



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 1.12.2005
SEC(2005) 1552

COMMISSION STAFF WORKING DOCUMENT

Annex to the

Report from the Commission

Annual report of the instrument for structural policy for pre-accession (ispa) 2004

{COM(2005) 612 final}

ANNEX

Introduction

As regards ISPA, the year 2004 was characterised by a major event: following their accession to the European Union, 8 of the 10 beneficiary countries lost the benefit of the aid from ISPA. Also, pursuant to a clause in the Act of Accession, all ongoing projects approved under ISPA in the acceding countries became automatically Cohesion Fund projects after accession. As no new ISPA grant decisions were adopted for these countries in 2004, implementation of their former ISPA projects will be dealt with in the 2004 Cohesion Fund Annual Report. As a result, the present report restricts itself to the implementation of ISPA in the year 2004 in Bulgaria and Romania.

Following Copenhagen European Council in December 2002, these two countries benefit from gradually increasing allocations during the period 2004-2006. This entails new challenges for them in terms of adequate programming and implementation of ISPA funds. Consequently, beyond the core activity of ISPA in providing financial support for the renewal and upgrading of the infrastructure base in the environment and transport sectors, attention was paid as well to the preparation of a pipeline of quality projects and to further strengthening institutional and administrative capacity in those fields where weaknesses subsist.

Finally, as a result of the Brussels European Council in June 2004, Croatia will receive ISPA assistance from 2005 onwards. In this perspective, the report, where relevant, also encompasses preparatory activities relating to this country.

ISPA budget

In accordance with the Commission's new activity based accounting system, the budget for the ISPA instrument is provided for by two budget lines: the functional budget line B 13.01.04.02 and the operational budget line B 13.05.01.01. The first line contains the means for covering TA administrative expenses (mainly for reinforcing EC Delegations, whereas the second line encompasses the appropriations made available for the effective implementation and operation of ISPA. Therefore, the latter budget line covers all expenses for co-financing projects (measures) in the beneficiary countries in the environment and transport domains, as well as for providing technical assistance (TA), irrespective whether the TA measures are initiated by the beneficiary country or by the Commission.

For 2004, €453.3 million was allocated from the Commission budget to the ISPA instrument. The 13.01.04.02 budget line received €2.1 million and the B 13.05.01.01 budget line €451.2 million.

Table 1: ISPA budget in 2004 – in euro

| Budget line | Commitment appropriations | Commitments implemented | Payments implemented |
|---------------------------------------|----------------------------------|--------------------------------|-----------------------------|
| Functional budget line B 13.01.04.02 | 2.100.000 | 1.890.000 | 1.696.088 |
| Operational budget line B 13.05.01.01 | 451.200.000 | 449.469.968 | 132.162.924 |
| Total | 453.300.000 | 451.359.968 | 133.859.012 |

Project funding

1. NEW ISPA PROJECTS

In 2004, the Commission adopted 11 new ISPA measures concerning 9 investments in the environment field and 2 in the transport sector. Among these projects, the Commission approved 1 new technical assistance (TA) measure which concerns project preparation and institutional strengthening in the environment sector. As a result, the total ISPA contribution to projects funded in 2004 amounted to €452 million, representing an average grant rate of 58.3% of the total eligible project cost of €775 million. The remainder was financed by the applicant countries from national sources at central, regional, and/or local level, often by having recourse to loan-financing from by international financial institutions (IFIs). About 56.5% of the ISPA contribution was awarded to the environment sector.

Table 2: New projects approved in 2004 – in euro

| | Project decisions n° | Eligible cost | ISPA contribution | Grant rate % | Commitments |
|--------------|---------------------------------|----------------------|--------------------------|-------------------------|--------------------|
| Environment | 9 | 397.780.000 | 268.246.300 | 67.4 | 178.311.258 |
| Transport | 2 | 377.452.452 | 183.734.500 | 48.7 | 124.960.302 |
| Total | 11 | 775.232.452 | 451.980.800 | 58.3 | 303.271.560 |

Note: Decision amounts reflect the total ISPA contribution awarded to projects, while commitment amounts give the total of what is yearly committed from the budget (2004 in this case).

Commitments in 2004 totalled €449.5 million and were used for new projects decided in that year (€303 million) as well as for ongoing projects adopted in the previous years.

2. COMMITMENTS FOR ENVIRONMENT

Almost three quarters of the budgetary commitments in the environment sector in the year 2004 were dedicated to projects in the water and/or wastewater sectors, either combining the provision of drinking water (supply and/or treatment and/or distribution) with the collection of sewage (sometimes including its treatment as well) focussing the renewal, repair or extension of sewerage networks, or the erection of new or the refurbishment/upgrading of existing wastewater treatment plants. Nearly 8% of the commitments was assigned to solid waste management projects, consisting primarily of closing down old landfills and creating new ones, in conjunction with the introduction of selective waste collection and treatment/recycling systems. Finally, some 13% went to a desulphurisation plant, being the first air quality project assisted through ISPA in one the two beneficiary countries.

An interesting example of an ISPA-funded environment project is the rehabilitation of the Bucharest wastewater treatment plant because of its size, its impact and its co-financing arrangements. Started in 1985, the construction of the plant was finally abandoned in 1996. As a result, the untreated wastewater from a population of 2 million constitutes a major source of pollution of the Danube and, ultimately, the Black Sea. The refurbishment of the plant works will be implemented in two phases, the first phase with a cost of nearly €110 million having received an ISPA grant of €70 million in 2004, with the EIB and EBRD providing additional loan-financing.

Table 3: Commitments in 2004 – Environment by sub-sector¹

| Sub-sector | euro | % |
|---|--------------------|--------------|
| Water and sewerage | 59.377.500 | 30.8 |
| Water and/or wastewater incl. treatment | 46.107.447 | 23.9 |
| Wastewater treatment plant | 36.638.248 | 19.0 |
| Solid waste collection | 15.252.383 | 7.9 |
| Air quality | 25.315.500 | 13.1 |
| Horizontal | 10.316.800 | 5.3 |
| Total environment sector | 193.007.878 | 100.0 |

3. COMMITMENTS FOR TRANSPORT

As in the previous years, ISPA assistance in the transport sector focussed on the extension and improvement of the TINA (Transport Infrastructure Needs Assessment) network and its access links with the view to facilitate the connections between the European Union and the candidate countries within the framework of the future trans-European transport network (TEN-T). Nearly half of the budgetary commitments for transport in 2004 was made in favour of rail projects, involving primarily the rehabilitation and upgrading of existing infrastructure to EU standards, as well as the construction of a major combined rail/road project. The other half of the funding was assigned to road projects, including new construction and upgrading to meet EU capacity and safety standards.

¹ This includes commitments for projects decided in 2004 as well as tranches committed for projects decided in previous years.

A noteworthy project in transport sector is the combined road and rail bridge crossing the Danube at Vidin-Calafat. Despite the fact that the river constitutes a formidable barrier between Romania and Bulgaria and forms the common border over a distance of 430 km, the new bridge would be only the second one over the Danube, the existing bridge being located some 300 km downstream of Vidin. It follows that the bridge is of strategic and economic significance for the region. The corridor it will serve has been declared to be of European interest under the new TEN-T guidelines that were adopted last year. The construction costs amount to €226 million and will be financed with the help of various donors and banks: EIB, KfW (*Kreditanstalt für Wiederaufbau*) and AFD (*Agence Française de Développement*), ISPA having awarded €70 million in 2004.

Table 4: Commitments in 2004 – Transport by sub-sector²

| Sub-sector | euro | % |
|-------------------------------|--------------------|--------------|
| Road | 124.334.514 | 48.5 |
| Rail | 77.636.654 | 30.2 |
| Road and rail | 49.392.000 | 19.3 |
| Airport | 5.000.000 | 1.9 |
| Inland waterway | 30.000 | 1.1 |
| Total transport sector | 256.393.168 | 100.0 |

4. PROJECTS FUNDED DURING 2000-2004

Between 2000 and 2004, the Commission approved a total of 72 projects on the basis of proposals submitted by Bulgaria and Romania. Of these projects, 53 concerned the environment sector, 17 the transport sector, and one TA measure in each of the two countries for achieving decentralised implementation (EDIS). Together, these projects represent a total eligible investment cost of €3.74 billion, of which €2.51 billion or 67% is financed by ISPA from the B13.05.01.01 budget line. As a result, the Commission has, since the launch of ISPA, allocated some 84% of the ISPA funds set aside for the two beneficiary countries for the period 2000 to 2006.

² This includes commitments for projects decided in 2004 as well as tranches committed for projects decided in previous years.

Table 5: Projects approved in 2000-2004 – in euro

| Sector | Project decisions n° | Eligible cost | ISPA contribution | Average grant rate % | Commitments |
|---------------|---------------------------------|----------------------|--------------------------|---------------------------------|----------------------|
| Environment | 53 | 1.631.154.563 | 1.182.478.353 | 72.5 | 921.558.749 |
| Transport | 17 | 2.112.247.242 | 1.326.144.338 | 62.8 | 956.777.621 |
| EDIS | 2 | 1.482.308 | 1.482.308 | 100.0 | 1.303.797 |
| Total | 72 | 3.744.884.113 | 2.510.104.999 | 67.0 | 1.879.640.167 |

By the end of 2004, 75.4% of the decided ISPA contribution had been committed, whereby the commitments were distributed in a fairly balanced manner between the environment and transport sectors, the ratio between the respective sectors amounting to 49.1 to 50.9. However, renewed efforts are required from Bulgaria and Romania to ensure that a sufficient number of quality projects are prepared in a timely manner, whether it be for ISPA or the future Cohesion Fund, with a particular attention to environment projects.

5. PAYMENTS

Generally, payments for each project consist of two advance payments totalling 20% of the ISPA contribution, as well of intermediate payments (i.e. reimbursements) of up to 90% of the contribution. The balance is released after approval by the Commission of the beneficiary's final declaration and final project report. Most of the first advance payments are made in the year following the year of the ISPA decision to grant assistance, because the majority of the ISPA measures are decided in the autumn of each year and account has to be taken of a time-lag for the authorities of the beneficiary countries to countersign these decisions. This is illustrated by the fact that, for projects approved in 2004, payments accounted for less than 2% of the corresponding commitments, whereas for projects decided in 2000 they accounted for more than one third of the corresponding commitments.

Significant progress has been made in 2004 in implementing ISPA measures. This is reflected by the increasing number of requests received for second advance payments and for intermediate payments. As a result, in 2004, overall ISPA payments (including for decentralisation) totalled €132.2 million, which represents an increase with not less than 280% over the payments made in 2003 (€45.9 million). In fact, payments in the single year 2004 equalled two thirds of the payments made in the 4 previous years.

Table 6: Payments – in euro

| | 2000-2003 | 2004 | Total |
|--------------|--------------------|--------------------|--------------------|
| Environment | 77.964.300 | 67.584.714 | 145.549.014 |
| Transport | 119.173.044 | 64.191.648 | 183.364.692 |
| EDIS | 537.962 | 386.562 | 924.524 |
| Total | 197.675.306 | 132.162.924 | 329.838.230 |

By the end of the period 2000-2004, almost €330 billion had been paid out, representing 17.5% of the budgetary commitments implemented in that period.

6. SUMMARY TABLES

Tables 7 and 8 presented hereafter provide an overview of the ISPA interventions for the year 2004 and for the period 2000-2004.

| Table 7: Projects decided in 2004 – in euro | | | | | |
|--|-----------------------|----------------------|--------------------------|--------------------|------------------|
| Sub-sector | N° of projects | Eligible cost | ISPA contribution | Commitments | Payments |
| Environment | | | | | |
| Water and sewerage | 3 | 113.100.000 | 84.825.000 | 59.377.500 | - |
| Water and/or wastewater incl. treatment | 2 | 65.129.000 | 46.715.300 | 34.588.210 | - |
| Wastewater treatment plant | 1 | 108.300.000 | 70.395.000 | 36.638.248 | - |
| Solid waste collection | 1 | 23.000.000 | 17.250.000 | 12.075.000 | - |
| Air quality | 1 | 72.330.000 | 36.165.000 | 25.315.500 | 3.616.500 |
| Horizontal | 1 | 15.921.000 | 12.896.000 | 10.316.800 | 2.579.200 |
| Sector total | 9 | 397.780.000 | 268.246.300 | 178.311.258 | 6.195.700 |
| Transport | | | | | |
| Road | 1 | 151.646.000 | 113.734.500 | 75.568.302 | - |
| Road and rail | 1 | 225.806.452 | 70.000.000 | 49.392.000 | - |
| Sector total | 2 | 377.452.452 | 183.734.500 | 124.960.302 | - |
| TOTAL | 11 | 824.157.645 | 451.980.800 | 303.271.560 | 6.195.700 |

Table 8 : Projects decided in 2000-2004 – in euro

| Sub-sector | N° of projects | Eligible cost | ISPA contribution | 2004 | | 2004 – 2004 | |
|---|----------------|----------------------|----------------------|--------------------|--------------------|----------------------|--------------------|
| | | | | Commitments | Payments | Commitments | Payments |
| Environment | | | | | | | |
| Water and sewerage | 4 | 159.855.800 | 119.891.850 | 59.377.500 | 3.506.685 | 90.937.665 | 7.013.370 |
| Water and/or wastewater incl. treatment | 22 | 820.720.672 | 604.767.803 | 46.107.447 | 32.797.134 | 475.149.857 | 86.467.532 |
| Wastewater treatment plant | 17 | 375.633.316 | 268.354.868 | 36.638.248 | 12.875.895 | 201.520.966 | 26.980.865 |
| Solid waste collection | 7 | 173.943.775 | 130.457.832 | 15.252.383 | 10.220.300 | 110.361.961 | 16.902.547 |
| Air quality | 1 | 72.330.000 | 36.165.000 | 25.315.500 | 3.616.500 | 25.315.500 | 3.616.500 |
| Horizontal | 2 | 28.671.000 | 22.841.000 | 10.316.800 | 4.568.200 | 18.272.800 | 4.568.200 |
| Sector total | 53 | 1.631.154.563 | 1.182.478.353 | 193.007.878 | 67.584.714 | 921.558.749 | 145.549.014 |
| Transport | | | | | | | |
| Road | 9 | 894.527.297 | 664.972.569 | 124.334.514 | 54.065.173 | 439.120.876 | 120.526.489 |
| Rail | 4 | 849.258.358 | 534.943.769 | 77.636.654 | - | 418.036.345 | 38.532.944 |
| Road and rail | 2 | 231.686.452 | 74.998.000 | 49.392.000 | 119.618 | 53.390.400 | 3.998.400 |
| Airport | 1 | 135.135.135 | 50.000.000 | 5.000.000 | 9.706.858 | 45.000.000 | 19.706.858 |
| Inland waterway | 1 | 1.640.000 | 1.230.000 | 30.000 | 300.000 | 1.230.000 | 600.000 |
| Sector total | 17 | 2.112.247.242 | 1.326.144.338 | 256.393.168 | 64.191.649 | 956.777.621 | 183.364.692 |
| EDIS | | | | | | | |
| EDIS | 2 | 1.482.308 | 1.482.308 | 68.922 | 386.562 | 1.303.797 | 924.524 |
| TOTAL | 72 | 3.744.884.113 | 2.510.104.999 | 449.469.968 | 132.162.925 | 1.879.640.167 | 329.838.230 |

Croatia : a new ISPA beneficiary country

Following the conclusion of the Brussels European Council in June 2004 that Croatia is a candidate country, a pre-accession strategy for this country was established. As part of this strategy, Croatia has been allocated €25 and €35 million of funding from ISPA for the years 2005 and 2006 respectively. In order to benefit from these funds in a timely manner, Croatian authorities have started to put adequate ISPA implementation structures and procedures in place and to draft sector strategies for environment and transport, whereas projects and project applications were under preparation. It is expected that the first ISPA decisions concerning Croatia are expected to be taken in Autumn 2005.

| Pre-accession aid in Croatia - 2005-2006 (millions of euro, 2004 prices) | | | |
|---|------|--------|-------|
| PHARE | ISPA | SAPARD | Total |
| 160 | 60 | 25 | 245 |

A particularity compared to the first wave of ISPA beneficiary countries is that, in the case of Croatia, the implementation of ISPA will not be accompanied by the simultaneous implementation of decentralisation management. Instead, the Commission required Croatia to have effective decentralised management and control functions and procedures (DIS*) in place before any Community assistance can be granted. This means that, after the mere establishment of the institutional structures and responsibilities, a roadmap similar to the one which applies to EDIS (*Extended decentralised implementation system*) has to be implemented in its distinct phases (see also Section 11). Once the Commission is satisfied of the system structure, procedures in place and control, it will confer DIS to the designated Croatian bodies. From that moment onwards, ISPA will become operational, bearing in mind however that tendering and contracting will still be subject to an *ex ante* control by the Commission. In order to assist the Croatian authorities in setting up DIS in a timely manner, the Commission undertook several missions to Croatia in 2004.

| Population (2001, in thousands) | Inhab./km2 (2001) | GDP/Inhab. (2003, EU25=100) | Inflation (2003, %) | Unemployment (end 2003, %) |
|---|-----------------------------|---------------------------------------|-------------------------------|--------------------------------------|
| 4 437 460 | 78.5 | 24.6 | 1.8 | 18.1 |

Source: National Bureau of Statistics

(*) Decentralised implementation system

Technical assistance

7. FORMS AND DELIVERY OF TECHNICAL ASSISTANCE

The recourse to technical assistance (TA) measures constitutes an essential element for ensuring a successful programming and implementation of ISPA projects. These measures focus on project preparation, project implementation, accompanying institutional strengthening, and, more recently, on the structural (re)organisation of certain utilities, thereby enhancing sustainability of project implementation. In addition, by accompanying institutional strengthening and the enhancement of administrative capacity, ISPA contributes to the preparation of the beneficiary countries for implementing the instruments of cohesion policy, in particular the Cohesion Fund.

Two types of TA activities can be distinguished:

- technical assistance which is carried out on the initiative of the beneficiary country and which is mostly directly related to project funding, i.e. project identification/preparation, decentralisation (EDIS) and enhancing administrative capacity;
- technical assistance which is carried out on the initiative of the Commission and which is mostly let via framework contracts.

For the activities of the first strand, the ceilings of the ISPA contribution are usually those applicable to project funding, except for decentralisation which benefited from a 100% grant rate. The cost of the activities of the second strand are always entirely borne by ISPA.

8. TECHNICAL ASSISTANCE ON THE INITIATIVE OF THE BENEFICIARY COUNTRY

Project preparation and institutional strengthening

TA measures for project preparation have to ensure that beneficiary countries are presenting quality projects -particularly in terms of preparation, management and operation- to the Commission for ISPA funding. When required, these measures may include the elaboration of strategic studies concerning the (sub-) sectors eligible for ISPA funding. TA measures should also facilitate the development of a pipeline of quality projects which is a warrant for the Commission to identify and receive a sufficient number of suitable projects in time. Disposing of a strong project pipeline is not only essential for ISPA, but also for the Cohesion Fund, in particular as far Bulgaria and Romania are concerned, considering that they will be become eligible for this fund upon their accession in 2007. Both two countries have submitted applications for TA funds for financing preparatory studies for projects that will be presented for future funding from the Cohesion Fund. Regarding Croatia, TA for project preparation in 2004 was delivered under the CARDS programme.

In 2004, the Commission decided on one TA measure for institutional strengthening and project preparation concerning Bulgaria, representing a total eligible cost of

€15.9 million with ISPA contributing €12.9 million. The total number of TA measures for project preparation approved since 2000 now stands at 12, representing a total eligible cost of €54.2 million of which 82.5% (€44.7 million) was supported by ISPA.

Decentralisation

EDIS (extended decentralised implementation system) is a process which aims at establishing sound financial management and control systems and procedures in the beneficiary countries. Details about this process are provided in the chapter “Management and implementation”.

Table 9: Technical assistance measures on the initiative of the beneficiary countries 2000-2004 (in euro)

| Sub-sector | No of projects | Eligible cost | ISPA contribution | Commitments 2004 | Payments 2004 | Commitments 2000-4 | Payments 2000-4 |
|---|----------------|-------------------|-------------------|-------------------|------------------|--------------------|-------------------|
| Environment | | | | | | | |
| Water and/or wastewater incl. treatment | 2 | 10.500.000 | 9.625.000 | - | 2.416.216 | 7.700.000 | 2.941.216 |
| Wastewater treatment plant | 2 | 3.310.000 | 2.482.500 | - | 769.324 | 1.986.000 | 1.040.824 |
| Horizontal | 2 | 28.671.000 | 22.841.000 | 10.316.800 | 4.568.200 | 18.272.800 | 4.568.200 |
| Sector total | 6 | 42.481.000 | 34.948.500 | 10.316.800 | 7.753.740 | 27.958.800 | 8.550.240 |
| Transport | | | | | | | |
| Road | 1 | 1.466.060 | 1.099.545 | 199.545 | 450.000 | 1.099.545 | 900.000 |
| Rail | 1 | 800.000 | 600.000 | 99.375 | - | 579.375 | 60.000 |
| Road and rail | 1 | 5.880.000 | 4.998.000 | - | 119.618 | 3.998.400 | 3.998.400 |
| Inland waterway | 1 | 1.640.000 | 1.230.000 | 30.000 | 300.000 | 1.230.000 | 600.000 |
| Sector total | 4 | 9.786.060 | 7.927.545 | 328.920 | 869.618 | 6.907.320 | 5.558.400 |
| EDIS | | | | | | | |
| EDIS | 2 | 1.482.308 | 1.482.308 | 68.922 | 386.562 | 1.303.797 | 924.524 |
| TOTAL | 12 | 53.749.368 | 44.358.353 | 10.714.642 | 9.009.920 | 36.169.917 | 15.033.164 |

9. TECHNICAL ASSISTANCE ON THE INITIATIVE OF THE COMMISSION

Since the beginning of ISPA, technical assistance activities on the initiative or on behalf of the Commission have been concentrated importantly on enhancing the beneficiary countries' capacity to prepare, appraise and implement ISPA projects in accordance with the standards required for the management of Community funds.

For the year 2004, the total budgetary allocation for these activities amounted to €4 030 000. This amount is well below the ceiling of €9 024 000 million for TA activities, representing 2% of the total ISPA operational budget for the year 2004. In line with the Commission's new activity based accounting system, the allocation was split into the following budgetary allocations:

- under the operational budget line B 13.05.01.01: €1 930 000, of which €1 529 950 were effectively committed;
- under the functional budget line B 13.01.04.02: €2 100 000, of which €1 890 000 were effectively committed for covering ISPA TA administrative expenses (mainly for reinforcing EC Delegations).

Technical assistance activities on the initiative of the Commission in 2004 were carried out either in the framework of the *TA Action Programme 2001* (see below under Section A) and the *TA Action Programme 2004-2006* (Section B) or through independent ongoing actions launched in previous years (Section C). The two former Programmes are funded from the operational budget line, whereas the independent actions are funded from the functional budget line.

Finally, for the purposes of Croatia, the Commission has launched a *TA Action Programme 2005-2006* (Section D), for which an allocation €1.2 million covering the two year period has been earmarked under the functional budgetary line B 13.01.04.02.

The financial details of these activities are presented in Tables 12, 13, 14 and 15.

A. Technical assistance activities financed under the "TA Action Programme 2001"

Initially foreseen to cover TA activities during the period 2001-2003, only those activities of the Programme which were spilling over into 2004 were contractually continued that year, i.e. until the end of April 2004 for the 8 acceding countries and until the end of 2004 for Bulgaria and Romania. Unless stated otherwise, the activities concerned were financed from the commitments allocated during the period 2001-2003 which amounted to €11 860 864 and were not entirely taken up by end 2003. The financial details of the activities are presented in table 12.

Supplementary support to EC Delegations

Within the budgetary envelop for the sub-delegation of resources for this area of activity to the Commission Delegations, there were no sufficient means available to continue the activity in 2004. Instead, resources for small-scale technical assistance

(SSTA) and short-term expertise (STE) managed by the Heads of the EC Delegations in Bulgaria and Romania were made available from the *TA Action Programme 2004-2006* (see Section B).

Support for Monitoring Committees

In December 2003, the existing Financing Memoranda to provide financial assistance to national authorities for certain organisational expenditures of the ISPA Monitoring Committees were amended allowing for the continuation of this assistance for Bulgaria and Romania.

Quality Improvement

a) Strategic analysis of Via Baltica

A service contract for the study *Analysis of pan-European transport corridor I (TINA) Helsinki, Tallinn, Riga, Kaunas, Bialystok and Warsaw*, which was signed in December 2003 and for which € 379 600 was committed, has been completed in April 2005.

b) Improvement of public service

Following the grant agreement on a *Pilot study for promoting higher quality of public service deliveries in relation to activities co-financed by EU grants with particular reference to public utilities (e.g. Water, Wastewater and Solid Waste sectors)* signed in December 2003, the study was delivered in August 2004. An amount of €52 700 was committed in 2003, of which 70% was paid out in 2004, the closure payments having to be made in 2005.

c) *Training on public procurement systems and procedures*

Since the very beginning, ISPA TA activities have focused on enhancing the capacity to prepare, appraise and implement ISPA projects in line with the high standards required for the management of Community funds.

In this context, three contracts for training and strengthening the national authorities' capacity were signed in December 2003 covering all 10 beneficiary countries. The corresponding commitments entered into the 2003 budget totalled €1 730 820. In 2004, the contracts were executed and fully paid.

Public-private partnership

A framework advisory contract on public-private partnership (PPP) was concluded end 2001 for a duration of 3 years with the possibility to extend its duration with another two years. End 2004, the Commission lifted the option for prolonging the contract, thereby securing, when required, the delivery of expertise concerning the identification, appraisal, implementation and monitoring of PPP-projects until end 2006. This prolongation was concluded with two out of the 4 initial contractors, namely *Parsons&Brinckerof* and *Agriconsulting*.

In this area of activity, 3 main activities were carried out in 2004:

1. advisory services on project preparation;
2. the elaboration of a *Resource Book* on selected PPP case studies;
3. the organisation of a workshop entitled *Building a valuable approach to PPPs* on 5 July 2004, Brussels, at which the resource book was presented.

B. Technical assistance activities financed under the “TA Action Programme 2004-2006”

This Programme is to be considered as a follow-up of the *TA Action Programme 2000*, albeit focussing only Bulgaria and Romania. Most of its activity areas are of a similar nature as those in the 2001 Programme, in particular when they require additional resources throughout the 2004-2006 period. Furthermore, the new Programme now incorporates the framework contracts for the quality appraisal of ISPA project proposals which were previously financed outside the 2001 Programme. The financial details of the activities under the 2004-2006 Programme are summarized in Table 13.

Extra muros support to EC Delegations (SSTA)

Resources amounting to €690 000 were made available for small-scale technical assistance (SSTA) and short-term expertise (STE) managed by the Heads of the EC Delegations in Bulgaria (€205 000) and Romania (€485 000).

Support for Monitoring Committees

As TA support to this area of activity proved to be burdensome in terms of managing properly the expenditure related to the organisation of the Monitoring Committees, no new Financing Memoranda have been entered into in 2004. Instead, this activity was and will be financed from TA measures on the initiative of the beneficiary country. As a result, this area of activity has been cancelled.

Support to improve the quality of environment and transport projects throughout the project cycle (Quality Assurance Capability - QAC)

This activity area focuses on improving the beneficiary countries' capacity with respect to the identification, preparation and management of large-scale infrastructure projects. It is expected that this activity will enhance the quality of the projects submitted to the Commission, in particular as regards their economic and environmental sustainability. In 2004, the Commission concluded a contract with Ecorys which is to provide the foreseen training, notably through the organisation of seminars and the production of guidelines. The cost of this services contract amounts to €469 950.

Support to improve public monitoring and quality control on public service delivery

No action was undertaken in this field in 2004 because the outcome and reception date of the pilot study contracted with *Transparency International Slovakia* (see Section B – *Improvement of public service*) was not known early enough to launch

this activity in 2004. In the meantime, considering the good quality of the pilot study, the Commission was satisfied that this report constitutes also a useful guidance document for enhancing and monitoring the quality of public utility services in other countries than Slovakia, whether Member states or candidate countries. Accordingly, the report has been widely disseminated and incorporated in the DG Regional Policy website.

Assistance and technical support for the appraisal and quality control of project proposals received by the Commission services – two framework contracts for transport and environment

The Commission signed two new multiple framework contracts for environment and transport projects, both of which were concluded with *Scott Wilson Kirkpatrick* (main contractor) in November 2004, covering appraisal assignments for projects under the ERDF, the Cohesion Fund and ISPA. These framework contracts are to replace the framework contracts for ISPA which the Commission signed in 2000 as an independent TA activity. By way of anticipation, the Commission entered commitments amounting to €300 000 for the appraisal of ISPA and future Cohesion Fund projects in the 2004 budget.

Assistance and technical support for the appraisal and quality control of projects received by the Commission services – framework contract with the EIB

Another contract with the European Investment Bank (EIB), also entered into in 2000 as an independent TA activity (see also Section C - *Framework contracts for specific technical tasks*), continued to secure access to the expert knowledge of the Bank's technical staff for an initial duration of six years. For the year 2004, an amount of €50 000 was committed for the purposes of ISPA.

Preparation of printed information material and translation services

DG Regional Policy contracted expertise for information activities related to the EU cohesion policy. ISPA TA funds part-finance these activities where they relate to ISPA. This includes the preparation of printed material, project summaries and topical papers, as well as the delivery of translation services. In 2004, a contract for translation services was signed by DG Regional Policy in which ISPA participated with commitments amounting to € 20 000 for that year.

C. Technical assistance activities undertaken outside the “TA Action Programme 2001” and the “TA Action Programme 2004-2006”

The financial details of the activities under this Programme are summarized in Table 14.

Local technical assistance (de-concentrated activities in EC Delegations)

This area of activity covers the recruitment and remuneration of additional technical staff in the Commission Delegations -including related administrative costs- in order to reinforce the Delegations' procurement and supervision capacity as regards ISPA. Initially planned to cover a period of 3 years, this activity was continued up to April

2004 for the 8 ISPA beneficiary countries which acceded in 2004 and up to December 2004 for Bulgaria and Romania.

Whereas in the eight acceding countries the needs and resources were simply maintained, in Bulgaria and Romania additional support was considered necessary due to the increased number of projects at implementation phase and the increased ISPA budgetary allocations for 2004. As a result, a commitment totalling €1 890 000 was earmarked under the functional budget line B-13.01.04.02 for the payment of salaries and overhead for ALATs and local agents working in the EC Delegations on ISPA implementation.

Framework contracts for specific technical tasks

The contracts concerned are two multiple framework contracts and one framework contract with the EIB which the Commission entered into in 2000 as an independent TA activity for the appraisal of ISPA projects. In the case of the two former contracts, these expired in May 2005, whereas the latter one is simply continued. However, they now form part of the *TA Action Programme 2004-2006* (cf. Section B under *Assistance and technical support for the appraisal and quality control of projects received by the Commission services*).

D. Technical assistance activities to be financed under the “TA Action Programme 2005-2006 for Croatia”

The resources made available under this Programme from 2005 onwards will be used mainly for covering administrative and management expenses, including costs of staffing and other related expenditure (*intra muros* resources, ALATs, LAs), as well as for small scale technical assistance sub-delegated to the EC Delegation in Croatia (*extra muros* resources). Assistance envisaged under the Programme is similar to the one offered to the other ISPA beneficiary countries in the framework of de-concentrated Commission activities. It is intended to strengthen the country's administrative capacity, to improve its large-scale project preparation, management and financial control capabilities, and to support the Delegation in accomplishing its *ex ante* control, supervision and monitoring tasks.

In order to ensure continuity in and co-ordination of the Community assistance available to Croatia, the Programme builds on the activities carried out under CARDS and other EU assistance programmes, while at the same time incorporating new areas specific to ISPA, such as, e.g., works tendering and contracting, FIDIC rules, EIA Directive, etc. For this reason also, TA actions delivering training, technical expertise and advice to the Croatian public administration in charge of ISPA implementation will be funded from the CARDS programmes and be co-ordinated with similar activities provided for this country under PHARE.

The financial details of the activities proposed under this Programme for the years 2005 and 2006 are summarized in Table 15.

**Table 12: Budgetary allocation and payments for the TA Action Programme 2001
(in euro)**

| Activity | Type of contract/ beneficiary | Indicative allocations | Commitments 2001-2003 | Status activity* | Payments 2004 | Total payments 2001-2004 |
|--|--|---------------------------|--------------------------|---------------------|------------------|-----------------------------|
| <i>Implementation</i> | | 5 000 000 | 5 499 000 | | | |
| Monitoring Committee | Grant financing/ NIC,NAO | | 1 000 000 | completed | - | 375 000 |
| Supplementary support to DEC (SSTA) | Sub-delegation/ EC Delegations | | 4 499 000 | completed | 780 587 | 2 338 949 |
| <i>Quality Improvement</i> | | 2 150 000 | 2 635 057 | | | |
| Strategic analysis of the Via Baltica | Contract/ Faber Maunsell | | 379 600 | completed | 113 880 | 113.880 |
| Improvement of public service | Grant financing/ Transparency International Slovakia | | 52 500 | completed | 36 750 | 36 750 |
| ISPA Partner Meeting 2002 | bon de commande | | 94 060 | closed | - | 94 060 |
| Riga WFD Seminar | bon de commande | | 35 160 | closed | - | 35 160 |
| Prague WFD Seminar | bon de commande | | 50 231 | closed | - | 50 231 |
| FIDIC Seminars | Contract/ European Construction Ventures | | 42 486 | closed | - | 42 486 |
| ISPA Partner Meeting 2003 | bon de commande | | 250 000 | closed | 14 277 | 155 825 |
| Training Public Procurement | Contracts/ Hyder, Cowi, Ove Arup | | 1 730 820 | closed | 1 730 820 | 1 730 820 |
| <i>Decentralisation</i> | <i>Contract</i> | 800 000 | - | <i>cancelled</i> | - | - |
| <i>Financial Engineering</i> | | 3 100 000 | 3 100 000 | | | |
| Public-private partnership | Multiple framework contract/Parsons & Brinckerof, (Cowi), Agriconsulting, (Deloitte & Touche) | | 3 100 000 | ongoing | 259 850 | 1.198.651 |
| <i>Information/Communication</i> | | 950 000 | 626 807 | | | |
| Information activities | Contracts/ Aeidl, European Dynamics, OPOCE | | 181 017 | closed | - | 6 160 |
| Translation services | DGT Framework Contract | | 60 000 | completed | - | 17 001 |
| IT System | Contracts/ Intrasoft , Serco, EC_Doc, Trasys Sword | | 385 790 | completed | 199 944 | 319 726 |
| TOTAL | | 12 000 000 | 11 860 664 | | 3 136 108 | 6 514 699 |

* An activity is completed when it has been executed but not been paid out entirely. A closed activity is one which has been completed and for which all payments have been made. In case payments are less than commitments, the difference has been de-committed.

**Table 13: Budgetary allocation and payments for the TA Action Programme
2004-2006 – in euro**

| <i>Type of contract/Beneficiary</i> | <i>Activity</i> | <i>Indicative allocations 2004-2006</i> | <i>Commitments 2004</i> | <i>Payments2004</i> |
|--|---|---|-----------------------------|---------------------|
| Sub-delegation/EC Delegations | <i>Extra muros</i> support to EC Delegations (SSTA) | 2 995 000 | 690 000 | 21 270 |
| - | Support for Monitoring Committees | 200 000 | Cancelled | - |
| Contract/Ecorys | Support to Bulgaria and Romania to improve the quality of environment and transport projects throughout the Project cycle | 520 000 | 469 950 | - |
| - | Support to Bulgaria and Romania to improve public monitoring and quality control on public service delivery | 300 000 | Cancelled | - |
| Two multiple framework contracts (one for environment and one for transport)/ Scott Wilson Kirkpatrick | Assistance and technical support for the appraisal and quality control of projects received by the Commission services | 600 000 | 300 000 | - |
| Framework contract/EIB | Assistance and technical support from the EIB for the appraisal and quality control of projects received by the Commission services | 150 000 | - | - |
| Framework contract/DGT | Preparation of printed information material and translation services | 100 000 | 20 000 | - |
| - | Information, management tools and website | 120 000 | - | - |
| - | Seminars and conferences | 200 000 | - | - |
| TOTAL | | 5 185 000 | 1 479 950 | 21 270 |

Table 14: Budgetary allocation and payments for TA outside the Action Programme 2001 – in euro

| Beneficiary | Type of contract | Activity | Commitments 2000- | Commitments 2002 | Commitments 2003 | Commitments 2004 | Payments 2000-2004 |
|---|------------------|---------------------------------------|-------------------|------------------|------------------|------------------|--------------------|
| 10 EC Delegations | Sub-delegation | Remuneration of personnel (2000-2001) | 7.000.000 | - | - | - | 2.784.146 |
| 10 EC Delegations | Sub-delegation | Remuneration of personnel (2002) | - | 1.550.000 | - | - | 1.086.864 |
| 10 EC Delegations | Sub-delegation | Remuneration of personnel (2003) | - | - | 3.150.000 | - | 2.350.159 |
| 8+2 EC Delegations | Sub-delegation | Remuneration of personnel (2004) | - | - | - | 1.890.000 | 1.696.088 |
| Kampsax/ Brown&Root | Framework | Transport | 2.000.000 | - | - | - | 1.003.252 |
| Tractebel/ Halcrow | Framework | Environment | 2.000.000 | - | - | - | 1.265.682 |
| EIB | Framework | Project appraisal | 210.000 | - | - | - | 72.164 |
| TOTAL | | | 11.210.000 | 1.550.000 | 3.150.000 | 1.890.000 | 10.258.355 |
| <p>* A closed activity is one which has been completed and for which all payments have been made. In case payments are less than commitments, the difference has been de-committed.</p> | | | | | | | |

Table 15: Indicative allocations for the TA Action Programme 2005-2006 – in euro

| <i>Type of contract/ beneficiary</i> | <i>Activity</i> | <i>Indicative allocations 2005-2006</i> | <i>Of which commitments entered in 2005</i> |
|--|---|---|---|
| Subdelegation/ EC Delegation | <i>Intra-muros</i> support to EC Delegation (ALAT, LA) | 440 000 | 100 000 |
| Subdelegation/ EC Delegation | <i>Extra-muros</i> support to EC Delegations (SSTA) | 760 000 | 300 000 |
| TOTAL | | 1 200 000 | 400 000 |

Management and implementation

10. PROJECT MONITORING

Overall monitoring and evaluation of the progress and effectiveness of the implementation is supported by regular meetings in the EC Delegation offices, monitoring reports by the implementing bodies, site visits by Commission staff and formal monitoring through the twice yearly ISPA Monitoring committee meetings in each beneficiary country.

Staff of the EC Delegations in the beneficiary countries plays an important role in supervising the daily management, implementation and monitoring of ISPA measures. Apart from exerting the Commission powers for endorsing tendering and contracting, it is best placed to ensure progress on the ground and liaise with national authorities and final beneficiaries on any problem that may arise.

As regards effective implementation of ISPA projects during 2004, the beneficiary countries continued to make further progress in terms of hands-on capacity. However, the impression remains that there is still scope for them to take effective ownership of the different stages of the project cycle and to enhance co-ordination between the various project stakeholders. A correlated area of concern is the lack of adequate financial and human resources devoted to the planning, preparation and management of ISPA measures, as well as the persistent high turnover of staff. Furthermore, renewed efforts are required from the beneficiary countries to make improvements in the following fields:

- qualification of staff, which is not always in proportion to the skills required to manage complex major infrastructure projects, in particular as tendering and contracting is concerned,
- tendering and contracting, because the insufficient quality of the tender documents is regularly a major reason of delaying the procurement process, especially for works contracts,
- financial management and control, the structures and procedures of which are being adapted to the required standards at too slow a pace.

11. FINANCIAL MANAGEMENT AND CONTROL

The principal requirements for both the financial management and control and the treatment of irregularities are governed by the provisions of the ISPA Regulation and of Annex III of the Financing Memoranda, as applicable under the regime of *ex ante* control by the Commission. These requirements are close to those applicable to the Cohesion Fund and the Structural Funds. The key elements relate to the establishment of internal financial control systems and procedures that can ensure transparent and non-discriminatory procurement procedures, the accuracy of declared expenditure, adequate internal audit capability, sufficient audit trail and appropriate treatment of irregularities.

During 2004, the Commission carried out a fourth cycle of system audits in the beneficiary countries to assess the adequacy of the systems established for the management of ISPA funds and their compliance with the above-mentioned requirements. In particular, the effective implementation of previous audit findings was verified, shortcomings in the set up of systems were remedied, project expenditure was audited whenever possible and, to a limited extent, public procurement procedures were assessed. Two audits were carried out in Bulgaria and 4 in Romania. They allowed for early remedial action to be taken when deficiencies were identified. However, the testing of the actual functioning of the systems was sometimes limited due to the delays in implementing ISPA projects. In some cases, public procurement procedures were only partly examined. Conclusions of this and previous audit cycles suggest that progress has been made, but that improvements in essential areas such as internal control, internal audit and compliance with public procurement rules are still required.

In the case of Romania, the system audits disclosed material shortcomings (e.g. inadequate internal controls, inappropriate accounting, staff shortages and a high rejection rate in tenders) in the set-up and the functioning of the management and control system as regards compliance with the key provisions of the Financing Memorandum³. This prompted the Commission to interrupt payments in December 2003 and February 2004 for CFR (Railways Agency) and in December 2004 for all implementing agencies. A reservation concerning the management and control system of ISPA in Romania was introduced in DG Regional Policy Annual Activity Report for the year 2004. As a consequence, the Romanian authorities have been requested to implement corrective actions by specific deadlines. With respect to the audits conducted in Bulgaria, these disclosed shortcomings -albeit of a less disruptive nature- in similar fields as in Romania, such as deficiencies in staffing, training, ISPA manuals, accounting system and procedures, EDIS process, and public procurement.

In parallel with the system audits, a number of project audits was carried out in 2004 in order to verify the legality and regularity of the expenditure declarations submitted to the Commission and the related payments. These missions confirmed that public procurement remains a very risky step in the whole project cycle as was revealed by the high rejection rate for the main tender documents and the lengthy process of awarding contracts. Other areas of concern are the slow implementation of projects, the accounting, reporting and monitoring procedures, as well as the verification of the eligibility of expenditure by the competent departments.

As mentioned before, a recurring problem during the implementation of ISPA is the lack of qualified and experienced personnel -including their high turnover- in the beneficiary countries. Consequently, bottlenecks occur in particular in the sensitive procurement process. As this situation is likely to be a major constraint on the effective utilisation of the future Cohesion and Structural Funds as well, analyses of staff needs will now take account not only of remaining ISPA workloads but also of likely future workloads under the future Funds. Close monitoring of the progress will therefore be ensured.

³ Provisions of Annex III of the Financing Memorandum which are derived from Article 9 of Regulation 1267/1999

For 2005, it is envisaged to follow up the findings and recommendations of the system audit missions carried out in 2004. System audits will focus on activities and bodies not covered by previous audits or where significant changes have taken place. Some audit missions will be dedicated to projects only and in those cases declared project expenditure will be audited wherever possible. In some cases, there could be a combination of system and project audits. Special attention will be paid to examining public procurement procedures at the level of national authorities. Concerning Bulgaria and Romania, 8 on-the-spot audits will be carried out to verify progress made at systems level and, in particular, as regards the implementation of the action plans which the Commission has formulated in 2004. It is envisaged also to follow up the actions taken by Croatia to put the necessary institutions and procedures in place to guarantee a successful implementation of ISPA. Two on the spot audits will be carried out to gain reasonable assurance of the systems in place.

12. EDIS

The process of setting up satisfactory financial management and control systems for ISPA is a significant step in the preparation for future Cohesion Fund and Structural Funds management. This has been given a further dimension by the procedure envisaged for the beneficiary countries to move from a *decentralised implementation system* (DIS) for ISPA -i.e. tendering and contracting are decentralised to national contracting authorities subject to the *ex ante* approval by the Commission- towards an *extended decentralised implementation system* (EDIS) whereby the Commission's control is waived. The conferral of EDIS is subject to a benchmarking exercise whereby the Commission verifies compliance with specific conditions and criteria which relate principally to sound financial management and control, encompassing effective internal control, an independent audit function, an effective accounting and financial reporting system, adequate staffing arrangements and respect of the principle of separation of functions. The conditions under which the Commission can waive the requirement for *ex-ante* approval are defined by Article 12 and the annex to Council regulation 1266/1999.

The *Roadmap to EDIS for ISPA and PHARE* drawn up in 2001 contains details of the 4 procedural stages leading to EDIS: (1) gap assessment, (2) gap plugging, (3) compliance assessment and (4) accreditation. ISPA technical assistance has been made available for the first 3 stages of the Roadmap in 2001 and 2002. The EDIS process is a lengthy and complex exercise, but its merits stem from the fact that it provides a sustainable input to the systems' set-up, regardless even the formal accreditation. Whilst the beneficiary countries have been strongly encouraged to move towards EDIS and supported by the Commission in this process, it should be recalled that they remain in any event responsible for the setting up of adequate management and financial control systems by virtue of article 9(1) of the ISPA Regulation.

By May 2005, the situation in this respect was that Romania had reached stage 3 (*compliance assessment*), whereas in Bulgaria contracting of stage 2 (*gap plugging*) was still not completed more than a year after the completion of stage 1 (*gap assessment*). However, in the case of Romania, the opinion of the stage 3 external auditors was that none of the bodies involved in ISPA implementation comply with the EDIS requirements. This is due to a number of major gaps, namely, in the area of

organisation and human resources, financial management, procurement, internal audit and IT systems. It follows that these deficiencies need to be addressed and corrected first before the *compliance assessment* stage can be concluded successfully. The provisional revised target date for the Commission granting EDIS being the first half of 2006 now, respecting this date will only be possible if the Romanian authorities implement all corrective actions and submit the application to waive the *ex ante* approval requirement by the beginning of 2006. In the case of Bulgaria, the launching of stage 2 was upheld because of considerable problems in the tendering process (lengthy period for agreeing the terms of reference, rejection of tender evaluation report by the EC Delegation and failure to reach agreement on the way forward until very recently). Finally, the EC Delegation and the national authorities have agreed to re-tender Stage 2 via an open tendering procedure. The provisional revised time table foresees July 2006 as the target date for the Commission Decision granting EDIS. However, it is rather unlikely that a request for EDIS accreditation for ISPA will be submitted much before the middle of 2006, giving very little time for a stage 4 (*accreditation*) Commission decision before accession, let alone for the Bulgarian authorities to gain experience working under EDIS. As a consequence, the Commission insisted with the authorities of both countries that there is an urgent need for them to make progress on EDIS.

As far as Croatia is concerned, a preparatory audit mission was carried out in March 2005 to facilitate the DIS accreditation process. The main issues arising were the need to improve the internal control of management operation, the lack of qualified and experienced staff and the need to substantially improve the programming cycle. Croatia is expected to submit an application for DIS by mid 2005.

13. RISK ASSESSMENT

The audit strategy with respect to the beneficiary countries is largely focussed on prevention. Under the system of *ex ante* approval, priority was given to ensuring that each country put in place sufficient control procedures regarding project implementation and payments. These were required to be in place by 1 January 2002. The first round of on-the-spot audits undertaken in 2001 was aimed at establishing the degree to which this objective had been attained. The successive audit rounds aimed at verifying whether the recommendations were implemented and the shortcomings in the set-up of the system resolved.

However, based on the findings of these audits, ISPA implementation is confronted with a series of risks which need to be confined and remedied progressively throughout the audit process. *Inherent risks* are risks which stem from the unfamiliarity of the acceding countries with EC rules, their limited administrative capacities and, subsequently, their potential of making errors. The *control risk* indicates a high risk ratio with respect to the preliminary risk assessment as well as to the control measures to detect or prevent errors. The *legal risk* originates from the fact that the beneficiary countries do not fall under the direct applicability of Community legislation or the judicial control of the Court of Justice. This enhances the risk that, for instance, in the case of irregularities, the subsequent recovery of grants cannot be carried out with the same legal provisions that would apply in the case of a Member state. Lastly, there are the risks related to issues and shortcomings identified during *previous audits*. In this respect, the most risky step in the whole

project cycle is the public procurement procedure. The procedure involves a high rejection rate by the Delegations for the main tender documents (terms of reference, tender dossiers, short list reports, evaluation reports, and contracts) and requires a reinforced quality assurance function. Other risks concern staff policy, the segregation of duties of authorising officer and accounting officer, as well as of management and control, the system for internal control of management operations, audit trail, accounting procedures, independent external auditing, irregularity reporting and financial corrections, and publicity and information measures.

In order to verify in an unambiguous manner that the capacity of the beneficiary countries to prepare and implement projects adequately is entirely in place, the Commission is screening the management and control systems in place as regards their compliance with the quality standards of the *acquis*. This is being done through audits carried out during all stages of EDIS to determine to what extent the conditions for EDIS are currently met and to identify specific actions, changes and improvements required.

Finally, where it is foreseen that the structures and control procedures put in place for ISPA will not change significantly for the Cohesion Fund, or where the competences acquired under ISPA will be re-used under the Cohesion Fund, a positive opinion from the EDIS stage 3 (*compliance assessment*) external auditors will help the Commission in obtaining the assurance that the management and control systems meet the standards required by the Cohesion Fund Regulation. As stipulated in Article 5 of Regulation 1386/02, the Commission must satisfy itself on this. Also, requests by the National Authorising Officers of the beneficiary countries to waive *ex ante* controls (stage 4) will be subject to verification audits within 3 months from the receipt of the request.

« QAC » - *Quality assurance capability*

With accession of Bulgaria and Romania approaching, the Commission considered that further efforts were needed to enhance the capacity of the key stakeholders in these countries to manage and implement ISPA and the future Cohesion Fund up to Community quality standards. For this reason, the Commission signed a services contract in December 2004 with a consortium led by ECORYS which is to provide technical assistance for *Improving the level of infrastructure project cycle management and contracting in Bulgaria and Romania*. This exercise is also known as improving the “quality assurance capability”.

Beyond the objective to improve project cycle management in general (i.e. strategic programming, project identification and preparation, project implementation, monitoring and evaluation), associated standards of time management and the management of risks will be introduced and/or improved as well. This will be achieved through the development of appropriate tools and recommendations for the improvement of quality assurance capability, as well as through the implementation of an effective training programme covering both of the environment and transport sectors.

14. EUROPEAN COURT OF AUDITORS FINDINGS

The Court of Auditors, in its annual report concerning the financial year 2003, pointed out that, although it is the responsibility of the candidate countries to set up

systems that comply with the ISPA requirements, the Commission did not take, in the past, sufficient measures to ensure that these requirements were respected within the time limits. In the Court's view, ensuring that reliable internal control systems were set up would have accelerated the removal of the Commission's *ex ante* control. For this reason, Directorate General for Regional Policy has already carried out systems audits and a number of projects audits during 2003 and 2004 in Bulgaria and Romania. Subsequently, an action plan has been agreed with these countries in which the specific recommendations of the Commission relating to identified deficiencies in the management and control systems are to be addressed according to a specific timetable. In this way, the Commission continues its work to ensure that appropriate systems for the management of Community funds are in place in due time before of accession.

In 2004, the Court started assessing the effectiveness of ISPA assistance in a selected number of beneficiary countries that have become a Member state. The assessments focussed in particular on the tendering procedures and intermediate payment requests processed and checked in the implementing agencies and with the final beneficiaries. It is worth mentioning the findings of these audits here because, by extension, they are relevant for the current ISPA beneficiary countries as well. Notably, the findings pointed to specific or regulatory requirements in the Financing Memoranda either delaying the timely implementation of projects or not being observed adequately, as well as to transactions errors due to system weaknesses. In the Commission's view, most of these errors did not have a financial impact and were of a mere formal nature, whereas in the other cases the Commission had taken steps to correct the declarations concerned or, in the case of specific requirements in the Financing memoranda or of standardising the methods for determining co-financing rates, it is working in the direction suggested by the Court.

15. CO-FINANCING PARTNERS – EIB AND EBRD

As in previous years, the EIB and the EBRD remained the privileged partners for providing loan financing to ISPA projects in 2004. Given their expertise in project preparation and implementation, the Commission regularly met these lending institutions, both at horizontal level to co-ordinate policy and methodological issues related to programming and implementation, and at country level. The Banks' specialist skills in structuring grant/loan combinations of funding, including public-private partnership arrangements, continued to be useful for improving the quality of projects funded from ISPA. Where possible, joint project identification and appraisal missions were organised for projects for which loan financing was sought. Representatives from the Banks have participated at the October 2004 meeting of the ISPA Management Committee and of the ISPA Monitoring Committees. Within the framework contract concluded with *EIB*, the Bank has provided specific technical input to the appraisal of a number of ISPA projects. The projects decided in 2004 that benefited from co-financing with the EIB are presented in the following table:

Table 15: Projects co-financed by the EIB in 2004

| Country | Transport | Environment |
|--|---|---|
| Bulgaria | Construction of cross-border road/bridge over the Danube river at Vidin-Calafat (*) | - |
| Romania | - | <ul style="list-style-type: none"> - Bistrita: rehabilitation and extension of the water supply and sewerage systems - Galati: integrated solid waste management system Bucharest: wastewater treatment plant rehabilitation – stage I (**) - Baia Mare: rehabilitation and modernisation of the water and sewerage services - Botosani: rehabilitation and modernisation of the water supply, sewerage collection and wastewater treatment systems - Drobeta Turnu Severin: rehabilitation and extension of the water supply and sewerage systems - Ramnicu Valcea: rehabilitation of the water supply system, sewerage system and wastewater treatment plant |
| <p>(*) In conjunction with a loan from the <i>Kreditanstalt für Wiederaufbau</i> (KfW) and grants from KfW and the <i>Agence Française de Développement</i> (AFD)</p> <p>(**) In conjunction with a loan from the EBRD</p> | | |

As regards the *EBRD*, the Bank can lend directly to municipalities and utility companies without a sovereign guarantee which adds an element of flexibility to the co-operation with ISPA. However, the number of jointly funded projects with the EBRD differs greatly from sector to sector, from country to country and from year to year. In 2004, the projects concerned were the following:

Table 16: Projects co-financed by the EBRD in 2004

| Country | Transport | Environment |
|--|---|--|
| Bulgaria | Maritsa East 2 TPP EAD: construction of flue gas desulphurisation plant | - |
| Romania | - | Bucharest: wastewater treatment plant rehabilitation – stage I (*) |
| <p>(*) In conjunction with a loan from the EIB</p> | | |

Contribution to Community policies

16. PUBLIC PROCUREMENT

From the start of ISPA, the fulfilment of legal requirements for sound, fair and transparent public procurement as enshrined in the PRAG has proved to be a major challenge. In many cases, ensuring compliance with EU procurement principles has led to delays in the implementation of ISPA projects. Commission services - especially the EC Delegations- had to intervene frequently, not only to check that procedures were correctly applied but also to rectify errors, to liaise with dissatisfied bidders, and to explain to implementing agencies how the procedures concerned were to be implemented. Regularly, the quality of the tender documents needed to be enhanced and the evaluation of bids to be repeated, whereas sometimes -the worst cases- tenders needed to be cancelled and re-launched.

The ex-ante approval by the Commission which governs the tendering and contracting of ISPA projects is, therefore, entirely justified. Under this system of approval, local recipients and final beneficiaries are in the role of Contracting authority responsible for project implementation, whereas the Commission endorses each step of the procurement process. It follows that, although the Commission is not a contracting partner, it bears shared responsibility for the procedural correctness of the procurement process (without the Commission's approval, contracts concluded between beneficiaries and contractors are not valid). This responsibility is entrusted to the EC Delegations in the beneficiary countries.

Meanwhile, training on specific procurement issues has been launched as well as practical tools (guides) been published to carry out tendering and contracting in accordance with national law harmonized according to EU standards (e.g. standard clauses for contracts, standardised templates, guidance documents for national implementing bodies tailored to the particular conditions in each country). As a result, in general, tender documents are better drafted, contracts more consistent, and the management and supervision of works during the implementation phase more professional. However, as indicated before, the experience of 2004 suggests that there is still scope for further strengthening public procurement systems and procedures.

17. COMPETITION POLICY

As the ISPA assistance is directed primarily to cover public expenditure -or equivalent- concerning utility projects, this does not generally raise problems of incompatibility with the Community rules on competition. Unless the rules on public procurement are infringed, and provided free access to such infrastructure is guaranteed for all operators meeting the necessary technical and legal conditions, such assistance does not confer any special advantage to specific firms. However, since it cannot automatically be assumed that certain assistance is not including state aid, Commission services, when examining the applications, assess the compatibility of the measures part-financed by ISPA against Articles 87 and 88 of the EU Treaty.

18. ENVIRONMENT POLICY

During the year 2004, 9 new ISPA projects for environment were approved, 1 of which concerned a technical assistance measure for the preparation of ISPA and future Cohesion Fund projects and for strengthening the institutional capacity of the relevant programming and implementing bodies. These projects represented a total grant amount of €268 million, the corresponding assisted investment amounting to €398 million. With a share of more than 90% of the assistance, it were the water and wastewater sectors that benefited predominantly from ISPA.

By providing direct assistance to priority projects for environment, ISPA also contributes to the implementation of environmental policy and to the compliance with EU standards in the beneficiary countries. Experience gained through project development and implementation reinforces administrative capacity and accelerates sector reform in the environment sector. In particular, administrative capacity has been strengthened in regard to environmental investment planning and prioritization. Steady progress has also been made in proper implementation of the EIA directive, including aspects related to public consultation. In addition, a pilot study promoting higher quality of public service in public utilities in the waste and water sub-sectors was completed in 2004. Whilst ISPA has in these ways contributed towards significant progress in environmental protection in the candidate countries, there subsists a series of weaknesses which needs to be addressed as a matter of priority by these countries. Indeed, problems still exist in relation to the difficulties of environmental authorities in obtaining adequate funding and staffing -the high turnover of staff annihilates the benefits of provided training and of gained experience- as well as to a persistent lack of co-ordination between policy fields and of strategic planning.

In this respect, it is important to emphasize that, within the perspective of accession, the binding nature of the transition period targets and final deadlines for directives for which transition periods were awarded require from the accession countries to reserve adequate financial and human resources for implementation at national level, including for monitoring, inspections, permits and reporting. Anticipated financing should therefore also secure loans from international financial institutions, national budgets and private sector investment.

19. TRANSPORT POLICY: FROM TINA TOWARDS NEW TEN-T GUIDELINES

During the year 2004, 2 new ISPA projects in the transport sector representing a total grant amount of €184 million were approved, the corresponding assisted investment amounting to €377 million.

The transport networks in the beneficiary countries, agreed in accordance with TINA (Transport Infrastructure Needs Assessment), were constructed around the framework of pan-European corridors. These corridors start more or less within the territory of the EU-25 - except Cyprus and Malta, for which, as islands, the network focus is on sea routes, ports and airports. Several of them include branches running across the territory of Bulgaria and Romania, i.e. Corridor IV *Dresden-Praha-Bratislava/Wien-Budapest-Arad*, Corridor VII *Danube river*, Corridor VIII *Durres-Tirana-Skopje-Sofija-Varna/Burgas*, Corridor IX *Helsinki-St.Petersburg-*

Pskov/Moskva-Kiev-Ljubasevka-Chisinau-Bucuresti-Alexandroupolis and Corridor X Salzburg-Ljubljana-Zagreb-Beograd-Nis-Skopje-with a branch to Sofia-Veles-Thessaloniki. These networks are used as the planning basis for the national transport strategies for ISPA purposes and, therefore, each ISPA transport project needs to form part of the TINA network, i.e. concern the construction or rehabilitation of a section, nodal point or access relating to the networks. As the accession countries are concerned, these networks will be used as well for future Cohesion Fund purposes and will fulfil a core function in these countries' National Development Plans, which will be the programming tool for the future use of the Structural funds. In Croatia, the relevant transport corridors are the branches V.a, V.b and V.c of Corridor V *Venezia-Trieste/Koper-Ljubljana-Budapest-Uzgorod-Lviv*, as well as Corridor X *Salzburg-Ljubljana-Zagreb-Beograd-Nis-Skopje-Veles-Thessaloniki*, including branche X.a.

Table 17: ISPA transport projects by pan-European transport corridor (2004)

| Corridor | ISPA project |
|---|--|
| IV Dresden-Praha- Bratislava/Wien-Budapest- Arad | 1. Construction of cross-border road/rail bridge over the Danube river at Vidin-Calafat (Bulgaria) |
| | 2. Construction of Deva-Orastie motorway bypass (Romania) |

The final TEN-T networks for Bulgaria and Romania are based on the TINA process, and are agreed and included in the draft Accession Treaty.

In April 2004, a revision of the Community guidelines for the development of the trans-European transport network (TEN-T guidelines) were approved by the Council and the Parliament, the Community disposes of a legal framework governing the development of the TEN-T network in the enlarged EU. The guidelines include a list of 30 priority projects which are declared to be of European interest and are to be realised with the horizon of 2020. The list of projects aims at ensuring modal shift and more sustainable mobility patterns by focussing investments in rail and waterborne transport. Cross-border projects are similarly present as these are typically the most difficult ones to implement. Of these projects, three concern axes including Bulgaria and Romania, i.e. priority project n° 22 the railway axis *Athina-Sofia-Budapest-Wien-Praha-Nürnberg/Dresden*, project n° 7 the motorway axis *Igoumenitsa/Patra-Athina-Sofia-Budapest* and the inland waterway axis *Rhine/Meuse-Main-Danube*, and one including Croatia, i.e. railway axis *Lyon-Trieste-Divaca/Koper-Divaca-Ljubljana-Budapest-Ukrainian border*.

Table 18: ISPA projects relating to the TEN-T priority projects (2004)

| Priority project (n°) | ISPA project |
|--|--|
| <i>Railway axis</i> Athina-Sofia-Budapest-Wien-Praha-Nürnberg/Dresden (22) | 1. Construction of cross-border road/rail bridge over the Danube river at Vidin-Calafat (Bulgaria) |
| <i>Motorway axis</i> Igoumenitsa/Patra-Athina-Sofia-Budapest (7) | 2. Construction of Deva-Orastie motorway bypass (Romania) |

Co-ordination among pre-accession instruments

As required by the Coordination Regulation⁴, the Commission ensures close co-ordination among the three pre-accession instruments, PHARE, SAPARD and ISPA. In line with the provisions of this Regulation, the PHARE Management Committee plays a special role in general co-ordination of the three pre-accession instruments.

Co-ordination with the (PHARE) Joint Monitoring Committee

The Joint Monitoring Committee is responsible for co-ordinating the monitoring of each pre-accession instrument and for assessing the overall progress of EU-funded assistance in the beneficiary countries. The Committee issues recommendations to the ISPA Committee or to the Commission when relevant.

Co-ordination with EC Delegations

Periodic meetings were organised by the Commission services (DGs Enlargement, External Relations and Regional Policy) with the experts in the Delegations responsible for PHARE and ISPA to discuss programming and implementation issues, in particular those related to tendering and contracting.

⁴ Council Regulation (EC)N° 1266/1999 of 21 June 1999 on co-ordinating aid to the applicant countries in the framework of the pre-accession strategy.

Country profiles and tables

20. BULGARIA

In 2004, Bulgaria received a total ISPA commitment allocation of €134.8 million. This was divided between the transport and environment sectors - €99.2 million and €35.6 million respectively. Technical assistance measures accounted for €10.3 million of these commitments. The allocation for Bulgaria represented 30% of the overall ISPA budget in 2004. Considering the years 2000–2004, the total ISPA grant approved in Bulgaria corresponds to €734.0 million, from which total budgetary commitments represent €562.8 million. Over the period 2000-2004 as a whole the share of budgetary commitments for transport and environment was 54% and 46% respectively.

Programming

In the environment sector, one investment project aimed at combating air pollution was approved in 2004 (construction of flue gas desulphurisation units of the Maritsa East II thermal power plant), together with a large technical assistance measure for capacity building and project preparation. The technical assistance measure will help prepare a pipeline of projects for the water and waste management sectors in major towns and cities in Bulgaria which are to be financed by ISPA or the future Cohesion Fund. It will also help build up the capacity of both national and local bodies to develop and manage future projects. In the transport sector, ISPA assistance was approved in 2004 for the construction of a combined road/rail cross-border bridge over the Danube river between Vidin (Bulgaria) and Calafat (Romania) on the route of priority pan-European transport corridor IV.

Implementation

Progress continued to be made in preparing designs and tender documents and in launching the tendering process for a number of projects during the course of 2004. However, because of the complexity of the large-scale projects concerned and limited administrative capacities, the rate of project implementation has in general been rather slow in Bulgaria. In the transport sector works continued on the Sofia Airport renewal project (which is due for completion in 2005) and on various sections of the transit roads rehabilitation project. In the environment sector, work tenders were launched in 2004 for all 2002 water projects (Popovo, Sevlievo, Bourgas-Meden Rudnik, Montana, Targovishte and Lovech) and for Dimitrovgrad left bank water project (part of 2000 water project for measures in Maritsa Basin – Stara Zagora, Dimitrovgrad and Haskovo).

Up to the end of 2004, total payments of ISPA grants in favour of projects amounted to €102 million, representing 18% of committed funds. The relatively modest rate of payment reflects the slow implementation of projects, and some difficulties in complying with conditions in the financing memoranda. However, the payment rate is expected to accelerate in 2005 as more projects reach the contracting stage.

Procurement ratio

Calculated as the total contracted amount against the total eligible cost for the period 2000-2004, the procurement ratio amounted to 18,7%.

Co-financing with IFIs

Co-financing with the IFIs has been an important feature of ISPA projects in Bulgaria especially in the transport sector. The air pollution project at Maritsa East II power plant, which was approved in 2004, is co-financed with the EBRD, while the Danube Bridge construction project is being co-financed with the EIB. Moreover, the pipeline of future investment projects in the environment sector being prepared under the 2004 approved ISPA technical assistance measure will, in many cases, be co-financed with either the EIB or EIB.

Monitoring and Evaluation

The ISPA Monitoring Committee met in June and November 2004. Attention of the Bulgarian authorities was drawn to the need to speed up the implementation of all projects and, in particular, to making progress on the EDIS process (see next section). The Commission stressed the importance of EIA legislation - specifically the public consultation procedures which have given rise to serious problems in certain projects - and the role of IFIs in providing technical expertise and co-financing infrastructure projects. The authorities were reminded about the recommendations of audits and about the urgent need to strengthen administrative capacity at all levels. With regard to the environment sector in particular, it was emphasised that final beneficiaries must be more implicated in project preparation and implementation.

EDIS

ISPA technical assistance finances the first 3 stages of EDIS (*gap assessment, gap plugging, and compliance assessment*). The grant was approved in 2002 and amounted to €892.555.

However, whereas stage 1 (*gap assessment*) was completed in 2003, problems in relation to the tendering and contracting of stage 2 (*gap plugging*) have delayed the EDIS process. Accordingly, the revised implementation plan for EDIS now foresees that the official request for EDIS approval by the Commission will not be received until Spring of 2006.

Financial Management and Control

A new round of system and project audits was carried out by the Commission in 2004 under the provisions of Article 9 of the ISPA Regulation. They revealed that, in certain fields, the ISPA financial management and control systems still suffer weaknesses. The audit reports were submitted to the Bulgarian authorities who are obliged to act upon the recommendations within three months of submission. Specific issues relating to audited projects have been taken up with the appropriate implementing agencies and are also considered at the regular ISPA monitoring.

Projects decided 2004 Bulgaria - in euro

| Sub-sector | N° of projects | Eligible cost | ISPA contribution | Commitments | Payments |
|---------------------|-----------------------|----------------------|--------------------------|--------------------|------------------|
| Environment | | | | | |
| Air quality | 1 | 72.330.000 | 36.165.000 | 25.315.500 | 3.616.500 |
| Horizontal | 1 | 15.921.000 | 12.896.000 | 10.316.800 | 2.579.200 |
| Sector total | 2 | 88.251.000 | 49.061.000 | 35.632.300 | 6.195.700 |
| Transport | | | | | |
| Road and rail | 1 | 225.806.452 | 70.000.000 | 49.392.000 | - |
| TOTAL | 3 | 314.057.452 | 119.061.00 | 85.024.300 | 6.195.700 |

Projects decided 2000-2004 Bulgaria – in euro

| Sub-sector | N° of projects | Eligible cost | ISPA contribution | 2004 | | 2000 – 2004 | |
|----------------------------|----------------|----------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
| | | | | Commitments | Payments | Commitments | Payments |
| Environment | | | | | | | |
| Water and sewerage | 1 | 25.432.000 | 19.074.000 | - | 1.907.400 | 15.259.200 | 1.907.000 |
| Wastewater treatment plant | 14 | 255.843.316 | 189.342.368 | - | 10.545.228 | 157.262.718 | 23.652.698 |
| Solid waste collection | 2 | 75.124.675 | 56.343.507 | - | 5.634.350 | 49.618.118 | 10.177.664 |
| Air quality | 1 | 72.330.000 | 36.165.000 | 25.315.500 | 3.616.500 | 25.315.500 | 3.616.500 |
| Horizontal | 1 | 15.921.000 | 12.896.000 | 10.316.800 | 2.579.200 | 10.316.800 | 2.579.200 |
| Sector total | 19 | 444.650.991 | 313.820.875 | 35.632.300 | 24.282.678 | 257.772.336 | 41.933.062 |
| Transport | | | | | | | |
| Road | 2 | 188.450.000 | 141.337.500 | 12.356.667 | 6.450.163 | 100.713.333 | 20.583.913 |
| Rail | 1 | 340.000.000 | 153.000.000 | 32.400.000 | - | 105.187.500 | 15.300.000 |
| Road and rail | 2 | 231.686.452 | 74.998.000 | 49.392.000 | 119.618 | 53.390.400 | 3.998.400 |
| Airport | 1 | 135.135.135 | 50.000.000 | 5.000.000 | 9.706.858 | 45.000.000 | 19.706.858 |
| Sector total | 6 | 895.271.587 | 419.335.500 | 99.148.667 | 16.276.639 | 304.291.233 | 59.589.172 |
| EDIS | | | | | | | |
| EDIS | 1 | 892.555 | 892.555 | - | 95.700 | 714.044 | 452.722 |
| TOTAL | 26 | 1.340.815.133 | 734.048.930 | 134.780.967 | 40.655.017 | 562.777.613 | 101.974.956 |

Technical assistance measures 2000-2004 Bulgaria – in euro

| Sub-sector | Projects N° | Eligible cost | ISPA contribution | 2004 | | 2000 – 2004 | |
|----------------------------------|----------------|-------------------|----------------------|-------------------|------------------|-------------------|------------------|
| | | | | Commitments | Payments | Commitments | Payments |
| Environment | | | | | | | |
| Wastewater treatment plant | 1 | 1.500.000 | 1.125.000 | - | 450.000 | 900.000 | 450.000 |
| Horizontal | 1 | 15.921.000 | 12.896.000 | 10.316.800 | 2.579.200 | 10.316.800 | 2.579.200 |
| Sector total | 2 | 17.421.000 | 14.021.000 | 10.316.800 | 3.029.200 | 11.216.800 | 3.029.200 |
| Transport | | | | | | | |
| Road and rail | 1 | 5.880.000 | 4.998.000 | - | 119.618 | 3.998.400 | 3.998.400 |
| EDIS | | | | | | | |
| EDIS | 1 | 892.555 | 892.555 | - | 95.700 | 714.044 | 452.722 |
| TOTAL | 4 | 24.193.555 | 19.911.555 | 10.316.800 | 3.244.518 | 15.929.244 | 7.480.322 |

21. ROMANIA

In 2004, Romania received a total commitment of € 314.7 million of ISPA assistance. Of the 2004 allocation, €157.2 million was assigned to transport projects and €157.4 million to environment projects. Of these commitments, technical assistance measures accounted for €0.37 million. The allocation for Romania represented 70% of the overall ISPA budget in 2004. Considering the years 2000–2004, the total amount of grant decisions in Romania corresponds to €1 776 million, from which the amount of commitments up to date represents €1 317 million. These commitments are evenly spread between the environment (50.5%) and the transport (49.5%) sectors.

Programming

A total of 8 new projects were approved in 2004 for both sectors. In the transport sector, one project was approved for the construction of the Deva-Orastie motorway bypass. In the environment sector, 7 projects were approved. Of these projects, 5 concerned the combined investment in the drinking and wastewater sectors in the cities of Bistrita, Botosani, Drobeta Turnu Severin, Ramnicu Valcea, and Baia Mare, one concerned the first phase of the construction of the Bucharest wastewater treatment plant, and one related to the management of the solid waste system in Galati.

Implementation

While during 2000-2004 the available ISPA allocations were fully committed to 46 projects, payments up to end 2004 amounted to € 236 million, of which €99.5 million were made in 2004.

In the period 2000-2004, the majority of the measures, including TA measures, received one payment, i.e. the first instalment of the advance, 17 measures received the second instalment of the advance, and 11 measures received a total of 16 interim payments. Regarding the TA measures, all 8 of them received the first advance payment, 5 measures received the second advance payment, and 4 measures received a total of 7 interim payments.

In 2004, first advances were paid for 5 measures and second advances for 12 measures, whereas interim payments were made with respect to 11 measures. In the Although this reflects some progress in the contracting of works, concerns remain with respect to the slow implementation rhythm and the difficulties in complying with Article 8 conditions of the Financing memoranda.

Administrative weakness is the main challenge facing the implementation of ISPA, in particular in procurement and financial management. Romania's public administration is characterised by cumbersome procedures, inadequate remuneration and poor management of human resources, these latter leading to lack of skilled manpower and high rotation of staff. A public administration reform strategy was launched in May 2004. The strategy covers the areas of civil service reform, decentralisation/de-concentration and policy coordination and some progress has

already taken place. However, staff policy is still considered deficient and needs to be strengthened.

The outcome of the audit missions undertaken by the Commission in Romania resulted in an interruption of the payment procedures until shortfalls in the financial management system were adequately remedied.

Procurement ratio

Calculated as the total contracted amount against the total eligible cost for the period 2000-2004, the procurement ratio amounted to 24.3%.

Monitoring and Evaluation

In 2004, the ISPA Monitoring Committee met twice, respectively in May and December. Attention of the Romanian authorities was drawn to the need to speed up the implementation of all projects and, in particular, to making progress on the EDIS process (see section below). The Commission stressed the importance of EIA legislation -specifically the public consultation procedures which have given rise to serious problems in certain projects- and the role of IFIs in providing technical expertise and co-financing infrastructure projects. The authorities were reminded about the recommendations of audits and about the urgent need to strengthen administrative capacity at all levels. With regard to the environment sector in particular, it was emphasised that final beneficiaries must be more implicated in project preparation and implementation.

Co-financing with IFIs

Co-operation with the IFIs is very important in Romania, in particular in the environment sector, where most of the ISPA measures are loan-financed by IFIs. Considering that the investment needs largely exceeds the ISPA allocation, it is anticipated that this co-operation will continue until the end of the ISPA programming period. In total, 14 projects benefited from EIB loans (Craiova and Braila in 2000, Cluj, Focsani and Pascani in 2001, Satu Mare, Buzau and Piatra Neamt in 2002, Dimbovita and Pitesti in 2003, and 7 projects in 2004, namely, Bistrita, Galati, Bucharest, Baia Mare, Botosani, Drobeta Tr. Severin and Ramnicu Valcea). A further 9 measures were co-financed with the EBRD, namely, Constanta and Iasi in 2000, Arad, Oradea, Timisoara and Targu Mures in 2001, Brasov and Sibiu in 2002, and Bacau in 2003.

EDIS

The EDIS stage 1 (*gap assessment*) was completed in 2002, whereas stage 2 (*gap plugging*) was completed in January 2005. Stage 3 (*compliance assessment*) was carried out in the first half of 2005, but the external auditors delivered a negative opinion. The revised submission date for the request for EDIS approval is now scheduled for end 2005.

ISPA assisted the Stage 2 exercise with the TA measure *Strengthen the capacity of ISPA Implementing Agencies to implement ISPA measures "Stage II – Gap Plugging"*, which was intended to speed up and improve the quality of

implementation of the ISPA implementing agencies in both sectors. The measure was implemented through four service contracts and one supply contract of a total value of €587 640.

Financial Management and Control

System and project audits carried out previously highlighted numerous weaknesses in the field of financial management and control. As a result, the Commission services included 19 recommendations in the action plan agreed with the Romanian authorities in December 2003. Although some progress was achieved during 2004, the implementation of a number of substantial recommendations suffered substantial delays, steps taken to fulfil the requirements proved insufficient, and the most critical issues did not receive the required level of attention. These issues concerned the establishment of an independent control body, the quality assurance of tender files, the accounting system, internal audit, staff and the assessment of the final beneficiaries. Following a new audit round in September 2004, the Commission formulated a further seven recommendations which, if followed, will assist the ISPA implementing bodies in improving their management and control systems.

Staff policy and problems of staff turnover remained a critical issue as well. Accordingly, the Romanian authorities should find sustainable solutions for this issue, such as, adequate working conditions, efficient training policies, attractive remuneration packages, corresponding budgets, etc.

Projects decided 2004 Romania – in euro

| Sub-sector | N° of projects | Eligible cost | ISPA contribution | Commitments | Payments |
|--------------------------------------|-----------------------|----------------------|--------------------------|--------------------|-----------------|
| Environment | | | | | |
| Water and sewerage | 3 | 113.100.000 | 84.825.000 | 59.377.500 | - |
| Water and wastewater incl. treatment | 2 | 65.129.000 | 46.715.300 | 34.588.210 | - |
| Wastewater treatment plant | 1 | 108.300.000 | 70.395.000 | 36.638.248 | - |
| Solid waste collection | 1 | 23.000.000 | 17.250.000 | 12.075.000 | - |
| Sector total | 7 | 309.529.000 | 219.185.300 | 142.678.958 | - |
| Transport | | | | | |
| Road | 1 | 151.646.000 | 113.734.500 | 75.568.302 | - |
| TOTAL | 8 | 461.175.000 | 332.919.800 | 218.247.260 | - |

Projects decided 2000-2004 Romania – in euro

| Sub-sector | N° of projects | Eligible cost | ISPA contribution | 2004 | | 2000 – 2004 | |
|---|----------------|----------------------|----------------------|--------------------|-------------------|----------------------|--------------------|
| | | | | Commitments | Payments | Commitments | Payments |
| Environment | | | | | | | |
| Water and sewerage | 4 | 159.855.800 | 119.891.850 | 59.377.500 | 3.506.685 | 90.937.665 | 7.013.370 |
| Water and/or wastewater incl. treatment | 21 | 795.288.672 | 585.693.803 | 46.107.447 | 30.889.734 | 459.890.657 | 84.560.132 |
| Wastewater treatment plant | 3 | 119.790.000 | 79.012.500 | 36.638.248 | 2.330.667 | 44.258.248 | 3.328.167 |
| Solid waste collection | 5 | 98.819.100 | 74.114.325 | 15.252.383 | 4.585.950 | 60.743.843 | 6.724.883 |
| Horizontal | 1 | 12.750.000 | 9.945.000 | - | 1.989.000 | 7.956.000 | 1.989.000 |
| Sector total | 34 | 1.186.503.572 | 868.657.478 | 157.375.578 | 43.302.036 | 663.786.413 | 103.615.552 |
| Transport | | | | | | | |
| Road | 7 | 706.077.297 | 523.635.069 | 111.977.847 | 47.615.009 | 338.407.543 | 99.942.576 |
| Rail | 3 | 509.258.358 | 381.943.769 | 45.236.654 | - | 312.848.845 | 23.232.944 |
| Inland waterway | 1 | 1.640.000 | 1.230.000 | 30.000 | 300.000 | 1.230.000 | 600.000 |
| Sector total | 11 | 1.216.975.655 | 906.808.838 | 157.244.501 | 47.915.009 | 652.486.388 | 123.775.520 |
| EDIS | | | | | | | |
| EDIS | 1 | 589.753 | 589.753 | 68.922 | 290.862 | 589.753 | 471.802 |
| TOTAL | 46 | 2.404.068.980 | 1.776.056.069 | 314.689.001 | 91.507.908 | 1.316.862.554 | 227.862.875 |

Technical assistance measures 2000-2004 Romania – in euro

| Sub-sector | N° of projects | Eligible cost | ISPA contribution | 2004 | | 2000 – 2004 | |
|--|----------------|-------------------|-------------------|----------------|------------------|-------------------|------------------|
| | | | | Commitments | Payments | Commitments | Payments |
| Environment | | | | | | | |
| Water and/or wastewater incl.treatment | 2 | 10.500.000 | 9.625.000 | - | 2.416.216 | 7.700.000 | 2.941.216 |
| Wastewater treatment plant | 1 | 1.810.000 | 1.357.500 | - | 319.324 | 1.086.000 | 590.824 |
| Horizontal | 1 | 12.750.000 | 9.945.000 | - | 1.989.000 | 7.956.000 | 1.989.000 |
| Sector total | 4 | 25.060.000 | 20.927.500 | - | 4.724.540 | 16.742.000 | 5.521.040 |
| Transport | | | | | | | |
| Road | 1 | 1.466.060 | 1.099.545 | 199.545 | 450.000 | 1.099.545 | 900.000 |
| Rail | 1 | 800.000 | 600.000 | 99.375 | - | 579.375 | 60.000 |
| Inland waterway | 1 | 1.640.000 | 1.230.000 | 30.000 | 300.000 | 1.230.000 | 600.000 |
| Sector total | 3 | 3.906.060 | 2.929.545 | 328.920 | 750.000 | 2.908.920 | 1.560.000 |
| EDIS | | | | | | | |
| EDIS | 1 | 589.753 | 589.753 | 68.922 | 290.862 | 589.753 | 471.802 |
| TOTAL | 8 | 29.555.813 | 24.446.798 | 397.842 | 5.765.402 | 20240.673 | 7.552.842 |

List of abbreviations

| | |
|--------|--|
| AFD | Agence Française de Développement |
| ALAT | Local agent for technical assistance |
| CARDS | Community Assistance for Reconstruction, Development and Stabilisation |
| CFCU | Central Financial and Control Unit |
| EBRD | European Bank for Reconstruction and Development |
| EC | European Commission |
| EDIS | Extended Decentralised Implementation System |
| EIA | Environmental Impact Assessment |
| EIB | European Investment Bank |
| EU | European Union |
| FIDIC | International Confederation of Consulting Engineers |
| IFI | International Financial Institution |
| ISPA | Instrument for Structural Policy for Pre-Accession |
| KfW | Kreditanstalt für Wiederaufbau |
| LA | Local Agent |
| PHARE | Community programme for assistance for economic restructuring in the countries of Central and Eastern Europe |
| PPP | Public Private Partnership |
| PRAG | Practical Guide to PHARE, ISPA and SAPARD contract procedures |
| SAPARD | Special Accession Programme for Agriculture and Rural Development |
| SSTA | Small-scale Technical Assistance |
| STE | Short-term Expertise |
| TEN-T | Trans-European Transport Network |
| TINA | Transport Infrastructure Needs Assessment |
| WFD | Water Framework Directive |

Useful Information Sources

ISPA on-line:

http://www.europa.eu.int/comm/regional_policy/funds/ispa/ispa_en.htm

DG Regional Policy on-line:

http://www.europa.eu.int/comm/regional_policy/index_en.htm

Documentation Centre:

The European Commission
DG Regional Policy
B-1049 Brussels
Tel: + 32.2.2960634
Fax: + 32.2.2966003
E-mail: regio-info@cec.eu.int

European Union website:

www.europa.eu.int

DG Enlargement website:

<http://europa.eu.int/comm/enlargement/index.htm>

DG Environment website:

http://europa.eu.int/comm/environment/index_en.htm

DG Transport and Energy website

http://europa.eu.int/comm/transport/index_en.html

The EBRD website:

www.ebrd.com

The EIB website:

www.eib.org

Project List

| Sub-sector | Reference | Project | Eligible cost | ISPA grant | 2004 | | Total 2000-2004 | |
|--------------------|----------------|---|-----------------------|-----------------------|----------------------|---------------------|----------------------|---------------------|
| | | | | | Committed | Paid | Committed | Paid |
| Environment | | | | | | | | |
| Water and sewerage | 2000RO16PPE008 | Cluj: rehabilitation and modernisation of water supply and sewerage system for this area | 46.755.800,00 | 35.066.850,00 | | 3.506.685,00 | 31.560.165,00 | 7.013.370,00 |
| | 2004RO16PPE001 | Botosani Rehabilitation and Modernisation of the Water System | 42.500.000,00 | 31.875.000,00 | 22.312.500,00 | | 22.312.500,00 | 0 |
| | 2004RO16PPE002 | Ramnicu Valcea Rehabilitation of the Water System | 29.000.000,00 | 21.750.000,00 | 15.225.000,00 | | 15.225.000,00 | 0 |
| | 2004RO16PPE008 | Rehabilitation and extension of the water supply and sewerage system in the City of Drobeta | 41.600.000,00 | 31.200.000,00 | 21.840.000,00 | | 21.840.000,00 | 0 |
| Subtotal 4 | | | 159.855.800,00 | 119.891.850,00 | 59.377.500,00 | 3.506.685,00 | 90.937.665,00 | 7.013.370,00 |

| Sub-sector | Reference | Project | Eligible cost | ISPA grant | 2004 | | Total 2000-2004 | |
|---|----------------|--|---------------|---------------|--------------|--------------|-----------------|---------------|
| | | | | | Committed | Paid | Committed | Paid |
| Water and wastewater incl. treatment | 2002BG16PPE016 | Asparuhovo : Integrated waste water project | 25.432.000,00 | 19.074.000,00 | | 1.907.400,00 | 15.259.200,00 | 1.907.400,00 |
| | 2001RO16PPA003 | Technical Assistance for completion and upgrading the water management facilities of 5 cities | 3.500.000,00 | 2.625.000,00 | | 1.016.215,65 | 2.100.000,00 | 1.541.215,65 |
| | 2003RO16PPA012 | Technical assistance for institutional capacity strengthening of ISPA projects in the field of water management | 7.000.000,00 | 7.000.000,00 | | 1.400.000,00 | 5.600.000,00 | 1.400.000,00 |
| | 2000RO16PPE002 | Craiova city, rehabilitation of sewerage network and wastewater treatment facilities to protect the River Danube | 70.378.000,00 | 52.783.500,00 | | 9.173.280,32 | 47.505.150,00 | 14.451.630,32 |
| | 2000RO16PPE003 | Constanta sewerage and wastewater treatment rehabilitation | 96.556.653,00 | 72.417.490,00 | | 6.379.025,34 | 56.984.854,00 | 20.862.523,34 |
| | 2000RO16PPE004 | Timisoara: Rehabilitation of wastewater treatment technology, drinking water supply and sewerage improvements for the population | 48.080.000,00 | 34.136.800,00 | 3.413.680,00 | | 30.723.120,00 | 3.413.680,00 |
| | 2000RO16PPE005 | Pascani: Upgrading the water and wastewater system | 16.262.000,00 | 12.196.500,00 | | | 10.976.850,00 | 1.219.650,00 |
| | 2000RO16PPE006 | Iasi:Upgrading the water and wastewater system | 51.378.000,00 | 38.533.500,00 | | 6.514.292,84 | 34.680.150,00 | 10.367.642,84 |
| | 2000RO16PPE007 | Brasov:Treatment of drinking water and wastewater and neighbouring localities | 58.708.624,00 | 41.683.123,00 | 4.168.312,00 | | 37.514.811,00 | 4.168.312,00 |

| Sub-sector | Reference | Project | Eligible cost | ISPA grant | 2004 | | Total 2000-2004 | |
|--------------------------------------|----------------|--|---------------|---------------|--------------|--------------|-----------------|--------------|
| | | | | | Committed | Paid | Committed | Paid |
| Water and wastewater incl. treatment | 2000RO16PPE010 | Municipality Braila: Integrate Development and Wastewater Project | 59.877.400,00 | 44.908.050,00 | 3.937.245,00 | | 29.017.245,00 | 4.490.805,00 |
| | 2000RO16PPE011 | Arad City: Rehabilitation of sewerage network and provision of wastewater treatment facilities in order to protect the River Mures | 18.000.000,00 | 13.500.000,00 | | 1.350.000,00 | 10.800.000,00 | 2.700.000,00 |
| | 2001RO16PPE012 | Focsani City: Rehabilitation of the sewerage network and wastewater treatment plant | 15.876.500,00 | 11.748.610,00 | | 1.925.670,27 | 9.398.888,00 | 3.100.531,27 |
| | 2001RO16PPE013 | Oradea: Rehabilitation of the sewerage network and wastewater treatment plant | 23.906.000,00 | 16.734.200,00 | | | 13.387.360,00 | 1.673.420,00 |
| | 2001RO16PPE015 | Rehabilitation of the drinking water supply and waste water collection and treatment for the City of Targu Mures | 27.909.400,00 | 20.932.050,00 | | | 18.838.845,00 | 2.093.205,00 |
| | 2002RO16PPE018 | Bacau : Rehabilitation of the sewerage network and waste water treatment plant | 52.006.000,00 | 39.004.500,00 | | | 27.303.150,00 | 0 |
| | 2002RO16PPE019 | Satu Mare : Improvements to water supply and waste water collection and treatment systems | 37.355.000,00 | 26.522.050,00 | | | 16.384.358,00 | 2.652.205,00 |
| | 2002RO16PPE021 | Buzau: Rehabilitation of the waste water treatment plant, sewerage system and distribution network | 35.433.550,00 | 26.220.827,00 | | | 18.354.579,00 | 2.622.082,00 |

| Sub-sector | Reference | Project | Eligible cost | ISPA grant | 2004 | | Total 2000-2004 | |
|--------------------------------------|------------------|--|-----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|
| | | | | | Committed | Paid | Committed | Paid |
| Water and wastewater incl. treatment | 2002RO16PPE022 | Sibiu : Modernisation of the water supply and sewerage system | 37.588.000,00 | 25.559.840,00 | | | 17.891.888,00 | 2.555.984,00 |
| | 2002RO16PPE023 | Piatra Neamt : Improvement of water supply system, sewerage and waste water treatment | 28.594.545,00 | 21.159.963,00 | | | 14.811.974,00 | 2.115.996,00 |
| | 2002RO16PPE025 | Bistrita Catchment Areas: Rehabilitation and extension of the water supply and sewerage system | 22.500.000,00 | 16.875.000,00 | 13.500.000,00 | | 13.500.000,00 | 0 |
| | 2003RO16PPE026 | Pitesti: Rehabilitation of the waste water treatment plant, sewerage network and water supply system | 41.750.000,00 | 31.312.500,00 | | 3.131.250,00 | 23.029.225,00 | 3.131.250,00 |
| | 2004RO16PPE004 | Baia Mare rehabilitation and modernisation of water and sewerage public services | 42.629.000,00 | 29.840.300,00 | 21.088.210,00 | | 21.088.210,00 | 0 |
| | Sub-total | 22 | 820.720.672,00 | 604.767.803,00 | 46.111.455,00 | 32.797.134,42 | 475.149.857,00 | 86.467.532,42 |

| Sub-sector | Reference | Project | Eligible cost | ISPA grant | 2004 | | Total 2000-2004 | |
|------------|----------------|---|---------------|---------------|-----------|--------------|-----------------|--------------|
| | | | | | Committed | Paid | Committed | Paid |
| WWTP | 2002BG16PPA002 | Technical Assistance for the preparation of a water sector investment project for the Municipality of Sofia | 1.500.000,00 | 1.125.000,00 | | 450.000,00 | 900.000,00 | 450.000,00 |
| | 2000BG16PPE003 | Construction of Wastewater Treatment Plants for Stara Zagora and Dimitrovgrad | 43.399.688,00 | 32.549.766,00 | | | 29.294.789,00 | 3.254.977,00 |
| | 2001BG16PPE005 | Waste water treatment plant for Gorna Oriahovitza, Liaskovetz and Dolna Oriahovitza | 16.633.945,00 | 12.475.459,00 | | 2.887.575,82 | 11.227.913,00 | 4.135.121,72 |
| | 2001BG16PPE006 | Waste water treatment plant Pazardjik | 19.110.968,00 | 12.422.129,00 | | 1.493.382,75 | 11.179.916,00 | 2.735.595,65 |
| | 2001BG16PPE008 | Waste water treatment plant Blagoevgrad | 12.580.465,00 | 8.806.326,00 | | | 7.925.693,00 | 880.632,60 |
| | 2002BG16PPE009 | Waste water treatment plant Bourgas - Meden Rudnik | 10.206.220,00 | 7.654.665,00 | | | 6.123.732,00 | 765.467,00 |
| | 2002BG16PPE010 | Waste water treatment plant Targovishte | 15.235.915,00 | 11.426.936,00 | | | 9.141.549,00 | 1.142.694,00 |
| | 2002BG16PPE011 | Waster water treatment plant – Lovech | 18.396.575,00 | 13.797.431,00 | | | 11.037.945,00 | 1.379.743,00 |
| | 2002BG16PPE012 | Waste water treatment plant – Montana | 16.741.237,00 | 12.555.928,00 | | | 10.044.742,00 | 1.255.593,00 |
| | 2002BG16PPE013 | Waste water treatment plant – Smolian | 24.471.022,00 | 18.353.266,00 | | 1.835.327,00 | 14.682.612,00 | 1.835.327,00 |
| | 2002BG16PPE014 | Waste water treatment plant Sevlievo | 13.987.623,00 | 10.490.717,00 | | | 8.392.574,00 | 1.049.072,00 |
| | 2002BG16PPE015 | Waster water treatment plant – Popovo | 11.860.433,00 | 8.895.326,00 | | | 7.116.261,00 | 889.533,00 |

| Sub-sector | Reference | Project | Eligible cost | ISPA grant | 2004 | | Total 2000-2004 | |
|------------|------------------|---|-----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|
| | | | | | Committed | Paid | Committed | Paid |
| WWTP | 2002BG16PPE017 | Balchik : Waste water treatment plant | 21.589.225,00 | 16.191.919,00 | | 1.619.192,00 | 12.953.535,00 | 1.619.192,00 |
| | 2002BG16PPE018 | Shumen : Waste water treatment plant | 30.130.000,00 | 22.597.500,00 | | 2.259.750,00 | 17.241.457,00 | 2.259.750,00 |
| | 2000RO16PPA001 | Technical assistance for the completion and upgrading of the Bucharest wastewater treatment plant | 1.810.000,00 | 1.357.500,00 | | 319.324,17 | 1.086.000,00 | 590.824,17 |
| | 2000RO16PPE009 | Danutoni: Wastewater Treatment Plant (Valea Jiului) | 9.680.000,00 | 7.260.000,00 | | 2.011.342,85 | 6.534.000,00 | 2.737.342,85 |
| | 2004RO16PPE003 | Bucharest Wastewater Treatment Plant Rehabilitation - Stage I | 108.300.000,00 | 70.395.000,00 | 36.638.248,00 | | 36.638.248,00 | 0 |
| | Sub-total | 17 | 375.633.316,00 | 268.354.868,00 | 36.640.252,00 | 12.875.894,59 | 201.520.966,00 | 26.980.864,99 |

| Sub-sector | Reference | Project | Eligible cost | ISPA grant | 2004 | | Total 2000-2004 | |
|-------------|------------------|--|-----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|
| | | | | | Committed | Paid | Committed | Paid |
| Solid waste | 2000BG16PPE002 | Set of 6 Regional Waste Disposal Sites (Montana, Ruse, Pernik, Sevlievo, Silistra, Sozopol) | 60.577.513,00 | 45.433.135,00 | | 4.543.313,00 | 40.889.821,00 | 9.086.627,00 |
| | 2003BG16PPE019 | Kardjali: Regional Waste Management Center | 14.547.162,00 | 10.910.372,00 | | 1.091.037,00 | 8.728.297,00 | 1.091.037,00 |
| | 2000RO16PPE001 | Piatra Neamt Waste Management Programme | 13.846.000,00 | 10.384.500,00 | 2.076.900,00 | 1.038.450,00 | 10.384.500,00 | 2.076.900,00 |
| | 2001RO16PPE014 | Integrated municipal waste management in Ramnicu Valcea | 14.673.100,00 | 11.004.825,00 | 1.100.483,00 | | 9.904.343,00 | 1.100.483,00 |
| | 2001RO16PPE017 | Dambovita County: Rehabilitation of solid waste collection, transportation, treatment and landfill | 25.894.000,00 | 19.420.500,00 | | 1.942.050,00 | 15.536.400,00 | 1.942.050,00 |
| | 2002RO16PPE024 | Integrated waste management system in Teleorman Country | 21.406.000,00 | 16.054.500,00 | | 1.605.450,00 | 12.843.600,00 | 1.605.450,00 |
| | 2003RO16PPE027 | Integrated Waste Management System in Galati and Surroundings | 23.000.000,00 | 17.250.000,00 | 12.075.000,00 | | 12.075.000,00 | 0 |
| | Sub-total | 7 | 173.943.775,00 | 130.457.832,00 | 15.252.383,00 | 10.220.300,00 | 110.361.961,00 | 16.902.547,00 |

| | | | | | | | | |
|-------------|------------------|--|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|
| Air quality | 2001BG16PPE004 | Maritsa East 2 TPP-EAD- Construction of flue gas desulphurisation plants for Units 5 & 6 | 72.330.000,00 | 36.165.000,00 | 25.315.500,00 | 3.616.500,00 | 25.315.500,00 | 3.616.500,00 |
| | Sub-total | 1 | 72.330.000,00 | 36.165.000,00 | 25.315.500,00 | 3.616.500,00 | 25.315.500,00 | 3.616.500,00 |

| Sub-sector | Reference | Project | Eligible cost | ISPA grant | 2004 | | Total 2000-2004 | |
|------------|------------------|--|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|
| | | | | | Committed | Paid | Committed | Paid |
| Horizontal | 2003BG16PPA004 | Technical Assistance for institutional strengthening of the Ministry of Environment and Water for the ISPA pipeline management | 15.921.000,00 | 12.896.000,00 | 10.316.800,00 | 2.579.200,00 | 10.316.800,00 | 2.579.200,00 |
| | 2003RO16PPA013 | Technical assistance for project preparation in the environment sector | 12.750.000,00 | 9.945.000,00 | | 1.989.000,00 | 7.956.000,00 | 1.989.000,00 |
| | Sub-total | 2 | 28.671.000,00 | 22.841.000,00 | 10.316.800,00 | 4.568.200,00 | 18.272.800,00 | 4.568.200,00 |

| | | | | | | | | |
|--------------------------|--|-----------|-------------------------|-------------------------|-----------------------|----------------------|-----------------------|-----------------------|
| Total Environment | | 53 | 1.631.154.563,00 | 1.182.478.353,00 | 193.013.890,00 | 67.584.714,01 | 921.558.749,00 | 145.549.014,41 |
|--------------------------|--|-----------|-------------------------|-------------------------|-----------------------|----------------------|-----------------------|-----------------------|

| Sub-sector | Reference | Project | Eligible cost | ISPA grant | 2004 | | Total 2000-2004 | |
|------------------|------------------|---|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| | | | | | Committed | Paid | Committed | Paid |
| Transport | | | | | | | | |
| Road | 2000BG16PPT001 | Transit roads rehabilitation Project III in Bulgaria | 40.000.000,00 | 30.000.000,00 | | 6.450.163,43 | 24.000.000,00 | 9.450.163,43 |
| | 2001BG16PPT004 | Construction of Liulin Motorway, Sofia Ring Road - Daskalovo Road junction | 148.450.000,00 | 111.337.500,00 | 12.356.667,00 | | 76.713.333,00 | 11.133.750,00 |
| | 2000RO16PPA002 | Technical assistance for revision of feasibility study and preparation of tender documents, technical project, road section Drobeta-Lugoj | 1.466.060,00 | 1.099.545,00 | 199.545,00 | 450.000,06 | 1.099.545,00 | 900.000,00 |
| | 2000RO16PPT002 | Widening to 4 lanes of national road n° 5 Bucharest-Giurgiu | 65.810.032,00 | 43.434.621,00 | | 7.607.953,72 | 34.747.696,00 | 16.294.877,72 |
| | 2000RO16PPT003 | Construction of the Bucharest-Cernavoda motorway | 95.616.000,00 | 71.712.000,00 | | 6.050.000,00 | 49.372.000,00 | 11.100.000,00 |
| | 2000RO16PPT004 | Rehabilitation of the national road DN6-Section Craiova-Drobeta Turnu Severin | 117.002.705,00 | 87.752.028,00 | | 19.317.367,11 | 67.270.000,00 | 36.867.773,11 |
| | 2001RO16PPT005 | Construction of the Sibiu Motorway By-Pass | 90.521.000,00 | 67.890.750,00 | | 14.189.688,25 | 41.730.000,00 | 20.978.763,25 |
| | 2001RO16PPT006 | Rehabilitation of section Drobeta Turnu Severin-Lugoj on the DN 6 road | 184.015.500,00 | 138.011.625,00 | 36.210.000,00 | | 68.620.000,00 | 13.801.162,00 |
| | 2004RO16PPT008 | Construction of the Deva-Orastie Motorway By-pass in Romania | 151.646.000,00 | 113.734.500,00 | 75.568.302,00 | | 75.568.302,00 | 0 |
| | Sub-total | 9 | 894.527.297,00 | 664.972.569,00 | 124.334.514,00 | 54.065.172,57 | 439.120.876,00 | 120.526.489,51 |

| Sub-sector | Reference | Project | Eligible cost | ISPA grant | 2004 | | Total 2000-2004 | |
|------------------------|------------------|---|-------------------------|-------------------------|-----------------------|----------------------|-----------------------|-----------------------|
| | | | | | Committed | Paid | Committed | Paid |
| Rail | 2001BG16PPT003 | Plovdiv-Svilengrad-electrification and upgrading of Corridors IV and X | 340.000.000,00 | 153.000.000,00 | 32.400.000,00 | 0 | 105.187.500,00 | 15.300.000,00 |
| | 2001RO16PPA008 | TA for rehabilitation of the railway HU border-Simeria | 800.000,00 | 600.000,00 | 99.375,00 | | 579.375,00 | 60.000,00 |
| | 2000RO16PPT001 | Rehabilitation of the railway section Bucharest-Baneasa-Fetesti on the Bucharest-Constanta railway line | 308.972.588,00 | 231.729.441,00 | 45.137.279,00 | | 207.539.441,00 | 23.172.944,00 |
| | 2003RO16PPT007 | Rehabilitation of the railway section Campina-Predeal on the Bucharest-Brasov railway line | 199.485.770,00 | 149.614.328,00 | | | 104.730.029,00 | 0 |
| | Sub-total | 4 | 849.258.358,00 | 534.943.769,00 | 77.636.654,00 | 0,00 | 418.036.345,00 | 38.532.944,00 |
| Road and rail | 2001BG16PPA001 | Danube bridge technical assistance for recruitment of consultants | 5.880.000,00 | 4.998.000,00 | | 119.617,61 | 3.998.400,00 | 3.998.400,00 |
| | 2004BG16PPT005 | Construction: Cross-border Road/Rail Bridge-Danube River/Vidin-Calafat | 225.806.452,00 | 70.000.000,00 | 49.392.000,00 | | 49.392.000,00 | 0 |
| | Sub-total | 2 | 231.686.452,00 | 74.998.000,00 | 49.392.000,00 | 119.617,61 | 53.390.400,00 | 3.998.400,00 |
| Air transport | 2000BG16PPT002 | Sofia Airport - Lot B1 New Terminal and Related Infrastructure | 135.135.135,00 | 50.000.000,00 | 5.000.000,00 | 9.706.858,41 | 45.000.000,00 | 19.706.858,00 |
| | Sub-total | 1 | 135.135.135,00 | 50.000.000,00 | 5.000.000,00 | 9.706.858,41 | 45.000.000,00 | 19.706.858,00 |
| Inland waterway | 2002RO16PPA011 | Technical Assistance for the improvement of navigation conditions on the Danube | 1.640.000,00 | 1.230.000,00 | 30.000,00 | 300.000,00 | 1.230.000,00 | 600.000,00 |
| | Sub-total | 1 | 1.640.000,00 | 1.230.000,00 | 30.000,00 | 300.000,00 | 1.230.000,00 | 600.000,00 |
| Total Transport | | 17 | 2.112.247.242,00 | 1.326.144.338,00 | 256.393.168,00 | 64.191.648,59 | 956.777.621,00 | 183.364.691,51 |

| Sub-sector | Reference | Project | Eligible cost | ISPA grant | 2004 | | Total 2000-2004 | |
|------------|------------------|--|---------------------|---------------------|------------------|-------------------|---------------------|-------------------|
| | | | | | Committed | Paid | Committed | Paid |
| EDIS | 2002BG16PPA003 | Technical assistance for the preparation of EDIS | 892.555,00 | 892.555,00 | | 95.700,00 | 714.044,00 | 452.722,00 |
| | 2001RO16PPA009 | Titre Technical Assistance to strengthen the capacity of ISPA implementing agencies to implement ISPA measures-Stage 2 | 589.753,00 | 589.753,00 | 68.922,00 | 290.862,40 | 589.753,00 | 471.802,40 |
| | Sub-total | 2 | 1.482.308,00 | 1.482.308,00 | 68.922,00 | 386.562,40 | 1.303.797,00 | 924.524,40 |

| | | | | | | | | |
|--------------|--|-----------|-------------------------|-------------------------|-----------------------|-----------------------|-------------------------|-----------------------|
| TOTAL | | 72 | 3.744.884.113,00 | 2.510.104.999,00 | 449.475.980,00 | 132.162.925,00 | 1.879.640.167,00 | 329.838.230,32 |
|--------------|--|-----------|-------------------------|-------------------------|-----------------------|-----------------------|-------------------------|-----------------------|