**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**

# **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.