of the axis varies from 0.77% to 15.16%. These percentages are significantly closer in terms of the amount of verified expenditures to the total financial resource by priority and vary between 0.00% and 3.76%.

The low level of verification of expenditures under PA4 is due to the fact that for two of the projects, which constitute nearly 29% of the axis budget (and 56.16% of the total awarded resource), their financial implementation by the end of 2019 (verified expenditures) is very low and in total is a little over 0.2% of the financial resource under PA4. In addition, a project that engages nearly 9% of the awarded resource under the OP, has not been started by the end of 2019. There are two completed projects with a value of verified costs amounting to 13% of the total awarded resource, and the remaining projects are being implemented, but at a slow pace, which affects the overall financial progress on the axis and defines it as low.

* + 1. Financial progress under PA5

**“Technical Assistance”**

As of the end of 2019, a resource in the amount of EUR 29,971,991.42 has been **awarded** under Priority Axis 5 which represents **62.88%** of the total value of the financing under PA5. The amount of **verified expenditure** on the axis is just over EUR 19 million or **40.55%** of the axis budget. In *Table IV.1‑7 Financial progress under PA5* are presented data on the total value of financing under the axis, the amount of awarded funds, the amount of signed contracts with contractors, as well as the amount of verified and certified expenditures as of 31.12.2019.

Table IV.1‑7 Financial progress under PA5

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Priority axis 5** | **Total amount of funding** | **awarded grants** | **signed commercial contracts** | **verified expenditure** | **certified expenditure** |
| Amount in EUR | 47 667 431.00 | 29 971 991.42 | 20 512 308.84 | 19 331 043.54 | 16 557 756.89 |
| percentage to the TOTAL financial resource under PA5 |  | **62.88%** | **43.03%** | **40.55%** | 34.74% |
| percentage to the AWARDED grants under PA5 |  |  | 68.44% | 64.50% | 55.24% |

*Source: OPTTI annual reports and data from MA (amount of funds verified)*

In view of the objective of PA5, namely to provide technical assistance to the MA and to a lesser extent to the beneficiaries of the programme, the awarded resource is distributed relatively balanced. As expected the largest contribution to the awarded and verified funds on the axis have the projects of MTITC with nearly 14 million EUR contracted resource. Second place take NRIC projects with nearly 6 million euros, followed by Metropoliten projects with just over 4 million euros and RIA projects with approx. 3.5 million euros.

The chart below presents the contribution of beneficiaries for the absorption of the financial resource under PA5. The data are presented as a percentage of the total resource of the axis.

Figure IV.1‑7 Verified expenditures by beneficiaries under PA5

*Source: Own calculations based on annual reports of OPTTI and data from MA (amount of funds verified)*

The projects of the different beneficiaries under PA5 at the end of 2019 are in different stages of implementation. The projects of EA EMD and BPIC have the highest degree of verification of expenditures compared to the grant - 100.00% and 98.29% respectively. This is due to the fact that EA EMD has one approved and fully implemented project, and BPIC, which has 4 approved projects due to the fact that one of them is of high value and is also implemented and paid, the total degree of verification of total costs of the 4 projects is also high. For the other beneficiaries the projects are still in the implementation stage and accordingly their degree of verification is in the range 46.13% -74.38%. These data are presented in the next graph.

Figure IV.1‑8 Degree of implementation of the projects by beneficiaries

*Source: Own calculations based on annual reports of OPTTI*

# **What obstacles and problems in the absorption of funds are identified?**

The results of the survey conducted among the beneficiaries highlight the main problems reflected in *Table IV.2‑1 Main problems by beneficiaries.*

Table IV.2‑1 Main problems by beneficiaries

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Problem** | **NRIC** | **RIA** | **Metropolitan** | **EA EMD** | **BPIC** | **EA MA** |
| **Difficulties with the implementation of the Spatial Planning Law** | **50%** | 20% | **50%** | 0 | 25% | 0 |
| **Difficulties with the implementation of environmental legislation** | 20% | **100%** | **50%** | 0 | 25% | 0 |
| **Difficulties with the implementation of the Public Procurement Act - long procedures** | **80%** | **80%** | **50%** | **100%** | **75%** | **100%** |
| **Preparation of pre-investment studies, identifying the optimal and feasible option for project implementation** | **40%** | 20% | 0 | **60%** | **100%** | 0 |
| **Need of adjustment and updating of Cost-Benefit Analysis and application forms of prepared project proposals** | **40%** | **80%** | 0 | **40%** | **75%** | 0 |
| **Preparation of reports on Environmental Impact Assessment (EIA)** | 20% | **60%** | 0 | 0 | 0 | 0 |
| **Delays and problems with the implementation of procedures under the Spatial Planning Law- Detailed site development plans, conformity assessment, issuance of building permits** | **40%** | **40%** | **50%** | 0 | 0 | 0 |
| **Appeal against the tender documentation** | **100%** | **40%** | 0 | **60%** | 0 | **100%** |
| **Appeal against the decision for selection of a contractor** | **90%** | 20% | 0 | **100%** | **50%** | **100%** |
| **Construction delay** | **40%** | 20% | 0 | 0 | 0 | 0 |
| **Occurrence of contingency circumstances/costs** | **30%** | **80%** | **50%** | 0 | **50%** | **50%** |
| **Preparation of technical/working projects** | 10% | 40% | 0 | 0 | **50%** | 0 |
| **Conciliation procedures** | **80%** | **80%** | 0 | 0 | **50%** | 0 |
| **Land acquisition procedures** | **80%** | **80%** | **50%** | 0 | 25% | 0 |
| **Approval of Cost-Benefit Analysis and application form** | 10% | 20% | 0 | 0 | **75%** | 0 |
| **Preparation of tender procedures, including technical specifications** | 10% | 0 | 0 | **60%** | 25% | **50%** |

*Source: Questionnaire survey*

NRIC is the only beneficiary under PA1, but also implements projects within PA3 and PA4, due to which the problems identified by the institution apply to all these axes. The projects of RIA are entirely within PA2, of Metropolitan - in PA3, and the other organizations are beneficiaries of PA4, due to which their problems are relevant to this axis.

The analysis carried out at the level of priority axes and specific projects highlights the following prioritisation of the main problems at programme level presented in *Table IV.2‑2 Prioritisation of identified problems under OPTTI 2014-2020.*

Table IV.2‑2 Prioritisation of identified problems under OPTTI 2014-2020

|  |  |  |
| --- | --- | --- |
| **Prioritized problems/difficulties** | **Weighted factor significance** | **importance of the problem/difficulty** |
| Long-lasting procedures for the selection of a contractor due to appeals, conflict with the implementation of Public Procurement Act, long-term work of evaluation committees | 80% | Critical |
| Long-lasting and labor-consuming land acquisition procedures | 70% | Critical |
| Occurrence of contingency circumstances/costs | 40% | Essential |
| Coordination procedures | 50% | Essential |
| Preparation of feasibility studies identifying an optimal and feasible option for the realization of a project | 30% | Average significance |
| Need of revision and update of cost-benefit analysis and application forms of prepared project proposals | 30% | Average significance |
| Difficulties with the implementation of environmental legislation | 30% | Average significance |
| The preparation of tender procedures, including technical specifications | 30% | Average significance |
| Delays and problems with implementation of procedures under the Spatial Planning Law – Detailed site development plans, conformity assessment, issuance of building permits | 40% | Average significance |
| Construction delays | 30% | Average significance |
| Approval of cost-benefit analysis and application forms | 20% | Insignificant |
| Preparation of technical/work projects | 20% | Insignificant |
| Preparation of environmental impact assessment (EIA) reports | 20% | Insignificant |

*Source: expert assessment based on cabinet study, GAP analysis and survey*

A full list of identified difficulties derived from desk research, GAP analysis and survey is presented in Annex VII.4.

* + 1. Main problems brought up at programme level

Table IV.2‑3 Analysis on main problems under OPTTI

|  |  |
| --- | --- |
| **Problem derived at programme level, comment on the problem and risks arising from it** | **Measures undertaken** |
| **Public procurement appeals**  The analysis shows that the problem with appeals is one of the main problems under PA1, PA2, PA3 and PA4. The appeals are mainly related to the construction procedures and lead to delays in the implementation of the "major" projects, the timely completion of which has a key role in the implementation of OPTTI 2014-2020.  The average time for conducting the tender procedures for construction, which were appealed within PA1,2 and 3, is 455 days, and the average time for conducting the procedures for construction and installation works, which were not appealed, is 280 days, which is a difference from about half an year.  The risks are related to the construction procedures, which as of 31.12.2019 have not been carried out yet or are in the process of being carried out, as possible appeals may lead to delays on projects and going beyond the eligibility period for programme costs. The problem is also valid for the projects that should be implemented in the next programming period. | .  Amendments to the Public Procurement Act /PPA/ have been adopted, which introduce liability for damages caused when there is an abuse of the right to appeal. Changes have also been made to overcome the negative consequences of unjustified suspension of the procedure when the complaint turns out to be irregular.  One year after the changes (2019), the results of these changes do not have a clear effect. The period is short for analysis and conclusions as to whether the measures have a positive or no impact.  It is difficult for beneficiaries to take concrete action on the identified problem, as it is not within their competence |
| **Financial corrections**  Financial corrections were imposed on all examined priority axes (1-4) and their **total value amounts to BGN 72,458,339.18, which represents about 2% of the financial resource of the programme**. The ratio of the amount of the imposed financial corrections by priority axes is presented in the figure below.  Figure IV.2‑1 Percentage breakdown of financial corrections by axes  *Source: UMIS*  The total value of the financial corrections imposed is a relatively small percentage when referring to the total value of the grant, but its amount represents about 53% of the funding under the whole priority axis 4, and in absolute value represents a significant resource that should not be lost.  The main reason for imposing financial corrections are violations in the documentation for public procurement, which requires their better and more precise development. | Appeals against some of the imposed financial corrections are identified as measures taken, as well as preliminary random control by the PPA, which is assessed by the beneficiaries as insufficiently effective. The MA annually sends to all beneficiaries and uploads on the official website of the programme, an analysis of the most common violations and errors in public procurement for the previous year, prepared by the EA AEUF. In case of significant amendments to the Public Procurement Act or by-laws that are essential for the process (e.g. Ordinance on Irregularities), trainings on the new changes are organized for the beneficiaries, as well as for the employees of the MA. |
| **Administrative capacity**  The problem with lack of administrative capacity is extremely important, as it relates to all identified problems within the programme - land acquisition procedures, tender procedures, project preparation, implementation of activities, etc. At the same time, this problem has various aspects that need to be addressed – staff turnover, high workload of the employees of the beneficiaries, who are engaged in the preparation and management of the projects, as well as constant need to upgrade capacity in connection with frequent changes in regulations, structural and organizational changes etc. | The measures taken by the beneficiaries to improve the administrative capacity are the following:   * Conducting trainings, which are assessed as an effective measure for increasing the administrative capacity and overcoming some problems; * Improving the organization of work through structural changes - differentiation of specific units, closely specialized in a particular area or focused only on work on a specific project. * Use of external experts and contractors for activities for which there is a lack of sufficient expertise, in order to optimize the work and timely implementation of projects; * Strengthen cooperation with JASPERS. |
| **Land acquisition procedures**  Land acquisition is the activity with the largest delays in major infrastructure projects under PA1 and PA2. The analysis shows that the land acquisition period for these projects takes 4 and in some cases more years, which in combination with the delays in conducting the tender procedures, the occurrence of unforeseen circumstances during the construction, as well as possible delays in the preparation and approval of application forms, poses a serious risk to the implementation of projects within the eligibility period. | Certain legislative changes have been initiated to facilitate the process and lead to shorter deadlines.  Beneficiaries take measures that are within their competence, but the complexity of the procedures and the need to involve different stakeholders makes the process difficult to manage, incl. and in terms of its duration. |
| **Inclusion in the programme of projects that do not have the necessary project maturity to be implemented within the programming period**  Most of the projects included in the programme have a low degree of project maturity – land acquisition procedures, the preparation of which has not started, unprepared tender procedures, archaeological research not carried out, lack of EIA. All this leads to serious delays and creates a risk of incompletion within the eligibility period.  For major projects implemented by NRIC, a high degree of maturity is required before approval, due to the problems reported in the previous programming period, but nevertheless these projects are not in a stage of sufficient maturity at the time of approval. | The OPTTI 2014-2020 includes technical assistance projects, which aim to ensure the preparation of identified infrastructure projects which to be subsequently included in the Transport Connectivity Programme 2021-2027. Some of these projects are in an advanced stage of implementation, which allows their consideration and inclusion as alternative projects within OPTTI 2014-2020. |
| **Communication between the beneficiaries and the various institutions involved in the smooth implementation of the projects**  Problems in the communication between the beneficiaries and the various institutions involved in the implementation of the projects are a significant obstacle in the implementation of the programme, as they lead to a number of delays. These problems are most significant in the implementation of the coordination and land acquisition procedures, as well as in the procedure for issuing of building permits, as they require a response from a large number of institutions and delays accumulate. | The main measures taken by the beneficiaries to resolve the identified problem are individual meetings with representatives of various institutions to resolve specific cases, but the measures do not always give results due to lack of commitment and willingness to cooperate with the other party. |
| **Unrealistic planning of the activities envisaged within the projects**  The MA of OPTTI identifies a problem in the planning of activities within the projects, which is confirmed by the analysis of the Evaluator. In the activities with the greatest delays, namely the preparation and conduct of tendering procedures for construction and land acquisition procedures, the problem of planning is observed. | No specific measures have been identified to address this problem, although actions have been taken to compensate the delays. |

*Source: Annual OPTTI reports, annual project reports, data by MA, UMIS, internet site of RIA and the beneficiaries as well as expert assessment.*

All identified problems lead to delays in project implementation, which is the most significant obstacle of the progress of the programme. The risk of non-utilization of funds within the period of eligibility of costs requires phasing of some of the major projects and the inclusion of alternative projects that are in an advanced stage of implementation in order to absorb the resources of the programme. The phasing and inclusion of alternative projects is determined by the MA as the most effective method for overcoming the problems in the programme related to the registered delays.

# ***What is the degree of physical progress in relation to the output and result indicators at the level of priority axes?***

In this part of the report the degree of physical progress is measured in relation to the indicators set in the programme for progress **(output) and result**, the achieved values of which at the end of 2019 are reviewed and analyzed in all priority axes of OPTTI. The physical progress of the approved projects is analyzed too and to what extent it contributes to the achievement of the values of the indicators in order to be assessed their applicability as a tool for real reporting of the achieved objectives of the priorities and hence of the Programme as a whole.

The detailed consideration of the impact of factors that have a favorable or negative impact on the achievement of the targets of result and output indicators for each of the priority axis and for every projects is presented in Sections III.2 and III.4 of the Extended Evaluation Report. Only the most significant factors are listed here.

The result and output indicators on the different priority axes are grouped in *Table IV.3‑1 Result and output indicators by priority axes*.

Table IV.3‑1 Result and output indicators by priority axes

|  |  |  |
| --- | --- | --- |
| **Priority axis** | **Result indicators** | **Output indicators** |
| **PA1** | * Permissible maximum speed * Passenger transport performance * Freight transport performance | Total length of reconstructed or upgraded railway line, of which: TEN-T |
| **PA2** | Saturation ratio of road infrastructure along the Struma Motorway | Total length of newly built roads, of which: TEN-T |
| **PA3** | * Trips by metro * Share of reconstructed intermodal railway stations along OEM CNC, section Sofia-Plovdiv-Burgas | * Total length of new or improved tram and metro lines * New metro stations * Depot * Metro trains * Reconstructed railway stations |
| **PA4** | * Average multiannual number of days with bottlenecks at water levels above LNWL * Ship-generated waste and cargo residues treated in the ports * Reduction in the number of accidents along the Railway Section Rousse -Kaspichan | * Commissioned port reception facilities for ship-generated waste * Introduced/ upgraded navigation information systems * Delivered of multipurpose vessels * Metro stations equipped with platform screen doors * Modernized interlocking systems in railway stations located at the Ruse – Kaspichan railway section |
| **PA5** | * Trained people according to training programs * Completed activities under the Communication Plan * Average time required to pay beneficiary from the date of submission of the application for reimbursement * Average time for evaluation of project * Degree of public awareness of OPTTI * Share of expenditure covered by on the spot checks | * Adopted Evaluation plan * Number of trainings of employees of Managing Authority and beneficiaries * Meetings held of the MC * Number of employees (Full-time equivalents, FTEs) whose salaries are co-financed by technical assistance * Major information activities * Number of public information events * Adopted communication Strategy * Number of on the spot checks |

*Source: OPTTI, v. 4.0*

The level of achievement of the **output indicators** under the programme, covering priority axes from 1st to 4th, is presented in the following figure.

Figure IV.3‑1 Level of achievement of output indicators from PA1 to PA4

*Source: Own calculations based on annual report of OPTTI for 2019*

The analysis shows that only two out of 12 output indicators have achieved the target values, one has a little over 50% performance, the others are below 33% performance and under 5 of the indicators the performance as of 31.12.2019 is 0%. The main reason for not achieving the indicators milestones is the delay in the implementation of projects, which in many cases is close to or over 1 year.

The deadlines for implementation of some of the projects (under PA1, PA2 and PA4), which contribute to achieving the values of the indicators, are in 2023, i.e. close to the end of the programming period. This exposes at risk the achievement of the final targets of the indicators for both output and results on each of these priority axes.

For the achievement of some of the indicators (under PA2 and PA4) at the end of 2019 there are no approved projects and therefore their implementation rate is 0%.

Regarding the achieved values of the ***result indicators***, the analysis shows that their values will represent the effects of the funded projects at the end of the projects and the programme, i.e. after 2023. Therefore, and as most of the projects that contribute to the result indicators as of 31.12.2019 have not been completed, the values of these indicators as of 31.12.2019 still cannot give a clear view of the real effects of projects.

For the three result indicators:

* *Permissible maximum speed*
* *Passenger transport performance*
* *Freight transport performance*

the calculation methodology is such that not only the projects approved under PA1 have an impact on their values by the end of 2019. In the calculation of the values of the indicator for the maximum speed, the admissible speeds on sections reconstructed in the previous programming period are included, and on those sections that are implemented with OPTTI funds the speeds are reduced instead of increasing due to the repair works. That is why the approved projects in the current programing period still don’t impact the value of this indicator. The entire railway system contributes to the values of the indicators for the work performed. There is a similar influence of external factors in the indicators for result under PA4.

In two of the indicators the achievements are negative. The target of the value of the indicator *Saturation of the road infrastructure in the direction of Struma Motorway* is decreasing of the saturation at the end of 2023. By the end of 2019 the value of this indicator increases instead and therefore the degree of its performance is negative. The increase in saturation is due to the fact that the highway has not been built, and at the same time the flow of vehicles has increased compared to 2013, when its base value was measured. The situation is similar with the indicator *Reduction of the number of accidents along the Railway Section Rousse -Kaspichan*. To achieve this indicator by the end of 2019 there is no approved project and accidents instead of decreasing, are increasing. Therefore, its achievement is negative. In 2020, with the 4th amendment (notification) of the programme, this indicator dropped. In addition, for the achievement of some of the result indicators (under PA2 and PA4) at the end of 2019 there are no approved projects.

The level of achievement of the ***result indicators*** under the programme, covering PA1 to PA4 is presented in the figure below.

Figure IV.3‑2 Level of achievement of result indicators under PA1 to PA4

*Source: Own calculations based on annual report of OPTTI for 2019*

Apart from the evaluation of the level of achievement of indicators target values, the physical progress of all approved projects from PA1 to PA4 is analyzed. Based on the analysis, two groups of projects significant for the pace of programme progress are identified. The first group of projects is composed of projects with good implementation (over 70% physical progress), and the second group includes projects whose implementation is below 30%. The evaluation shows that the total value of "risky" projects is higher than the total value of those with a high degree of implementation. In order to ensure a good level of implementation of the programme at the end of the period, under some of the risk projects described above, the MA and the beneficiaries in 2020 are taking steps to separate and phase them, as well as to provide additional/alternative projects. These two groups of projects are presented in *Table IV.3‑2 Projects with high and low level of implementation.*

Table IV.3‑2 Projects with high and low level of implementation

|  |  |
| --- | --- |
| **Projects with high level of implementation (over 70%)** | **Projects with low level of implementation (under 30%)** |
| * + Traction substations Burgas, Karnobat and Yambol   + Four overpasses   + Western arc of Sofia Bypass   + Metro, Line 3, stage I   + Extension of Metro Line 2   + Metro, Line 3, stage II   + Danube navigation systems 2   + Vessel Traffic Management (VTMIS)   + Seaport risk prevention (RPSSP)   **Total budget 470 mln EUR** | * + Railway line Plovdiv - Burgas   + Railway line Elin Pelin - Kostenets   + All station complexes   + ITS Trakia Motorway   + Modernization of the Danube waterway   + Train operation management system in NRIC   **Total budget 663 mln EUR** |

*Source: Annual project reports, expert evaluation and own calculations*

The graph below presents ***the degree of achievement of the output and result indicators under PA5.*** It is important to note that two indicators related to the work of the MA in the process of implementing the programme are in diametrically opposite directions. While the average project evaluation time has decreased from 90 days to 40 days at a target value of 80 days and therefore the implementation rate is 212.50%, the processing time for the payment request has doubled and moved away from the target value by 140% (therefore the degree of performance is represented by a negative value).

Figure IV.3‑3 Level of achievement of indicators under PA5

*Source: Own calculations based on data from annual OPTTI report for 2019*

# ***What are the factors that influence the progress?***

The analysis of the current question compises a comprehensive review of the impact of each of the identified factors on all OPTTI projects, focusing on the following parameters: number of projects concerned; time impact (accelerated/delayed implementation in months); financial impact; impact on the deadline for the completion of the project.

The evaluator has analysed the impact of the identified factors at both project and programme level, examining the aggregate impact at programme level.

The factors influencing the implementation of the Programme can generally be divided into 2 main groups - external and internal in terms of the main stakeholders – Managing Authority and beneficiaries.

* External factors are those which are not dependent on the main stakeholders and could have a minimal impact on them;
* Internal factors are those related to processes and capacity inherent or directly dependent on stakeholders.

At the same time, for the purposes of examining the evaluation question, the factors influencing the progress are typologised as follows:

* Factors influencing the financial implementation of the Programme – mainly related to the implementation of the programme budget and management of financial resources;
* Factors influencing the physical implementation of the Program – related to the implementation in terms of time parametres, as well as implementation according to the specified scope in the Program.

The analysis presented below in the current report shows that a factor, regardless its definition as internal or external, in most cases has a simultaneous impact on the financial and physical implementation of the Programme.

Based on an overview of the results on the following evaluation questions (EQ):

* EQ 1 At what stage is the financial implementation regarding the objectives at the level of OP and priority axes? Is there a significant delay in the process of funds absorption?
* EQ 2 What obstacles and problems in the absorption of funds are identified?
* EQ 3 What is the degree of physical performance in relation to the output and result indicators at the level of priority axes?

the following typologisation of the factors influencing the Programme’s progress could be defined:

* Delays and problems with the application of procedures under the SPL - Detailed development plans, conformity assessment, issuance of building permits
* Existence of unforeseen circumstances, incl. unexpected findings of archeological sites/artifacts in the construction phase, which lead to suspension and delay of construction and possible increase in the value of the sites

Table IV.4‑1 Typologicalisation of factors influencing the Programme’s progress

| Factors | Problems | External | Internal | influencing the financial implementation | influencing the physical implementation |
| --- | --- | --- | --- | --- | --- |
| Related to financial problems | Lack of practice of some of the beneficiaries to finance and start project implementation activities prior to grant contact signing due to reluctance/inability to take risk for providing own pre-financing | X |  | X | X |
| Existence of gaps and mistakes in providing the regulatory requirements in the implementation and management of grant contracts by some of the beneficiaries, resulting in financial corrections and negative effect on the financial implementation of the programme |  | X | X |  |
| Underestimated value of tenders, incl. outdated prices at the time of tendering |  | X | X | X |
| Contingency costs exceeding the amounts included in the project budgets | X |  | X | X |
| Difficulties for some beneficiaries in financing project preparation activities such as land acquisition land acquisitions, archaeological excavations, etc. | X |  | X | X |
| Related to administrative and organizational problems | Insufficient administrative capacity for some of the beneficiaries |  | X | X | X |
| Structural and organisational changes of beneficiaries |  | X |  | X |
| Reporting problems of some beneficiaries |  | X | X | X |
| Poor coordination between the various institutions involeved in the approval of the project technical documentation | X |  | X | X |
| Delays and gaps in the preparation and initial stages of project implementation |  | X | X | X |
| Unrealistic planning of the time frame for the implementation of projects and the envisaged activities |  | X | X |  |
| Delays in the preparation and start of tender procedures |  | X |  | X |
| Related to environmental legislation issues | Need to provide a full EIA, appeal against an effective EIA decision or to change an implemented EIA | X |  |  | X |
| Related to procurement legislation issues | Appeal against tender documentation | X |  |  | X |
| Appeal against the decision for selection of a contractor | X |  |  | X |
| Related to issues concerning implementation of procedures under the Spatial Development Act | Exproporiation procedures, including appeal against the relevant acts | X |  |  | X |
| Detailed site development plans, including appeal against relevant acts, conformity assessment, issue of building permits | X |  |  | X |
| Interinstitutional coordination and cooperation with other state institutions | X |  |  | X |
| Related to technical Problems | Existence of unforeseen circumstances, including unexpected findings of archaeological sites/artifacts in the construction phase, which lead to the suspension and delay of construction and a possible increase in the value of the site | X |  | X | X |
| Need to change the technical documentation after the start of the construction phase due to unforeseen circumstances and external factors |  | X | X | X |
| Difficulties in preparing technical specifications |  | X | X | X |
| Delays in construction phase | X |  | X | X |

*Source: Expert assessment based on information gathered by desk research, quantitative and qualitative survey*

In addition to the project and priority axes factors that affect the financial and physical implementation of the programme, there are also factors identified by representatives of the MA who participated in the survey, that have a beneficial effect on the successful implementation of OPTTI regardless of the specificities of the projects, priority axes and beneficiaries, namely:

* Well-planned interventions secured by mature projects – 20.27%
* Administrative capacity of MA and beneficiaries – 20.27%
* Legislation and related procedures concerning the preparation and implementation of projects – 17.57%
* Developed interinstitutional coordination mechanism on issues related to the preparation and implementation of projects - 10.81%.

The factors are prioritized according to the following criteria:

* Importance
* Frequency of occurance
* Feasibility

Table IV.4‑22 Criteria determining the factors influencing the Programme’s physical and financial implementation

|  |  |  |  |
| --- | --- | --- | --- |
| Level | Importance | Frequency of occurance | Feasibility |
| 1 | Insignificant | Not common | Difficult to implement |
| 2 | To some extent | To some extent | To some extent |
| 3 | Essential | Common | Relatively easily to implement |

The weighting criteria covers the **factors of importance and** frequency of implementation (taking into account the impact on physical and financial progress in the Programme’s implementation, the achievement of the Programme’s objectives and the impact on the Programme’s financial realization rate) and feasibility – the possibility of implementing realistic corrective/preventive actions in order to minimize the negative effect.

"Importance" takes into account the expected impact of the relevant factor/problem on the achievement of the Programme’s objectives and the financial realization rate. The greater the expected impact, the more important the factor.

"Frequency" – in this case, it is taken into account how often the problem occurs. Factors/problems that are more common and in a larger number of projects are scored higher.

The "feasibility" criterion addresses how easily the influence of the factor/problem can be removed/minimized. The easier the problem is addressed, the higher it is scored.

Scoring is done on the basis of expert assessment, taking into account the necessity to use expertal experts/institutions in in solving the problem.

Factors that get 8 or 9 points are categorized as onew with high priority, and those with fewer points are still factors to be addressed, but not as urgent.

Table IV.4‑3 Assessment of the factors that influence the Programme’s physical and financial implementation

| Factors | Problems | Importance | Frequency of occurance | feasibility | Total score |
| --- | --- | --- | --- | --- | --- |
| Related to financial problems | Lack of practice of some of the beneficiaries to finance and start project implementation activities prior to grant contact signing due to reluctance/inability to take risk for providing own pre-financing | 3 | 2 | 1 | **6** |
| Existence of gaps and mistakes in providing the regulatory requirements in the implementation and management of grant contracts by some of the beneficiaries, resulting in financial corrections and negative effect on the financial implementation of the programme | 2 | 1 | 2 | **5** |
| Underestimated value of tenders, incl. outdated prices at the time of tendering | 2 | 1 | 3 | **6** |
| Contingency costs exceeding the amounts included in the project budgets | 2 | 2 | 2 | **6** |
| Difficulties for some beneficiaries in financing project preparation activities such as land acquisitions, archaeological excavations, etc. | 3 | 2 | 2 | **7** |
| Related to administrative and organizational problems | Insufficient administrative capacity for some of the beneficiaries | 3 | 1 | 2 | **6** |
| Structural and organisational changes of beneficiaries | 2 | 1 | 2 | **5** |
| Reporting problems of some beneficiaries | 2 | 1 | 2 | **5** |
| Poor coordination between the various institutions involeved in the approval of the project technical documentation | 3 | 3 | 2 | **7** |
| Delays and gaps in the preparation and initial stages of project implementation | 3 | 2 | 3 | **8** |
| Unrealistic planning of the time frame for the implementation of projects and the envisaged activities | 3 | 2 | 3 | **8** |
| Delays in the preparation and start of tender procedures | 3 | 3 | 2 | **8** |
| Related to environmental legislation issues | Need to provide a full EIA, appeal against an effective EIA decision or to change an implemented EIA | 3 | 2 | 1 | **6** |
| Related to procurement legislation issues | Appeal against tender documentation | 3 | 3 | 1 | **7** |
| Appeal against the decision for selection of a contractor | 3 | 3 | 1 | **7** |
| Related to issues concerning implementation of procedures under the Spatial Development Act | Exproporiation procedures, including appeal against the relevant acts | 3 | 3 | 1 | **7** |
| Detailed site development plans, including appeal against relevant acts, conformity assessment, issue of building permits | 3 | 3 | 1 | **7** |
| Interinstitutional coordination and cooperation with other state institutions | 3 | 2 | 2 | **7** |
| Related to technical Problems | Existence of unforeseen circumstances, including unexpected findings of archaeological sites/artifacts in the construction phase, which lead to the suspension and delay of construction and a possible increase in the value of the site | 3 | 3 | 1 | **7** |
| Need to change the technical documentation after the start of the construction phase due to unforeseen circumstances and external factors | 2 | 2 | 1 | **5** |
| Difficulties in preparing technical specifications | 3 | 1 | 2 | **6** |
| Delays in construction phase | 3 | 3 | 1 | **7** |

*Source: Expert assessment based on information gathered by desk research, quantitative and qualitative research*

The prioritization of the factors influencing the Programme’s physical and financial implementation, based on the selected weighting criteria, resulted in the presented in the table below order of factors’ prioritization. It should be taken into account that factors related to the most problematic elements for the implementation of OPTTI are not stated as the most priority factors due to the complexity of the assessment approach and the inclusion of a **criterion** feasibility – the possibility of implementing realistic corrective/preventive actions in order to minimise the negative effect.

Table IV.4‑4 Prioritised factors influencing the Programme’s physical and financial implementation

|  |  |
| --- | --- |
| Prioritised factors | Total score |
| Delays in the preparation and start of tender procedures | 8 |
| Delays and gaps in the preparation and initial stages of project implementation | 8 |
| Unrealistic planning of the time frame for the implementation of projects and the envisaged activities | 8 |
| Appeal against tender documentation | 7 |
| Detailed site development plans, including appeal against relevant acts, conformity assessment, issue of building permits | 7 |
| Existence of unforeseen circumstances, including unexpected findings of archaeological sites/artifacts of national importance in the construction phase, which lead to the suspension and delay of construction and a possible increase in the value of the site | 7 |
| Delays in construction phase | 7 |
| Appeal against the decision for selection of a contractor | 7 |
| Poor coordination between the various institutions relevant to the approval of the project technical documentation | 7 |
| Difficulties for some beneficiaries in financing project preparation activities such as land acquisition, archaeological research, etc. | 7 |
| Lack of practice of some of the beneficiaries to finance and start project implementation activities prior to grant contact signing due to reluctance/inability to take risk for providing own pre-financing | 6 |
| Contingency costs exceeding the amounts included in the project budgets | 6 |
| Underestimated value of tenders, incl. outdated prices at the time of tendering | 6 |
| Need to provide a full EIA, appeal against an effective EIA decision or to change an implemented EIA | 6 |
| Difficulties in preparing technical specifications | 6 |
| Insufficient administrative capacity of some of the beneficiaries | 6 |
| Existence of gaps and mistakes in providing the regulatory requirements in the implementation and management of grant contracts by some of the beneficiaries, resulting in financial corrections and negative effect on the financial implementation of the programme | 5 |
| Structural and organisational changes of beneficiaries | 5 |
| Reporting problems of some of the beneficiaries | 5 |
| Need to change the technical documentation after the start of the construction phase due to unforeseen circumstances and external factors | 5 |

*Source: Expert assessment based* *on information gathered by desk research, quantitative and qualitative research*

# ***What is the progress in achieving milestones for 2018 in terms of output indicators in the Performance framework?***

The milestones or overall objectives of a priority axis are considered to be met if all the indicators included in the relevant Performance framework have reached at least **85%** of the value of the milestone for 2018 or at least 85% of the value of the overall objective by the end of 2023. If three or more indicators are included in the Performance framework, the overall or milestone objectives of a given priority may be considered met if all but one of the indicators reach 85% of the value of the respective milestone objective for 2018 or 85% of the value of the relevant overall objective by the end of 2023. An indicator that does not reach 85% of the relevant milestone for 2018 or overall objective for 2023 must reach at least 75% of these two objectives. In a situation where one or more priorities of a programme fail to achieve their milestones for 2018, Member States reallocate the related performance reserve to other priorities which have achieved their milestones.

A priority will be deemed to have seriously failed to achieve the milestone for 2018 and targets for 2023 if indicators have failed to achieve at least 65%. In this case the Commission may suspend all or part of an interim payment of the priority.

Therefore, each programme monitors the achievements of the objectives in 2018 and reports it to the EC in the annual report for 2018. On this basis, where applicable, a decision is made to reallocate the performance reserve on individual axes.

Achievement of “financial indicator” and “key implementation step” of the Performance framework at the end of 2018 is shown by priority axes in the next two figures.

Figure IV.5‑1 Achievement of financial indicator of the Performance framework at the end of 2018

*Source: OPTTI annual report for 2018 and own calculations*

Figure IV.5‑2 Achievement of “key implementation step” of the Performance framework at the end of 2018

*Source: OPTTI annual report for 2018 and own calculations*

The general conclusion when reviewing the achievement of the milestones under OPTTI is that for two of the axes (PA1 and PA4) the objectives have not been achieved, for which the MA has taken the regulated steps to transfer the financial reserve from them to the other two priority axes under the programme. As a result, the programme has been modified and in 2019 version 4.0 was approved with changed amounts of financial resources under the separate priority axes.

# ***What is the forecast for achieving the final targets set in the Performance framework by end of 2023?***

The forecast for the financial and physical implementation of the programme is made on the basis of different scenarios (variants) for achieving the target values of the indicators from the Performance framework of the programme under each priority axis. In calculating the degree of achievement of the targets for the individual indicators, the values from OPTTI, version 6, proposed for approval in 2020 were used in view of their relevance as of the forecast date.

In the Performance Framework for each of the priority axes (excluding PA5, which is not included in the Performance Framework) two indicators are defined -

• "financial" - measures the amount of certified funds until 31.12.2023.

• “key implementation step” - measures the number of projects with started construction (for PA1, PA2 and PA3 are “major projects”)

In addition, under PA1, PA2 and PA3 is set:

• “output” indicator - measures physical progress by key parameters (lengths of railways, roads and metro lines).

The results of the forecast are summarized in the following three figures. The first of them presents the forecast for financial implementation, the second - for the physical progress of the indicators, and the third - the stage of implementation (number of projects with started construction).

Figure IV.6‑1 Forecast for financial implementation

*Source: OPTTI, v. 6, implementation reposrt for 2019, financial information by the MA, data from beneficiaries, own calculations*

Figure IV.6‑2 Forecast for physical progress

*Source: OPTTI, v. 6, implementation reposrt for 2019, financial information by the MA, data from beneficiaries, own calculations*

Figure IV.6‑3 Forecast for achievement of “Key implementation step” indicator

*Source: OPTTI, v. 6, implementation reposrt for 2019, financial information by the MA, data from beneficiaries, own calculations*

The forecast by priority axes, including data, assumptions, level of implementation and risks for the different options, is set out in *Table IV.6‑1 Assumptions, risks and conclusions for the considered scenarios* Table IV.6‑1 Assumptions, risks and conclusions for the  *.*

Table IV.6‑1 Assumptions, risks and conclusions for the considered scenarios

| **PA** | **Assumptions** | **Implementation forecast** | **Risks and conclusions** |
| --- | --- | --- | --- |
| **PA1** | **Scenario 1 – Optimistic**  For the projects which are in progress:   * *Railway line* Plovdiv *– Burgas* is completely implemented. When calculating the amount of certified costs by 2023, the imposed financial corrections are taken into account. Sertified **98.76**% of the budget. * *Railway Elin Pelin-Kostenets.* According to data submitted by NRIC, planned for implementation by the end of 2023 sections with **81.93%** of the budget. * *Preparation of railway line Sofia-Pernik-Radomir-Gyueshevo-border with Republic of Macedonia* is completed entirely in the period of eligibility of costs and there is no default. In calculating the amount of certified costs by 2023, the imposed financial corrections have been taken into account **– 99.37%.**   **Scenario 2 - Pessimistic**  For the projects which are in progress:   * *Railway line* Plovdiv *– Burgas* – risk sections are excluded from the model. Therefore the total implementation is 106.47 mln.Euro or **36.97%.** * *Railway Elin Pelin-Kostenets* – completed 100% only Lot2. Therefore the total implementation is 51.15 mln. Euro or **15.19%.** * *Preparation of railway line Sofia-Pernik-Radomir-Gyueshevo-border with Republic of Macedonia* is completed entirely in the period of eligibility of costs and there is no default. In calculating the amount of certified costs by 2023, the imposed financial corrections have been taken into account **– 99.37%.**   **Scenario 3 – Realistic**   * For projects in progress are taken the values from Scenario 2 + additional projects: * *Voluyak-Dragoman* budget 241.81 mln.Euro, certified – 175.92 mln.Euro * *Traction sub-stations Razgrad, Varna and Ruse budget* 14.5 mln.Euro, certified – 10.5 mln.Euro * *TA for railway junctions Ruse, Varna and Gorna Oryahovitsa* budget5.32 mln.Euro, certified – 3.71 mln.Euro   The calculations are based on:   * Partial reduction of the amount of the grant after the procedures for selection of contractors. According to the analysis of the conducted procedures for selection of contractors for the railway projects and the signed contracts (more than 70) there is a an average decrease by 4.89% of the announced value. * Reduction of the amount of the grant due to imposed financial corrections. Based on the data of financial corrections on the axis, they represent 0.78% of the project grant. * Reduction of the amount of the grant due to incomplete implementation of projects. According to an analysis in the evaluation of the impact of OPT, the weighted average percentage of financial implementation of projects in railway transport is 73.85%. | **Scenario 1 – Optimistic**   * Financial implementation – 590.14 mln. Euro at target of 712.94 mln. Euro * Certified expenditures – **82.78%** * Number of major projects with started construction – **66.67%** * Total length of reconstructed or upgraded railway line, of which: TEN-T -131.20 km. at a target of 115 km. or **90.48%** implementation   **Scenario 2 - Pessimistic**   * Financial implementation – 187.53 mln. Euro * Certified expenditures – **26.30%** * Number of major projects with started construction – **66.67%** * Total length of reconstructed or upgraded railway line, of which: TEN-T – 91.98 km or **63.43%** implementation   **Scenario 3 – Realistic**   * Financial implementation - 377.62 mln. Euro * Certified expenditures – **52.97%** * Number of major projects with started construction – **100%** * Total length of reconstructed or upgraded railway line, of which: TEN-T – **86.88%** | **Risks for Scenario 1:**   * Completion of part of the activities after the period of eligibility of costs with a total value of EUR 482.82 million and length of lines - 70,071 km.   **Conclusions**   * + - 1. Does not meet the targets set in the programme, as two of the indicators have a degree of implementation below 85%       2. The scenario is unlikely to happen   **Risks for Scenario 2:**   * Imposition of financial corrections due to the low level of implementation of two of the indicators (below 65%)   **Conclusions**   1. The option shows non-achievement of the objectives of the priority axis, as the values of all indicators are below the required level (minimum 85%) 2. The scenario is unlikely to happen   **Risks for Scenario 3:**   * Under the project for *modernization of Valuyak-Dragoman* the activities for land acquisition along the route have not been completed yet. According to the ascertained average delay in the construction works of the activities performed at the moment compared to the projected ones of a over 4 months and the envisaged deadline for project implementation in the 4th quarter of 2023, this project is defined as risky.   **Conclusions**   1. The scenario shows non-achievement of the target value of the financial indicator (below 85%) 2. The option is very probable with the possibility to optimize the financial and physical progress in case of tight implementation in the period of eligibility of costs. |
| **PA2** | **Scenario 1 - Pessimistic**   * Only approved projects are considered. * All approved projects will be fully implemented during the eligibility period and there will be no incompletion. * *Struma Motorway – Lot 3.1, Lot 3.3 and Zheleznitsa Tunnel* – certified expenditures in the amount of 360 mln.Euro or **95.50%** * *Western arc of SRR* - certified expenditures in the amount of 56,7 mln.Euro or **96.09%** * *Preparation of AM Ruse — Veliko Tarnovo* - certified expenditures in the amount of **97.74%**   **Scenario 2 – Optimistic**   * Іst scenario + 2 additional projects: * *Project for AM Europe from road Kalotina-SRR,* divided in two parts with a total budget of 222,48 mln.Euro, certified – 175.18 mln.Euro * *Project for Preparatory and ecological activities of Struma Motorway, Lot 3.2 –* budget 1,28 mln.Euro and certified – 1.17 mln.Euro * Reduction of the amount of the grant after conducting the procedures for selection of contractors. According to the analysis of the conducted procedures for selection of contractors for the road projects and the concluded contracts, there is an average decrease by 4.42% of the announced value. * Reduction of the amount of the grant due to imposed financial corrections. Based on the data of financial corrections on the axis, they represent 4.42% of the project grant. * Reduction of the amount of the grant due to incomplete implementation of projects. According to an analysis in the evaluation of the impact of OPT, the weighted average percentage of financial implementation of road projects is 81.35%.   **Scenario 3 – Realistic**   * ІІnd scenario without the section from *km 32+447.20 to km 48+903 of road Kalotina – SRR* – implementation of the remaining two sections amounting to EUR 107 million. | **Scenario 1**   * Financial implementation – 417.21 mln. Euro at a target of 560.17 * Certified expenditures – **74.48%** * Number of major projects with started construction – **33.33%** * Total length of newly built roads, of which: TEN-T:43.674 km at a target of 79.553 km or **54.90%**   **Scenario 2**   * Financial implementation – 587.78 mln. Euro * Certified expenditures – **104.92%** * Number of major projects with started construction – **100%** * Total length of newly built roads, of which: TEN-T: 77.084 km or **96.90%**   **Scenario 3**   * Financial implementation – 463 mln. Euro * Certified expenditures – **83%** * Number of major projects with started construction – **100%** * Total length of newly built roads, of which: TEN-T: 65.08 km or **82%** | **Risks for Scenario 1:**   * Imposition of financial corrections due to the low level of implementation of two of the indicators (below 65%)   **Conclusions**   1. The option shows non-achievement of the objectives of the priority axis, as the values of all indicators are below the required level (minimum 85%) 2. The scenario is unlikely to happen   **Risks for Scenario 2:**   * Road *Kalotina – SRR*, section from km 32+447.20 to km 48+903 may not be completed (unstarted tender procedures) and then certified costs will decrease by about 125 million euros   **Conclusions**   1. The scenario shows the achievement of the target values of the indicators, ie. in this scenario, funding under the priority axis will achieve its objectives. 2. Unlikely to happen   **Risks for Scenario 3:**  Not identified  **Conclusions**   1. The option shows failure to achieve the target values of the indicators for two of the indicators (minimum 85%) 2. Probable with the possibility of improving the financial indicator in case of observing the scope of the projects and implementation of all construction works. |
| **PA3** | **Scenario 1 - Realistic**   * All projects will be fully implemented during the period of eligibility of costs and there will be no incompletion. * In calculating the amount of certified expenditure by 2023, the imposed financial corrections have been taken into account. * Part of the contracts for the projects for the modernization of the station complexes have been concluded soon and it is not possible to predict whether new financial corrections will be imposed - no reduction of the grant is envisaged due to the imposed financial corrections. * The forecast for the station complexes envisages savings from partial incompletion of the projects and/or as a result of the tender procedures with approx. 2%. | **Scenario 1 - Realistic**   * Financial implementation – 413.99 mln. Euro * Certified expenditures – **97.73%** * Number of major projects with started construction – **100%** * Total length of new or modernized tram and metro lines – **100%**   *Note*: this option is used in all scenarios when summarizing the data for the programme as a whole | **Risks for Scenario 1:**  Not identified. Even with the risk of incompletion of some of the activities at the station complexes, this is not expected to significantly affect the degree of achievement of the target value of the financial indicator on the axis due to the fact that the amount of funds for station complexes represents a small percentage of the total resource under the axis (just over 3%).  **Conclusions**   1. The scenario shows achievement of the target values of all indicators, i.e. in this scenario, funding under the priority axis will achieve its objectives 2. Very likely to happen |
| **PA4** | **Scenario 1 - Realistic**   * All projects are completely implemented within the period of eligibility of costs * Financial correction is imposed on only one of the projects. It is not possible to predict whether new financial corrections will be imposed and therefore they are not foreseen. * For some of the projects for which tender procedures are to be announced, and savings from partial incompletion of the projects and/or as a result of tender procedures by 2% are envisaged (average percentage of savings in conducted tenders). * For some of the projects, which have indicative deadlines for completion at the end of 2023, an implementation rate of 88.68% has been applied, which is derived from the implementation of the completed projects under this axis and the respective axis of OPT 2007-2013. * For some of the projects there is a percentage of non-verification of costs.   **Scenario 2 - Pessimistic**   * Scenario 1 without the 4 risky projects | **Scenario 1 - Realistic**   * Financial implementation – 42.79 mln. Euro * Certified expenditures – **95.76%** * Number of contracts with started construction – **100%**   *Note*:   * this option is also used in the optimistic scenario when summarizing the data for the programme as a whole * under PA4 in the Performance framework is not provided "output indicator" and therefore is not reported.   **Scenario 2 - Pessimistic**   * Financial implementation – 15.79 mln. Euro * Certified expenditures – **35.31%** * Number of contracts with started construction – **100%** | **Risks for Scenario 1:**  Based on the analysis of the current state of the projects under PA4, 4 projects stand out, which are in the initial phase of implementation and can be defined as "medium risk" for implementation projects in terms of the time horizon they have until the end of the programming period. The total amount of grants for these 4 projects is nearly 27 million euros, ie. about 60% of the target value of the financial indicator on the axis.  **Conclusions**   1. The scenario shows the achievement of the target values of all indicators, i.e. in this scenario, funding under the priority axis will achieve its objectives 2. Probable option, as the 4 risky projects are not expected to have a significant deviation in the deadlines and values.   **Risks for Scenario 2:**  Not identified  **Conclusions**   1. The option shows failure to achieve the objectives of the priority axis, as the values of the financial indicator are below its required level (minimum 85%). 2. The option is unlikely to happen |

*Source: OPTTI, v. 5.0, implementation reports 2019, financial information by the MA, data from beneficiaries, own calculations*

# ***What is OPTTI's contribution to the EU Strategy for Smart, Sustainable and Inclusive Growth?***

The formulated priority axes of the programme and the specified projects, which are either already completed, in progress, or to be implemented in the future, correspond to the objectives regarding the integration of the national transport network into the European one. The major projects implemented under OPTTI serve the greatest contribution towards this integration process. The overall advancement on the relevant progress indicators for 2019 is as follows:[[4]](#footnote-4)

* "Rail transport: Total length of reconstructed or upgraded railway lines, of which: trans-European transport network (TEN-T)" – 28km;
* Road transport: Total length of new roads built, of which: trans-European transport network (TEN-T) – 35.63 km.

A substantial increase in the values of these indicators is expected by 2023, in the event that the projects approved are successfully implemented together with the inclusion of the alternative/additional projects under PA1 and PA2.

Mechanism of impact of OPTTI on the socio-economic development in the country

The main strategic objectives of OPTTI are related to the development of a sustainable transport system and to the integration of the national transport network into the European one. The partial or full achievement of these objectives lies at the heart of providing a favourable environment for the socio-economic development of the country and of achieving a higher quality of life of the population.

The final positive effects are the result of the improved mobility of goods and workforce, as well as of the increased access to quality education, health, public services, culture, sport, funding institutions, etc. Such developments include higher production and employment levels, higher quality of human capital, a more intensive investment process, etc.

The assessments prepared for the net effects of OPTTI on macroeconomic development with the SIBILA[[5]](#footnote-5) model, from 2011 onwards, give rise to the following general conclusions:

* The net effects of OPTTI are positive and tangible – the implementation of the projects positively affects real GDP, labour market, current accounts, the fiscal sector, etc.
* The net effects are more significant during periods of economic slowdown or crisis – infrastructure investments make a decisive contribution to job creation and towards higher economic growth, which has in practice already been observed in Bulgaria: both in the period 2009-2011, and from the beginning of 2020 to this day.[[6]](#footnote-6)
* The net effects are short-term as a result of the immediate positive impact on the construction sector, and medium and long-term – as a result of improving competitiveness at local, regional and national level.
* In the long term, the net effects of OPTTI will gradually decrease, yet the positive impact is expected to continue in the 20-25 year horizon.
* Although infrastructure projects require large amounts of funding from the government budget, there is a positive impact of OPTTI on the government balance, both in the short and the medium term, i.e. the budgetary costs incurred with the implementation of the projects are offset by increased revenues resulting from higher employment, income, consumption and production.

Figure IV.7‑1 Decomposed net effects by priority axes of OPTTI at the end of 2019, %

*Source: MF (SIBILA 2.0), own calculations*

We may conclude that the main mechanism of impact of OPTTI investments relates to the direct effects of the measures regarding the production levels. Higher production in turn leads to short- and medium-term improvements in the labour market, investment activity, consumption, revenues and government balance, etc.

Decomposition – analyzing the effects by priority axes

The most tangible net effects on the macroeconomic environment are observed under the priority axis of “Improving intermodality in passenger and freight transport and developing sustainable urban transport” where the impact on real GDP amounts to 0.18%, on employment – to 0.17%, on imports of goods and services – to 0.58%, on private consumption – to 0.21%, and on private investment – on 0.44%.

Next on achieved impact is the priority axis of “Development of road infrastructure along the "core" and "extended" Trans-European Transport Network”. There, the net effect on real GDP and employment is 0.11%, and on private investment, it amounts to 0.27%.

The third largest contribution to macro development is that of the priority axis of “Development of railway infrastructure on the "core" and "extended" Trans-European Transport Network”, where the net effect on GDP is 0.04%, and on private investment, it is 0.11%.

The impact of priority axes “Innovations in management and services - implementation of modernized infrastructure for traffic management, improvement of transport safety and security” and "Technical assistance" is negligible.

In decomposing effects by priority axes, the fact that the amount of inputs is key to the magnitude of the observed effect should not be overlooked. Therefore, decomposed effects should only be considered in the context of progress made and should under no circumstances be momentous when looking for solutions of the kind 'Which interventions are better and should continue to be implemented in the future?'. The answers to the last question cannot be found in the decomposed effects, but rather require the consideration of the overall socio-economic environment, together with the needs of stakeholders, the convergence processes in the EU, etc.

Table IV.7‑1 Decomposed net effects by priority axes of OPTTI at the end of 2019, %

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Priority axis** | **Employment** | **GDP** | **Exports of goods and services** | **Imports of goods and services** | **Private consumption** | **Private investment** |
| Development of railway infrastructure on the "core" and "extended" Trans-European transport network | 0.04% | 0.04% | 0.00% | 0.31% | 0.05% | 0.11% |
| Development of road infrastructure along the "core" and "extended" Trans-European Transport Network | 0.11% | 0.11% | 0.00% | 0.52% | 0.13% | 0.27% |
| Improving intermodality in passenger and freight transport and developing sustainable urban transport | 0.17% | 0.18% | 0.00% | 0.58% | 0.21% | 0.44% |
| Innovations in management and services - implementation of modernized infrastructure for traffic management, improvement of transport safety and security | 0.00% | 0.00% | 0.00% | 0.02% | 0.00% | 0.00% |
| Technical assistance | 0.01% | 0.01% | 0.02% | 0.02% | 0.02% | 0.04% |

*Source: MF, SIBILA 2.0*

OPTTI's contribution to smart, sustainable and inclusive growth

The evaluation of the external coherence of the OPTTI includes the programme's contribution to the Europe 2020 objectives and priorities and national strategic documents. The review of these documents shows that consistency and coherence of the strategy and objectives of OPTTI persists with the documents examined below for the European and national level.

**OPTTI's contribution towards achieving the Europe 2020 objectives**

*Strategic context*

The objectives and priorities of OPTTI are in line with the EU strategy for achieving economic, social and territorial cohesion. OPTTI contributes to all three pillars of the strategy with a focus on sustainable growth to promote a greener and more resource-efficient economy.

OPTTI is expected to make a concrete contribution to the following Europe 2020 headline targets:

1. **Climate change and energy** – reducing greenhouse gas emissions by at least 20%, compared to 1990; obtaining 20% of the energy from renewable resources (the individual goal for Bulgaria is at 16%).
2. **Investment in R&D** of 3% of EU GDP.
3. **Employment** for 75% of the population aged 20-64 (the individual target for Bulgaria is set at 76%).

*Contribution of OPTTI to the development of increasing employment and employment rates in Bulgaria*

OPTTI's contribution to achieving the Europe 2020 targets is mainly down to positive net effects on employment: the net effect of the projects’ implementation on the value of the employment rate of the 15-64 age group amounts to 0.21 percentage points.

Table IV.7‑2 2019 in a scenario with and without OPTTI investments

|  |  |  |  |
| --- | --- | --- | --- |
| **Labour market indicators** | **OPTTI investment scenario** | **Scenario without OPTTI investments** | **Net effect** |
| Employment (15-64), thousand | 3 136.3 | 3 126.9 | 0.3% |
| Population (15-64), thousand[[7]](#footnote-7) | 4 445.1 | - | - |
| Employment rate (15-64), % | 70.56% | 70.34% | 0.21 BC |

*Source: MF, SIBILA 2.0, NSI, own calculations*

It can be concluded that OPTTI makes a tangible contribution to the EU Strategy to achieve smart, sustainable and inclusive growth in terms of the implementation of the Employment Indicator.

Forecasts for achieving the objectives set in the context of the overall development of the Bulgarian economy, the process of its convergence towards that of the EU, and the ongoing economic crisis

According to the forecasts for the development of the labour market, prepared by the MLSP, the achievement of this goal is expected to occur in 2023-2024 (in the absence of a protracted economic crisis). With an estimate of 75.1% in 2023 for the indicator, that value would be approximately 74.38% should the infrastructure investments not be realized – that is, without the infrastructure investments, the pre-set target would not be reached.

Table IV.7‑3 2023 in a scenario with and without OPTTI investments

|  |  |  |  |
| --- | --- | --- | --- |
| **Labour market indicators** | **OPTTI investment scenario** | **Scenario without OPTTI investments** | **Net effect** |
| Employment (15-64), thousand[[8]](#footnote-8) | 3 137.4 | 3 106.4 | 1.0%**[[9]](#footnote-9)** |
| Population (15-64), thousand[[10]](#footnote-10) | 4 324.6 | - | - |
| Employment rate (15-64), % | 72.55% | 71.83% | 0.72 BC |

*Source: MF (SIBILA 2.0), own assessment*

It can be concluded that OPTTI is expected to make a significant contribution to the EU Strategy on achieving smart, sustainable and inclusive growth in terms of the implementation of the Employment Indicator.

The above-presented forecasts do not take into account the fact that Bulgaria and the EU are entering a deep economic recession. The overall expectations are that the macroeconomic environment will suffer a sharp deterioration. Nevertheless, the predicted positive effects of the implementation of OPTTI are expected to persist, even in the event of adverse economic developments scenarios.

# ***What is the programme's contribution to national strategic documents?***

This section of the report assesses and examines the programme's contribution to achieving the relevant objectives set out in the national strategic documents.

Contribution of the programme to national strategic documents

**The National Reform Programme**

In this strategic document, the Bulgarian government has defined several objectives, including the following, relevant to OPTTI:

* National employment target – achieving a 76% employment rate for the population aged 20-64, by 2020.

At present, it can be concluded that this value is relatively more ambitious than the one set for the EU, and has overestimated the opportunities in the labour market.

Figure IV.8‑1 2020 national employment and implementation target for 2013-2028[[11]](#footnote-11)

Chart, bar chart

Description automatically generated

*Source: MLSP*

**Partnership Agreement 2014-2020**

The Partnership Agreement is the common strategy at national level for the use of the European Structural and Investment Funds in line with the Europe 2020 Strategy.

OPTTI contributes to the objectives of Strategic Priority 3: ' Connectivity and green economy for sustainable growth', and in particular, to the thematic objectives 4 and 7 of the General Regulation: 'Moving towards a low-carbon economy' and 'Sustainable transport and eliminating bottlenecks in all key network infrastructures'. The programme also adds to satisfying thematic objective 8: ‘Promoting sustainable and quality employment and supporting labour mobility’.

On the basis of the above-presented evaluations and forecasts for the impact of OPTTI, a projection of the impact of OPTTI towards the achievement of these two thematic objectives has been made. The expected contribution to employment is evaluated at 31.0 thousand employed persons more, as a result of both the direct and the indirect effects of the implementation of the programme.

**National Development Programme: Bulgaria 2020**

The National Development Programme: Bulgaria 2020 is the leading strategic and programming document that specifies the country's development policy objectives by 2020, ensuring the link between national priorities and the EU objectives in the context of the Europe 2020 Strategy.

OPTTI has contributed towards achieving of one of the 3 leading objectives of the national program: the construction of infrastructure networks, providing optimal conditions for the development of the economy and a quality and healthy environment for the population. The positive economic effects of the implementation of the programme can be measured via macroeconomic models after its completion, by examining the programme's contribution to GDP growth, employment, public and private investments, etc. The Programme also contributes to improving cross-border links and trade, to increasing energy and resource efficiency, as well as realizing the environmental benefits of reducing greenhouse gas emissions.

The implementation of OPTTI is related to the construction of new infrastructure, as well as to the improvement and expansion of the existing one. These investments have a direct impact on improving the efficiency of production and thus on the overall productivity in the economy. Some of the key indicators of the programme’s impact are the ones of real GDP, the employment and unemployment rates.

Despite Bulgaria's unfavorable position in terms of the development of transport infrastructure and services, there has been an improvement in the indicator values, when comparing them to the respective values for the previous year. This clearly determines the potential role of infrastructure investments in the future and is indicative of the short-term effects of OPTTI, in which key transport projects in the country are implemented.

**Strategy for the development of the transport system of the Republic of Bulgaria by 2020**

**The strategic policy** objectives in the transport sector are:

* The achievement of cost-effectiveness;
* The development of a sustainable transport sector;
* The improvement of the regional and social development and commitment;

The main objective of OPTTI "Development of a sustainable transport system" is fully in line with the strategic objective of developing a sustainable transport sector.

The strategic priorities set are reflected in the OPTTI and the programme demonstrates a continued compliance with them in the course of implementation, including through the project selection criteria.

**General Transport Master Plan (GTMP)**

GTMP was developed between 2008 and 2010 and was adopted by the MTITC in 2010, with the OPT PA5 funding. Its main goal is to create a strategic and consistent database of technical data, transport models and multimodal technical studies for project identification in long- and medium-term investment programs in the transport sector of Bulgaria.

GTMP studies and forecasts are practically implemented in almost all projects prepared under the OPT after its adoption, as well as in some of the OPTTI projects. The developed transport models are particularly useful, including traffic, freight and passenger traffic forecasts, as well as the demand for services, which are the basis for the development of the CBA and the consistency of the underlying data between the individual projects. The structure of the transport model includes passenger and freight transport, decomposed by vehicle type and transport. A vast collection of data has been used for the construction of this model, including through field surveys/road interviews, censuses, statistical surveys, etc. By those means, the GTMP feeds the financial and economic models of the CBA on the OPTTI projects with data which would otherwise be cost-inefficient to collect for the specific purposes at the project level. GTMP identifies the problems and the needs of the transport sector and exploits different scenarios for overcoming current weaknesses and for the future development. The assessment of the needs and the prioritization of projects is based on the detailed list of major gaps and deficiencies, which are overcome by the implementation of projects, as well as by the provision of a connectedness to the TEN-T network. As of 2019, there are more up-to-date strategic documents regarding the prioritisation of projects /National Transport Strategy 2020, National Transport Strategy 2030/, which is why OPTTI takes greater account of the analyses and strategic framework of the newly adopted document

# **CONCLUSIONS AND RECOMMENDATIONS**

Table V‑1 Conclusions and recommendations

| **Conclusions** | **Recommendations** | **Programming period to which the recommendation relates** | **Responsible structure** |
| --- | --- | --- | --- |
| **Concerning financial progress and financial forecasts** | | | |
| 1. Level of awarding of funds under OPTTI - 83.32% is good, which is largely due to the overbooked budget under PA1 (103.52%) and the high degree of awarded funds under PA3 (98.17%). 2. Under the other axes the degree of awarded funds is below 63%, which shows a different degree of negotiation of the resource determined by the individual axes. 3. In view of the expected phasing of the project *Railway Elin Pelin - Kostenets* the level of contracting under PA1 and under the whole Programme will decrease. | 1. It is recommended to be awarded additional / alternative projects on all axes without PA3. In addition to proposed by the beneficiaries additional projects till now, other projects should be considered also. *(Recommendation refers to conclusions 2, 3, 19, 20, 21 and 22)* 2. The additional / alternative projects have to be with amount minimum the available resource by the end of 2019 on each of the axes plus the resource of the dropped projects (e.g. *railway line Elin Pelin - Kostenets*) plus a sufficient overbooking over the budgets on each axis determined adequately so as to ensure a high rate of resource absorbtion at the end of 2023. *(Recommendation refers to conclusions 2, 3, 19, 20, 21 and 22)* 3. Additional / alternative projects to have a high degree of maturity and short deadlines - can be set as a selection criterion. *(Recommendation refers to conclusions 2, 3, 19, 20, 21 and 22)* 4. In addition to the currently approved technical assistance projects, to be provided funds for the preparation of more projects (including changes in the DSDP, land acquisition, design, EIA, archaeological activities), for which investments will be executed in the next Programming period. *(Recommendation refers to conclusions 2, 3, 25 and 26)* | 2014-2020  2014-2020  2014-2020  2014-2020 | Recommend. 1 - MA together with beneficiaries  Recommend. 2 - MA  Recommend. 3 - MA  Recommend. 4 - MA together with beneficiaries |
| 1. As of the end of 2019, expenditures in the amount of 39.96% of the financial resource under the programme have been verified, which shows low absorbtion of funds in view of the fact that the period of eligibility of expenditures is 31.12.2023. 2. The highest percentage of verified costs are under PA3 - a total of 84.62% of the resource of the axis. 3. The level of verification of expenditures under PA1 (18.64%), PA2 (35.43%) and PA4 (7.51%) is low compared to the budgets under the axes. | 1. Strengthening the monitoring and control over the implementation of delayed projects, so that at short intervals (maximum 3 months, where appropriate and monthly) to monitor their progress in order to take timely corrective action in the event of appearance of new circumstances that could lead to further delays. *(Recommendation applies to conclusions 4, 6, 24, 30 and 34)* | 2014-2020 | Recommend. 5 - MA together with beneficiaries |
| 1. Nearly 50% of the financial implementation of OPTTI is due to the projects for construction of the metro in Sofia. 2. Under PA1, PA2 and PA3 there are two major infrastructure projects, the financial implementation of which forms the pace of financial implementation of both the respective priority axis and the programme as a whole. 3. The problems of a major project become problems for the whole priority axis and for the programme as a whole. | 1. Segmentation of the major projects into separate parts / stages according to their deadlines and their formation as separate smaller projects, taking care not to "artificially" make "small projects" so as not to circumvent the requirements for "major" projects. Thus, the incompletion of a given stage will not fatally reflect on the implementation of the major projects. By dividing major projects into separate parts and approving more but smaller projects, the risk to the programme is redistributed and will generally be significantly reduced. A maximum size of projects can be set in compliance with the rules for "major" projects. *(Recommendation refers to conclusions 8 and 9)* 2. In case it is strategically necessary to implement larger projects, it is necessary by the end of the current programming period to start the preparation of such larger projects, which have a horizon of implementation in the period 2028-2035. *(Recommendation refers to conclusions 8, 9, 11 and 12)* | For future projects of 2014-2020  2021-2027 | Recommend. 6 - MA together with beneficiaries  Recommend. 7 - MA together with beneficiaries |
| 1. 98% of the OPTTI resource is concentrated in projects that are still under implementation. 2. None of the major projects under the programme has been completed as of 31.12.2019, therefore the completed projects contribute insignificantly to the achievement of the financial objectives of the programme. 3. The lack of a sufficient number and size of projects with "full project maturity" (as stated in OPTTI) under PA1 and PA2, both at the start-up stage of the programme and in the intermediate stage of its implementation, makes the forecast very uncertain and conditionally. This in turn hinders the proper and long-term planning of the resource of the programme and exposes at risk of not using a huge resource. | 1. In order to accurately forecast the completion of the programme and the forthcoming phasing of projects by PA1, it is necessary to make a detailed analysis of the status of all projects (approved and additional), to cover all risks that would lead to delays and based on that to separate the activities for which is certain to be implemented in the current programming period and those in which there is a risk of incompletion by the end of 2023 *(the recommendation refers to conclusions 10, 11, 12, 19, 20, 21 and 24)* |  | Recommend. 8 - MA together with beneficiaries |
| 1. According to the OPTTI financing plan (distribution of funds by years), the negotiation of funds is on time, while the actual implementation lags behind as the difference between the planned and certified costs increases every year. 2. At the end of 2019, compliance with the N+3 rule was reported, but the level of payment in 2019 decreased compared to previous years. 3. If the level of payment is not increased compared to 2019, there is a risk that in 2020 the level of certified costs will be lower than planned under the N+3 rule and in this case there will be "decommitment" of funds (reduction of the programme budget) in the amount of the incompletion. | 1. In view of the growing gap between planned and certified expenditure, the rate of payment of the grant needs to be increased in order to ensure compliance with the N+3 rule and to reduce the risk of automatic decommitment. In this regard, an action plan can be made by assessing the level of implementation of each of the projects and submitting payment requests for all implemented activities. *(Recommendation refers to conclusions 13 and 15)* |  | Recommend. 9 - MA together with beneficiaries |
| 1. The low pace of implementation of the projects under PA1 and PA4 has led to unsatisfactory spending of funds by 2018 and failure to meet the milestones. 2. The good achievement of the milestones under PA2 by 2018, as well as the expectations for approval of a project for *Struma Motorway - Lot 3.2* are the reason for a change in OPTTI, as a result of which the reserve of PA1 is transferred to PA2. 3. The good achievement of the milestones under PA3 by 2018 is the reason for a change in OPTTI, as a result of which the reserve of PA4 is transferred to PA3. | N/A | N/A | N/A |
| 1. Compared to the projects approved under PA1 as of the evaluation date, the forecast shows a relatively high degree of achievement of the target values of the indicators (82.78% for the financial and 90.48% for the output indicator), but only if both major projects will be fully implemented. At this stage it is clear that this will not happen and compared to the expected scope of implementation of these projects, the forecast shows a degree of implementation of the target value of the financial indicator of 26.30% and 63.43% degree of implementation of the target value of the output indicator. 2. Even with the inclusion under PA1 of the proposed alternative / additional projects at the date of evaluation, the target values of these indicators are 52.97% and 86.88%, respectively, so there is a risk of not using a significant part of the resource of PA1 by the end of 2023. 3. Compared to the projects approved under PA2, as of the evaluation date the forecast shows low achievement of the target values of the indicators (74.78% for the financial and 54.90% for the output indicator). The PA2 beneficiary has proposed alternative / additional projects, by which, if well implemented by the end of 2023, the target values of the indicators can be achieved. 4. There is a risk of not using a significant part of the resource of PA2 until the end of 2023, if the proposed additional project *Modernization of road I-8 Kalotina - SRR, section from km 32 + 447.20 to km 48 + 903* (not yet submitted for approval and with failed procedures for selection of contractors) is not implemented within the programing period. Then the percentage of financial implementation will drop to approx. 83%, and the value of the output indicator will be 82%, i.e. there will be two indicators from the PA2 Performance Framework with values below 85%. 5. According to the forecast, the degree of achievement of the final targets of PA3 is high (nearly 98% for the financial indicator and 100% for the other indicators) and there is no danger of losing funds or imposing a financial correction for "a serious failure to achieve the targets". 6. Most projects under PA4 have an expected short implementation period and on this basis the degree of achievement of the final targets of PA4 is high (nearly 96%). However, under PA4 there are 4 "medium risk" projects with a total value of about 60% of the target value of the financial indicator and their possible incompletion or delay may significantly affect the degree of achievement of the indicator. | 1. In order to reduce the risk of failure to achieve the final target of the financial indicator under PA1 and PA2, it is necessary to overbook the budgets under the axes. A good guideline for what the overbooked rate should be is the established savings rate, which is calculated in the OPT impact evaluation. It is over 25% for railway projects and about 20% for road projects. *(Recommendation refers to conclusions 19, 20, 21 and 22)* |  | Recommend. 10 – MA, CCU |
| **Concerning the implementation of result and output indicators and their forecasts** | | | |
| 1. Significant projects under PA1, PA2 and PA4 have a low degree of maturity, both at the stage of their application and several years later. This problem is a serious obstacle for the current programming period. 2. There is a lack of sufficient number and size of projects with "full project maturity" (as stated in OPTTI) under PA1 and PA2, both at the start-up stage of the programme and at the intermediate stage of its implementation, making the forecast very uncertain and conditional. This in turn hinders the proper and long-term planning of the programme's resources and exposes a huge resource at risk of not being used. | 1. Determining as a criterion for eligibility / selection the high degree of maturity of the alternative, additional and future projects, which will be approved under OPTTI / TCP. *(Recommendation refers to conclusions 25 and 26)* | 2021-2027  2014-2020 | Recommend. 11 - MA together with beneficiaries |
| 1. Not only the projects from OPTTI, but also the financed projects under OPT contribute to the result indicators under PA1. Therefore, these indicators cannot take into account the impact of the approved projects on the achievement of the priority milestones. The values of the result indicators will represent the effects of the funded projects at the end of the projects and the programme, i.e. after 2023 2. Part of the values of the result indicators (under PA1 and PA4) are not due to the projects that should contribute to their achievement, but to external factors. 3. Due to the elimination of *Struma Motorway, lot 3.2.* the initially selected PA2 result indicator will not reach its target values. | 1. When determining the methodology for reporting the indicators for the next programming period 2021 - 2027, the influence of external factors and implemented projects from the previous periods has to be "cleared", so as to highlight the contribution of the projects to the achievement of the values of indicators. *(Recommendation refers to conclusions 27, 28 and 29)* | 2021 -2027 | Recommend. 12 - MA together with beneficiaries |
| 1. The low percentage of physical progress of the two major PA1 projects at the end of 2019, as well as the risk that not all activities of the *Plovdiv-Burgas railway line* will be completed within the updated deadlines, pose a serious risk to achieving the final target of the output indicator under PA1. 2. For the achievement of some of the indicators (under PA2 and PA4) by the end of 2019 there are no approved projects. | 1. The output indicator under PA1 should be updated by realistically determining how many kilometers of railway line from the TEN-T network will be modernized or rehabilitated with OPTTI funds, taking into account the reduced scope of major PA1 projects and realistic scope of alternative projects. *(Recommendation refers to conclusion 30)* 2. To be amended the final target of the output indicator under PA2 on the basis of a realistic forecast for the completion within the programming period of the *Struma Motorway, lot 3* and the additional / alternative projects that will be approved under the programme. *(Recommendation refers to conclusion 31)* | 2014-2020  2014-2020 | Recommend. 13 - MA together with beneficiaries  Recommend. 14 – MA together with beneficiaries |
| 1. At the end of 2019 under PA4 there is no correlation between the approved projects under the priority axis and the values of the indicators due to the fact that for most of them there are no approved projects and the achievement of the values of the indicators is influenced by external factors. On the other hand, where there are approved projects, they are still in the initial phase of their implementation and also do not contribute to achieving the values of output and result indicators. 2. Of the 8 projects approved under PA4 at the end of 2019, only 2 have contributed to the implementation of the indicators. They contribute to the achievement of the values of 3 of the 8 indicators. For the remaining 5 indicators there are no approved projects under OPTTI. | 1. Due to the fact that for some of the projects that contribute to the achievement of the values of the indicators under PA4, the deadlines for implementation are close to the end of the programming period, it is necessary to closely monitor the implementation of these projects or to propose new ones which have initially set deadlines by the beginning of 2023 at the latest, or to amend the system of indicators under the priority axis. *(Recommendation refers to conclusions 32 and 33)* |  | Recommend. 15 - MA |
| 1. The deadlines for implementation of some of the projects (under PA1, PA2 and PA4), which contribute to achieving the values of the indicators under the priority axes, are in 2023, i.e. close to the end of the programming period. This exposes at risk the achievement of the final targets of the indicators for both output and results on each of these priority axes. 2. The realistic version of the forecast shows 74.49% absorbtion of the programme budget at the end of 2023. | 1. Strict monitoring of the implementation of the approved projects. *(Recommendation refers to conclusion 34)* 2. Approval of additional projects with original deadlines by the beginning of 2023 at the latest. *(Recommendation refers to conclusion 34)* 3. Overbooking of the budget of the priority axes with approved projects. *(Recommendation refers to conclusion 35)* |  | Recommend. 16 - MA  Recommend. 17 - MA  Recommend. 18 – MA, CCU |
| **Concerning identified problems** | | | |
| 1. There are a number of unresolved issues from the previous programming period related to lengthy appeals of tendering procedures and complex conciliation and land acquisition procedures, which lead to serious delays in the implementation of projects and expose at risk the implementation of the Programme. 2. Many of the projects included in the programme have a low degree of project maturity, which leads to serious delays (for years) and creates a risk of incompletion within the period of eligibility of costs. 3. Beneficiaries have different workloads with regard to the projects they implement, as a result of which some of them have insufficient administrative capacity. There is also a lack of continuity between staff. 4. Financial corrections have been imposed on all examined priority axes (1-4) where their total value amounts to BGN 72,458,339.18, which represents about 2% of the grant under the programme. The total value of the financial corrections imposed is a relatively small percentage when referring to the total budget of OPTTI, but its amount represents about 53% of the funding under the whole priority axis 4, and in absolute value represents a significant resource that should not be lost. 5. There is unrealistic planning of the activities envisaged for implementation within the projects. The problem with planning is observed in the activities that take into account the biggest delays, namely the preparation and conduct of tender procedures for construction and land acquisition procedures. | 1. Legislative changes should be initiated in connection with the implementation of "major" infrastructure projects under the program. *(Recommendation refers to conclusion 36)* 2. The projects proposed for funding should be in advanced project maturity, which implies prepared tender procedures and, where possible, conducted or launched land acquisition procedures, available EIA, conducted archaeological research. This preliminary preparation and the implementation of some of the activities in which the greatest delay is observed will inevitably lead to a reduction in the deadlines for project implementation. At the discretion of the MA, a clause with an obligation on the part of the beneficiaries regarding the deadlines for announcing the procedures for selection of contractors could be included in the GA. *(Recommendation refers to conclusion 37)* 3. Creating an effective mechanism for strengthening the continuity in the various institutions-beneficiaries of the programme, increasing the motivation of the employees and conducting regular trainings for increasing the knowledge and skills. *(Recommendation refers to conclusion 38)* 4. In order to develop better documentation and lawful conduct of tender procedures, regular training of beneficiaries should be conducted in connection with the changes in the Public Procurement Act, the introduced electronic mechanism for conducting procedures and other issues related to the problem. Beneficiaries should critically review the financial corrections imposed and continue the practice of appealing them when they consider that they have been improperly imposed. The launch of a legislative initiative to set a ceiling on the absolute value of the imposed financial corrections (not only as a percentage) should be considered, as on the one hand the financial corrections are covered by state funds (due to the specifics of the programme beneficiaries) and - due to their imposition, the financial implementation of the axes deteriorates. *(Recommendation refers to conclusion 39)* 5. To a large extent, the problem of unrealistic planning of activities is due to the other problems identified in the analysis. As already noted, the realistic term for conducting the land acquisition procedures is approximately 4 years, and the term for conducting a tender procedure for construction - about and over an year. It is not possible for the beneficiaries to plan a period of 5 years only for the implementation of these two activities, as this inevitably leads to the impossibility to implement the project within the programming period. It is therefore crucial to address the problems associated with the implementation of specific activities that fall outside the remit of the beneficiaries. *(Recommendation refers to conclusion 40)* | 2014-2020  2021-2027  2014-2020  2021-2027  2014-2020  2021-2027  2014-2020  2021-2027  2014-2020  2021-2027 | Recommend. 19 – MA together with beneficiaries, CCU  Recommend. 20 – beneficiaries, MA  Recommend. 21 – beneficiaries together with MA  Recommend. 22 – beneficiaries, MA, CCU  Recommend. 23 – beneficiaries together with the MA, CCU |
| **Concerning the contribution of optti** | | | |
| 1. There are tangible positive net effects on real GDP, employment, private and public investment, the budget balance and other key macroeconomic indicators. This favorable impact is a result of the overall improvement of the competitiveness of the economy - improved mobility of goods and labor, improved access to quality education, healthcare, public services, culture, sports, financial institutions, etc. The short-term impact is more significant in times of economic slowdown or crisis, when infrastructure investments make a decisive contribution to job creation and higher production. | 1. Continuation of the process of intensive investment in transport and transport infrastructure, especially during the forthcoming periods of economic crisis caused by COVID-19 and anti-epidemic measures. *(Recommendation refers to conclusion 41)* | 2014-2020 | Recommend. 24 - MA |

Despite of the conclusions made in the framework of the evaluation of the financial and physical progress in the implementation of OPTTI, the following circumstances must be taken into account:

* OPTTI due to its specificity - consisting of major infrastructure projects that follow the priorities of the national transport strategy and whose preparation and implementation in most cases requires longer than a 7-year programming period, is one of the most complex programmes for planning and implementation according to the plan.
* The implementation of the priority axis (especially with regard to PA1 and PA2), respectively of the whole programme depends on the timely and planned implementation of each of the “major” projects. This makes the programme highly "vulnerable" to delays and problems even and requires immediate measures to minimize possible losses.
* Notwithstanding the measures taken to minimize the risks and manage the problems identified in the previous programming period - 2007-2014 (for example, the approach taken to prepare mature projects in the railway sector under the previous programme and the approval of PA1 projects to require maximum degree of maturity), identical challenges are encountered in the current period and they are addressed in an operational manner - phasing projects, inclusion of alternative projects, change of indicators.
* Some of the problems faced by the beneficiaries are beyond the powers of the MA and the beneficiaries for direct management - delays and difficulties due to the implementation of environmental legislation, SPL, Public Procurement Act. These are inherent problems in the implementation of most large-scale infrastructure projects in the country. Measures have been taken to minimize the effects of problems in these areas - specific training, additional sectoral experts to assist in the preparation of technical documentation related to land acquisition procedures, for example, optimization of project implementation plans.
* An opportunity to minimize the risks of project delays is to provide funds for pre-financing of activities before project approval and signing of GA, but this is related to the management policy of each beneficiary and in most cases requires guarantees to ensure funding from the state budget.
* The MA and the beneficiaries are aware of the need to update the framework with indicators for programme implementation, as the pace of project implementation, as well as the change of the programme with dropping projects and inclusion of alternatives, is directly related to the defined target values.
* The declared good communication and cooperation between the MA and the beneficiaries, on the one hand, the beneficiaries and the teams of JASPERS and the MA and the EC, on the other hand, as well as the constant monitoring of the implementation at project, priority axis and programme level enable effective management of the identified risks and adoption of timely measures to avoid the risk of losing funds under the programme.

# **EXPERTS PARTICIPATED IN THE EVALUATION**

Table VI‑1 Team

|  |  |
| --- | --- |
| **Name of expert** | **position** |
| **Ralitsa Ganeva** | Key expert  Team leader |
| **Daniel Bogdanov** | Key expert  Monitoring expert |
| **Yuliya Spiridonova** | Key expert  Evaluation expert (methodologist) |
| **Teodora Pavlova** | Key expert  Financial and economic analyzes and evaluations |
| **Kristina Tsvetanska** | Key expert  Investment project management |
| **Silviya Todorova** | Non-key expert  Analyzes and evaluations |
| **Velina Savcheva** | Non-key expert  Analyzes and evaluations |
| **Teodora Ovcharova** | Non-key expert  Analyzes and evaluations |
| **Iva Aleksandrova** | Non-key expert  Analyzes and evaluations |

# **ANNEXES**

# ***Documents received***

1. Minutes and materials from the 2014-2020 OPTTI Monitoring Committees
2. First REPORT on the environmental impact of OPTTI 2014-2020
3. Report of an audit mission of the European Commission
4. Amendments and arguments for amendment of OPTTI 2014-2020
5. Reports (financial and technical) at project level as of 31.12.2018

* Modernization of the railway line Sofia – Plovdiv: Railway section Elin Pelin - Kostenets "
* Technical assisstance for preparation of project "Modernization of Sofia-Pernik-Radomir-Gyueshevo-border with Republic of Macedonia railway line Rehabilitation of Railway line Plovdiv – Burgas, Phase 2
* Construction of “Kalotina – Sofia” Motorway - Lot 1 “Western arc of the Sofia Ring Road (SRR)”, phase 2
* Preparation of project AM Ruse - Veliko Tarnovo
* Struma Motorway – Lot 3.1, Lot 3.3 and Zheleznitsa Tunnel
* Reconstruction of Poduyane, Iskar and Kazichene Railway Station Complexes
* SOFIA METRO EXTENSION PROJECT: LINE 3, STAGE I – SECTION “VLADIMIR VAZOV BLVD. – CENTRE – ZHITNITSA STR.
* Metro extension project in Sofia, Line 3, Stage II - section "Zhitnitsa St.- Ovcha Kupel - Ring Road
* Improvement of the navigational systems and topo-hydrographic measurements on the Danube River – Phase 2
* Development and implementation of Intelligent Transport System in the scope of Trakia Motorway
* Modernization and optimization of the maintenance activities in the common BG-RO section of the Danube River through delivery of equipment
* Design and implementation of Train operation control system in NRIC including Dynamic Rolling Stock Parameters Measurement and Monitoring System
* Delivery, installation and commissioning of port reception facilities (PRF) in Bulgarian public transport ports of national importance

1. Reports (financial and technical) at project level as of 31.12.2019

* Modernization of the railway line Sofia – Plovdiv: Railway section Elin Pelin - Kostenets "
* Technical assisstance for preparation of project "Modernization of Sofia-Pernik-Radomir-Gyueshevo-border with Republic of Macedonia railway line Rehabilitation of Railway Infrastructure along Sections of the Plovdiv - Burgas Railway Line - reconstruction, repair and modernization of traction sub-stations Burgas, Karnobat and Yambol Modernization of the railway section Septemvri-Plovdiv – part of the Trans-European railway network – construction of four overpasses Rehabilitation of the railway line Plovdiv - Burgas, Phase 2
* Struma Motorway - Lot 3.1, Lot 3.3 and Zheleznitsa Tunnel
* Construction of “Kalotina – Sofia” Motorway - Lot 1 “Western arc of the Sofia Ring Road (SRR)”, phase 2Preparation of project AM Ruse - Veliko Tarnovo
* Project for extension of Line 2 of the Metro in Sofia from MS James Bourchier to MS Vitosha – Phase 2SOFIA METRO EXTENSION PROJECT: LINE 3, STAGE I – SECTION “VLADIMIR VAZOV BLVD. – CENTRE – ZHITNITSA STR
* Metro extension project in Sofia, Line 3, Stage II - section "Zhitnitsa St.- Ovcha Kupel - Ring Road
* Reconstruction of Karnobat Railway Station Complex
* Reconstruction of Poduyane, Iskar and Kazichene Railway Station Complexes
* Reconstruction of Stara Zagora and Nova Zagora Railway Station Complexes
* Feasibility study and preparation of a package of documents for project “Development and implementation of an integrated information system for coordination and management in real time of disaster and accident response operations in the bulgarian maritime responsible search and rescue region (BMRSRR)”
* Territorial extension of the scope and upgrading of the vessel traffic management information system (VTMIS) – PHASE 4
* Design and construction of technical systems for risk prevention and security of the sea ports (RPSSP)
* Design and implementation of Train operation control system in NRIC including Dynamic Rolling Stock Parameters Measurement and Monitoring System
* Technical assistance for preparation and implementation of „Delivery, Installation and Implementation of the port reception facilities (PRF) in the Bulgarian public transport ports of national importance“ project
* Modernization and optimization of the maintenance activities in the common BG-RO section of the Danube River through delivery of equipment
* Development and implementation of Intelligent Transport System in the scope of Trakia Motorway
* Improvement of the navigational systems and topo-hydrographic measurements on the Danube River – Phase 2

1. OPTTI Annual Progress Reports 2014-2019
2. Final report " Preparations for the completion of the Black Sea Highway "
3. Introductory report as of 31.12.2018 on the project " Design and construction of technical systems for risk prevention and security of the sea ports (RPSSP)"
4. Introductory report as of 31.12.2018 on the project "Preparation of a project: Road I-1 /E-79/ "Vidin-Montana-Vratsa"
5. Introductory report as of 31.12.2018 on the project "Technical assistance for preparation of project "Modernization of railway line Sofia - border with Republic of Serbia""
6. Introductory report as of 31.12.2018 on the project "Rehabilitation of Railway Infrastructure along Sections of the Plovdiv - Burgas Railway Line - reconstruction, repair and modernization of traction sub-stations Burgas, Karnobat and Yambol“";
7. Report of the Ministry of Finance - EU funds - assessment of the macroeconomic effects of OPTTI in the period 2014 - 31.12.2018
8. List of projects under OPTTI 2014-2020
9. Ex-ante evaluation
10. Changes in the programme and programme indicators
11. Table of indicators
12. AF and CBA for major OPTTI projects
13. Data on the financial implementation of the projects
14. Data and documents from beneficiaries regarding sent questionnaires.

**Other literature used:**

1. Vasilev, A., Ganev, K., Dimitrov, L., Simeonova-Ganeva, R., Mihnev, P., Kalibatseva, D., Uzunova, E. (2014) Medium and long-term forecasts for the development of the labour market and knowledge and skills needs in Bulgaria, Ministry of Labour and Social Policy, SMART: Noema & Sigma Hat & Foundation of Education Business, Sofia.
2. Simeonova-Ganeva, R., Vasilev, A., Ganev, K., Dimitrov, L. Medium and long-term forecasts for the development of the labour market in Bulgaria: Employment and imbalances in the labour market, factors of labour supply (2008–2034). Ministry of Labour and Social Policy, Human Capital DZZD, Sofia, 2019.
3. Ministry of Finance (2016). EU funds in Bulgaria: Assessment of the macroeconomic effects of the implementation of programmes co-financed with EU funds.
4. Council of Ministers (2015). Net impact of policies financed by European funds.
5. Khandker, Koolwal and Samad (2010).
6. Roeger and in't Veld (1997)

# ***List of conducted interviews***

Table VII.2‑1 Conducted interviews

|  |  |
| --- | --- |
| **Date of conduct** | **Respondent** |
| 18.08.2020 | Executive Agency For Exploration And Maintenance Of The Danube River |
| 19.08.2020 | Executive Agency Maritime Administration |
| 20.08.2020 | MTITC |
| 20.08.2020 | Bulgarian Ports Infrastructure Company |
| 20.08.2020 | National Railway Infrastructure Company |
| 21.08.2020 | Road Infrastructure Agency |
| 05.09.2020 | Metropolitan JSc |

# ***Results from questionnaire survey***

# ***Full list of identified difficulties derived from desk research, GAP analysis and survey***

The conducted study shows that the main processes that hinder the absorption of funds under the programme can be summarized in the following main groups:

1. Delay:

* In project preparation
* In project implementation

1. Existence of gaps and mistakes in providing regulatory requirements in the implementation and management of the grant agreements by some of the beneficiaries, which lead to the imposition of financial corrections and reduction of the level of implementation of the programme.

The problems that led to the occurrence of the above processes, brought out after the study and analysis of the discrepancies, **are grouped by types as follows:**

**Financial problems**

* Lack of practice of some beneficiaries in financing and starting implementation prior to grant contracts’ signing, due to unwillingness / inability to take risk for providing own pre-financing
* Underestimatedvalue of tenderds, incl. outdated prices at the time of tenderin
* Contingencies that exceed the amounts included in project budgets
* Difficulties for some beneficiaries in financing project preparation activitiessuch as land acquisitions, archeological excavations, etc.

**Problems related to appeals**

* Appeals against EIA
* Appeals against the DSDP
* Appeal against the tender documentation
* Appeal against the decision for selection of a contractor
* Appeal against the acts for land acquisitions

**Administrative and organizational problems**

* Insufficient administrative capacity of some of the beneficiaries
* Structural and organizational changes of the beneficiaries
* Problems with reporting by beneficiaries
* Poor coordination between the various institutions involved in the approval of the project technical documentation
* Delay in the work of the tender evaluation committees
* Delays and gaps in the preparation and initial stages of project implementation
* Unrealistic planning of the time frame for implementation of the projects and the activities envisaged under them
* Delays in the preparation and start of tender procedures

**Technical problems**

* Occurrence of unforeseen circumstances, incl., unexpected finds of archeological sites / artifacts in the construction phase, which lead to suspension and delay of construction and possible increase in the value of the site
* Prolonged land acquisition procedures
* Need for change in the technical documentation after the start of the construction phase due to unforeseen circumstances and external factors
* Delays and problems with the implementation of procedures under the Spatial Planning Law - Detailed site development plans, conformity assessment, issuance of building permits
* Difficulties in preparing technical specifications

# ***Evaluation report – extended version***

1. *The evaluation also includes an impact analysis and does not only concern the progress of the Programme* [↑](#footnote-ref-1)
2. *The evaluation is an impact analysis and does not only concern the progress of the Programme* [↑](#footnote-ref-2)
3. *According Art.100 of Regulation 1303/2013* [↑](#footnote-ref-3)
4. *According to the 2019 OPTTI Progress Report* [↑](#footnote-ref-4)
5. *Developed in 2011, expanded and updated in 2015. The model was specifically designed for the Bulgarian economy and is currently used by the Ministry of Finance for the evaluation of the effects of the OP investments, as well as of those regarding the general policy measures in the area of maritime, and partially of the resources of the general agricultural policy.* [↑](#footnote-ref-5)
6. *As of September, 2020.* [↑](#footnote-ref-6)
7. *According to NSI data on the population as of 31.12.2019.* [↑](#footnote-ref-7)
8. *According to data from the labour market forecasts of the MLSP. For more information, see Simeonova-Ganeva, R., Vassilev, A., Ganev, K. and L. Dimitrov (2019) Medium-term and Long-term Forecasts for the Development of the Labour Market in Bulgaria: Еmployment and Labour Market Imbalances, Determinants of Labour Supply (2008–2034), Ministry of Labour and Social Policy, Human Capital, Sofia.* [↑](#footnote-ref-8)
9. *Expert assessment based on published evaluations and forecasts of the impact of SCF on the Bulgarian economy. It is assumes that the overall effect of the programmes in the 2014-2023 programming period will be slightly lower than that achieved in the previous period and will amount to 9.3%. Another key assumption in this case is that the overall impact will also be maintained under OPTTI. For more information, see Council of Ministers (2012). 2012 Strategic Analysis of Republic of Bulgaria and Council of Ministers (2015). Net Impact of EU Funded Policies, etc.* [↑](#footnote-ref-9)
10. *According to data population projections published by the NSI.* [↑](#footnote-ref-10)
11. *Vassilev, A., Ganev, K., Dimidtrov, L., Simeonova-Ganeva, R., Mihnev, P., Kalibatseva, G., Uzuznova, E. (2014) A forecasting model for labour market developments and future needs for knowledge and skills in Bulgaria in the medium and long-term, eds. Simeonova-Ganeva, R. and K. Ganev, Ministry of Labour and Social Policy, SMART: Noema & Sigma Hat & Foundation Business for Education, Sofia.* [↑](#footnote-ref-11)