

ISPA Measure No:
2001 BG 16 P PT 004

FINANCING MEMORANDUM

**Agreed between the European Commission and
the Republic of Bulgaria**

**Concerning the grant of assistance from the Instrument for Structural Policies for
Pre-accession to the following measure**

**Ljulin Motorway – Sofia Ring Road to Daskalovo Junction
located in Western and Central Region
in Bulgaria**

FINANCING MEMORANDUM

The European Commission, hereinafter referred to as "the Commission", acting for and on behalf of the European Community, hereinafter referred to as "the Community" represented by the Commissioner for Regional Policy, Mr. Michel Barnier, for the Commission

on the one part, and

The Government of Bulgaria, hereinafter referred to as "the beneficiary"

on the other part,

HAVE AGREED AS FOLLOWS:

Article 1

The measure referred to in Article 2 below shall be implemented and financed out of the budgetary resources of the Community in accordance with the provisions set out in this Memorandum. The measure referred to in Article 2 below shall be implemented in line with the General Conditions annexed to the Framework Agreement signed between the Commission and the beneficiary and supplemented by the terms of this Memorandum and the provisions annexed hereto.

Article 2

Identification of the measure

The Instrument for Structural Policies for Pre-accession shall contribute, by way of a grant, towards the financing of the following measure as described in Annex I:

Measure number: 2001 BG 16 P PT 004

Title: Ljulin motorway – Sofia Ring Road to Daskalovo Junction

Duration: **Start date:** The date of signature of the financing memorandum by the Commission

End date: Until 31 December 2008

Location: Western and Central Region

Group: Priority Corridor IV & VIII

Article 3

Commitment

1. The maximum public or equivalent expenditure which may be taken into account for the purpose of calculating assistance shall be € 148 450 000;
2. The rate of Community assistance granted to the measure is fixed at 75 % of total public or equivalent expenditure as indicated in the financing plan in Annex II;
3. The maximum amount of assistance from the Instrument for Structural Policies for Pre-accession is fixed at € 111 337 500;
4. An amount of € 52 000 000 is committed from the 2002 budget under budgetary line B7-020. Commitments in respect of subsequent instalments shall be based on the initial or revised financing plan for the measure, subject to the state of implementation of the measure and to budgetary availability.

Article 4

Payments

1. Community assistance shall cover payments on the measure for which legally binding commitments have been made by the beneficiary and for which the requisite finance has been specifically allocated. These payments must relate to the works described in Annex I.
2. Payments made before the date of signature of the financing memorandum by the Commission shall not be eligible for assistance from the Instrument for Structural Policies for Pre-accession.
3. The measure described in Annex I and payments by the body responsible for the implementation of the measure shall be completed no later than 31 December 2008.

The report required for the payment of the final balance should be submitted not later than 6 months after this date.

4. The advance payment is fixed at € 22 267 500, which shall be transferred as follows:
 - An amount of € 11 133 750 is paid out after signature of this memorandum by the beneficiary;
 - The remainder is paid out after signature of the first substantial works contract to be agreed between the beneficiary and the Commission and the fulfilment of the other conditions specified in Article 8 (3) hereunder.
5. In accordance with Annex III. 1, Section III, point 5, the Commission will accept for this measure a total amount of advance and intermediate payments of 90 % of the total assistance granted.

Article 5

Respect of Community law and policies

The measure shall be carried out in compliance with the relevant provisions set out in the Europe Agreements and shall contribute to the achievement of Community policies, in particular those concerning transport and trans-European networks.

Article 6

Intellectual property

The Beneficiary and the authority responsible for implementation mentioned in Annex I point 3 shall ensure that they acquire all necessary intellectual property rights to studies, drawings, plans, publicity and other material made in conjunction with planning, implementation, monitoring and evaluation of the project. They shall guarantee that the Commission, or any body or person delegated by the Commission shall have access and the right to use such material. The Commission will only use such material for its own purpose.

Article 7

Permits and authorisations

Any type of permits and or authorisations required for the implementation of the measure must be provided by the competent authorities of the Beneficiary in due time and in accordance with national law.

Article 8

Specific conditions related to the measure

Without prejudice to the general provisions specified in Annex III the Community grant for the measure is subject to the following conditions:

1. Condition on the assumptions and the status of the assets:

The Commission reserves the right to revise the amount of the assistance for ISPA set out in Article 3 if, within five years of the date of the completion of works, the operating conditions (tariffs, revenues, etc.) vary significantly relative to the original assumptions made in determining the level of the grant and/or there is a substantial modification:

- a) affecting the nature of the operation or its implementing conditions, or giving to a private or public body an undue advantage; and
- b) resulting either from a change in the nature of the ownership of any part of the financed infrastructure, or a cessation or material change in the operating arrangements.

The beneficiary country shall inform the Commission of any such change, and shall seek the ex-ante agreement of the Commission to these changes.

2. Condition on viability:

The Community grant for the measure is subject to the authorities concerned making available sufficient resources in order to ensure the effective operation and maintenance of the assets.

3. The second instalment of the advance payment, in addition to the condition specified in Article 4 (4), shall be subject to:

- a) an undertaking by the authorities to take the corrective measures necessary to mitigate the impact of the project on the environment;
- b) the submission of full evidence that a new consultation of the public and relevant environmental authorities has been carried out (before the end of the first quarter 2003) based on the revised final Environmental Impact Assessment Study, and the issuance of a new environmental permit taking into account this consultation;
- c) the presentation by the beneficiary of a final procurement plan, which has to be agreed by the Commission.

4. The final payment of grant assistance by the Commission, in addition to the conditions specified in Annex III.1, Section III(6), shall be subject to:

- a) the presentation of a maintenance programme for the motorway by the beneficiary to cover a ten-year period starting from the year of completion and complying with all relevant standards including those of EC Directive 96/53/CE.
- b) the submission of a road safety impact assessment relating to the motorway in question.

Article 9

The implementation provisions described in the Annexes to this financing memorandum form an integral part of it.

Non-compliance with the conditions and implementation provisions shall be dealt with by the Commission according to the procedure stipulated in Annex III.1. Section VIII.

Article 10

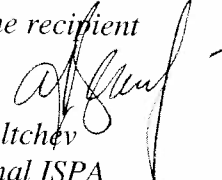
The authentic text of this financing memorandum is the present document as signed hereunder.

Done at

Done at Brussels,

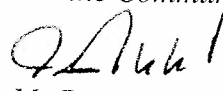
31 01 2003

For the recipient


Mr Velchev
National ISPA
Co-ordinator

10 -12- 2002

For the Community


Mr Barnier
Commissioner



List of Annexes

Annex I Description of measure

Annex II Financing plan

Annex III

Annex III.1 ISPA Financial Implementation provisions

Annex III.2 Provisions governing eligibility of expenditure for measures assisted by ISPA

Annex III.3 Model for Payment Claims, for reporting on financial and physical progress and request for modification

Annex III.4 Agreement on minimum requirements for financial control applicable to ISPA assisted measures

Annex III.5 Agreement with respect to irregularities and recovery of sums wrongly received under ISPA

Annex III.6 Information and Publicity requirements

Description of measure

Commission code No: 2001 BG 16 P PT 004

1. MEASURE TITLE

Ljulin Motorway – Sofia Ring Road to Daskalovo Junction

2. AUTHORITY MAKING THE APPLICATION (National ISPA Co-ordinator)

2.1. Name: Ministry of Finance

2.2. Address: 102, Rakovski Str.
1200 Sofia, Bulgaria

E-mail: l.datzov@minfin.government.bg

3. AUTHORITY RESPONSIBLE FOR IMPLEMENTATION (as defined at Section II (2) of Annex III.2)

3.1. Name: Road Executive Agency (REA)

3.2. Address: 3, Macedonia Blvd,
1606 Sofia, Bulgaria

E-mail: reapiu@sigma-bg.com

4. FINAL BENEFICIARY (SAME AS THE AUTHORITY MENTIONED UNDER 3)

5. LOCATION

5.1. Beneficiary country: Bulgaria

5.2. Region: Western and Central

6. DESCRIPTION

The project concerns the construction of a new motorway of some 19.086 Kms in length which is intended to provide a link between the Sofia Ring Road and the E-79 and E871 highways. The E-79 is the main road South from Sofia to Greece and forms part of pan-European Transport Corridor IV. The E-871 is the main road between Sofia and the Former Yugoslav Republic of Macedonia (FYROM) and forms part of priority Corridor VIII.

The new motorway will leave the south-western section of the Sofia Ring and proceed in a south-westerly and then southerly direction across Ljulin hill to reach the E-79 at Daskalovo junction near the industrial town of Pernik. It will serve to distribute North-South traffic from Bulgaria and neighbouring countries in the direction of the Sofia-Greece and Sofia-FYROM corridors. The area between Sofia and Pernik is earmarked for further industrial/commercial development and is considered to have substantial potential for growth. Thus, both national as well as international traffic needs will be served by the new motorway.

The existing section of the E-79 which the new motorway will substitute runs directly through the Sofia suburb of Knyajevo. This currently represents a substantial bottleneck with high intensity traffic flows and heavy congestion during peak hours.

The Ljulin motorway is expected to cater for over 10,000 vehicles per day when opened, with a substantial proportion of international traffic as well as local traffic. Traffic growth over the coming years is forecast to average over 5% p.a., rising to around 16,000 vehicles per day after 10 years and 24,000 vehicles per day after 20 years.

The new road will consist of 2 lanes in each direction with a central reservation and emergency hard shoulders. It will be constructed to a design speed of 100-110 km/h and maximum cross fall of 5 %. It will, moreover, fully conform to EU and Bulgarian standards, in particular, Directive 96/53/CE relating to the weights and dimensions of vehicles.

Reflecting the hilly terrain, the measure will comprise the construction of a significant number of main structures including: 18 bridges with a total length of 4483 metres; 4 tunnels with total length of 2802 metres; 4 overpasses (L=42m, L=84m); retaining walls; and 12 box and 5 pipe culverts. Concrete barriers (New Jersey type) on bridges and steel guard barriers are foreseen in the design for safety reasons.

7. OBJECTIVES

The project is consistent with the priorities of Bulgaria's transport policy both by facilitating international transit traffic and by satisfying the needs of Bulgaria's economy and population. The development of Corridors IV and VIII, for both road transport and rail, has been identified as a priority in the ISPA transport strategy. Corridor IV provides the main link between Bulgaria and an EU Member State while Corridor VIII provides the main link between Bulgaria and FYROM.

The main objectives of the project are as follows:

- To further the integration of the Bulgarian road network with the pan-European transport networks via the development of priority transport Corridors IV & VIII;
- To cater for the growth in road traffic in Bulgaria and facilitate trade and economic development through the improvement of conditions for local and international traffic;
- To remove a specific bottleneck in the main road network and improve traffic flows in the direction of Greece and FYROM;
- To further the introduction of EU standards in the transport sector of Bulgaria and thus generally support the country during the pre-accession period;
- To divert heavy traffic flows from populated areas, reduce congestion and improve the environment in the Sofia suburb of Knyajevo;
- To create temporary and permanent employment and give a boost to the local and regional economy.

8. WORK SCHEDULE

Category of work	Commencement	Completion
Planning and design	Mar 2000	Feb 2003
Land acquisition	Mar 2003	Mar 2004
EIA	Mar 2000	Sep/Oct 2002
Construction	Mar 2004	Mar 2007
Operational phase	Mar 2007	

9. MAIN ELEMENTS OF SOCIO-ECONOMIC COST-BENEFIT ANALYSIS AND FINANCIAL ANALYSIS

A standard cost-benefit analysis has been carried out by international consultants for the section of motorway in question as well as for the whole of the Sofia-Kulata (Greek border) motorway of which it forms part. In both cases the results are positive demonstrating a net socio-economic gain to the Bulgarian economy as a whole.

The analysis has taken account of the standard indicators of socio-economic benefit including vehicle operating cost savings, time savings, accident savings and commercial transport resource savings. Based on an assumed 20-year life span for the project, the project produces a positive economic rate of return in the base scenario. Sensitivity tests, in particular for possible cost increases, suggest the results are reasonably robust.

The Bulgarian Government has no plans at present to toll this section of motorway so the project will not directly generate financial returns.

10. ENVIRONMENTAL IMPACT ANALYSIS

The project is a class of development covered by Annex I of the EIA Directive N° 85/337/EEC, as amended by Directive N° 97/11/EEC, and as such is subject to a full Environmental Impact Assessment.

The EIA report on the preliminary design for the project was submitted to the Bulgarian Ministry of Environment and Waters on 15 April 2001. Public hearings took place on 16-17 September 2001. The Ministry of Environment in a decision of 6 December 2001 requested a study of an additional 5 variants. The study was undertaken and a revised EIA submitted to the Ministry of Environment on 4 September 2002. This followed a decision of the National Expert Council for Territory Structure (NECTS) of the Ministry of Regional Development and Public Works to recommend a combination of the designed alternative solutions (“blue” and “brown” variants).

A final decision of the Ministry of Environment on the EIA and environmental permit is expected in October 2002 with suggested recommendations and mitigation measures. A condition of the ISPA assistance is that an updated consultation of the public and relevant authorities be carried out based on the revised EIA study.

11. COST AND ASSISTANCE (IN €)

Total cost	Non eligible expenditure	Total eligible cost	ISPA grant	National contribution	Grant Rate %
148 450 000	-	148 450 000	111 337 500	37 112 500	75

An indicative breakdown of the total cost of the project is given in the following table:

Item	Base estimate (Euro)
Planning design fees	*
Land purchase	+
Site preparation	3 500 000
Works	124 500 000
Plant & machinery	Na
Technical assistance & Supervision	8 000 000
Interest & taxes	Na
Project management	Na
Contingencies	12 450 000
TOTAL	148 450 000
<i>* financed by PHARE/CBC</i>	
<i>+ financed by REA</i>	

12. INVOLVEMENT OF IFIs

The project is to be co-financed by ISPA and the Bulgarian national budget.

The European Investment Bank is actively involved in financing other projects on the Bulgarian main road corridors and, in particular, is currently financing with PHARE the Southern continuation of this corridor: rehabilitation, strengthening and upgrading of E-79 Daskalovo-Dupnitsa and Dupnitsa-Kulata (border with Greece); as well as the rehabilitation of E-871 Kustendil-Radomir-Pernik which links to the corridor. Discussions are proposed on the possibilities for EIB co-financing of the present measure.

13. SPECIFIC CONDITIONS RELATED TO THE MEASURE

See Article 8.

14. PROCUREMENT PLAN

The works will be implemented according to the procurement plan appended as annex I.a

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Provisional Procurement Plan

Tender N°	Description of works and services to be tendered	Type of contract (works, supplies or services)	Provisional month of launch of tender (month/ year)	Rate of reimbursement of invoices	contractET65.28 728325
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Provisional Procurement Plan

Tender N°	Description of works and services to be tendered	Type of contract (works, supplies or services)	Provisional month of launch of tender (month/year)	Rate of reimbursement of invoices relating to specific contract
1	Supervision of construction	services	Jul 2003	75%
2	Construction of motorway	works	Jul 2003	75%

The specific terms for the award of contracts will be made available in the Official Journal of the European Communities and/or the Internet.

The contracts will be tendered according to EU rules respecting the principles of Title IX of the Financial Regulation applicable to the general budget of the European Communities (as set out in the Practical Guide to PHARE, ISPA and SAPARD Contracting Procedures). Works contracts will be based on FIDIC conditions of contract.

